



Alaska Employer

Newsletter

Unemployment Insurance Tax



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Michael J. Dunleavy, Governor

Dr. Tamika L. Ledbetter, Commissioner

Patsy Westcott, Director

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Questions about your rate, account or contributions?

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Penalty rates are preventable!

Employer tax rates are calculated based on the quarterly reporting history of payroll information. As an employer, you can assure you receive an Experience tax rate instead of a Penalty tax rate for 2022 by double-checking all your quarterly contribution reports and making sure payments have been submitted by July 31, 2021. If you are not sure, give us a call after filing your second quarter 2021 report.

Penalty rates for 2021 were assigned to 253 Alaska employers. The maximum employer experience rate for 2021 is 2.07 percent. Alaska employers at the 2.07 percent rate will pay a maximum of \$902.52 per employee this year (2.07 percent x \$43,600).

A penalty rated employer is taxed at 5.4 percent and can be liable up to a maximum of \$2354.40 per employee, more than double the amount of the highest rate for an experience-rated employer.

New option form to reduce your rate

We have a new option form to minimize COVID-19's effect on your rate. If your business' payroll had unexpected decreases or increases due to COVID-19, you may be eligible to use the Emergency Option Form. Examples of COVID-19 unexpected payroll changes are:

1. an increase in wages due to providing essential services;
2. decreases from layoffs or a reduction in hours worked; or
3. unpaid leave for mandatory, self-imposed quarantine, etc.

The form is available at: labor.alaska.gov/estax/forms/toc_forms.htm. Select "Emergency Option Form" under the header "Employer Option Forms."

Subcontractors and tax clearances

If you use subcontractors, a Tax Clearance request should be submitted before a final contract payment has been issued. A Tax Clearance provides you with the knowledge of whether the subcontractor is in compliance for unemployment insurance taxes. A compliant Tax Clearance relieves your business of the subcontractor's dues created during your project. Alaska Statute 23.20.265 outlines the prime contractor responsibility and potential liability for UI should a subcontractor be delinquent for their UI taxes and interest. While you can request a Tax Clearance for a subcontractor prior to the beginning of your project, it will not relieve you from dues created during

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your project. Unfortunately, each year there are subcontractors who do not pay their UI taxes, and the prime contractor did not request a Tax Clearance prior to issuing the final contract payment, causing them to be liable for those dues associated to the project.

Casual labor

Casual labor is a common term used in the employer community to describe workers performing a variety of services, usually on a temporary or part-time basis. Often these workers are hired temporarily for an hour, a day or a week. There is no provision in the law that excludes a worker from employment solely because he or she works less than full-time. The following types of workers have been referred to as casual laborers:

- Tour guides/bus drivers
- Seasonal employees
- Day labor/casual labor
- Sports officials
- Fill in office staff
- Student working in the tourism industry
- Street vendor workers
- Temporary staff
- Hunting or fishing guides
- Fair and carnival workers
- Seasonal pilots
- Boat operators and crew
- Camp counselors

Under Alaska Statute 23.20.526(a)(3), if a worker performs services for an employer that is in the employer's normal course of business, regardless of the amount of time worked or wages paid to the worker, the wages are reportable on the Quarterly Contribution Report. As an example: An employee is out sick for the evening and cannot work their shift. The employee has a friend come in for a few hours to cover the shift. The friend is paid \$25. The \$25 is considered wages and must be reported to the UI program on the Quarterly Contribution Report as this work is in the normal course of the employer's business.

NAICS usages

North American Industry Classification System is the current taxonomy of economic activity for North America. The NAICS code allows business to be grouped by the products and services employers provide. Being able to group employers by activity is vitally important to researchers, policy makers and even to the employers being classified.

NAICS codes tells us how broad or narrow the type of economic activity being conducted is in a specific region and how robust or vulnerable the region may be to specific types of economic shocks, both positive and negative. As economies grow and develop, the types of goods and services demanded by that population change and this growth and development can be reflected in the jobs created and/or destroyed in different sectors. Without this vital information, none of those assessments can be made.

For example, metrics such as average annual wage by industry can highlight relative pay for different types of work in the state. It also allows researchers and policy makers to pinpoint industries that are growing, shrinking or remaining stable. This can help direct training dollars to those sectors that need relatively more or less help. When your business is updating their registration information, not only include the new updates, but ensure the type of products and services you provide are accurate.

**First quarter reports and payments
are due by April 30, 2021.**