



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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Update your rate

Rates for 2021 have been issued! They were mailed in early December. Make sure you update your accounting software with your new rate and/or ensure your accountant, payroll provider or employers who provide you with supplemental workers have your new rate. This will prevent you from not paying enough and causing interest to accumulate. If you have questions regarding your rate notice, contact the Tax Central Office by emailing us at esd.tax@alaska.gov, or by phone: (907) 465-2757 or (888) 448-3527 (toll free).

How your UI tax rate is calculated

One of the objectives of the ES Tax Unit is to keep the Alaska UI Trust Fund solvent in order to pay benefits to eligible claimants. Alaska maintains a reserve rate to meet the benefit demands of a severe economic recession while also keeping the system from being over funded.

To maintain solvency, the financing system must cover the cost of the benefits being paid. The level of employer and employee contributions is based on the Average Benefit Cost Rate, the relationship between benefit costs and the total payroll of taxable employers. Data for multiple years is used in the calculation of the Benefit Cost Rate, thereby "smoothing out" sudden changes to the system and making the rate somewhat counter-cyclical. Counter-cyclical financing allows the fund to weather an economic slump while resisting sudden changes in contribution rates during a period of high benefit demands thus helping to stabilize the economy.

Employer Option Forms

Alaska UI contribution tax rates are based on quarterly wage declines. A decline in quarterly wages exists when the amount of total wages reported in one quarter decreases in the next quarter. The larger the decline in wages, the higher your contribution tax rate may be.

Several factors that may create artificial quarterly declines include the following:

- Bonus payments
- Bi-weekly payroll systems
- Issuance of lump-sum payments
- Paying a labor dispute settlement
- Changes in your accounting or payroll methods

"Employer Option Forms" were enclosed with your Annual Rate Notice and may be used to equalize any quarterly declines caused by these anomalies. Employer Options may help reduce decreases in your payroll from one quarter to the next, thus obtaining a more accurate rate. Employers have until June 30 each year to submit a completed form to reduce the previous year's contribution rate. The applicable quarters can be found on the annual rate notice.

Minimize COVID-19's impact on your tax rates

If your business' payroll had unexpected decreases or increases due to COVID-19, you may be eligible to use the Emergency Option Form to reduce payroll declines from quarter to quarter. Examples of COVID-19 unexpected payroll changes are:

- an increase in wages due to providing essential services,
- decreases from layoffs or a reduction in hours worked, OR
- 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."

Accurate rate for new or reinstated employer

When an employer has less than four consecutive quarters of reports ending with the June 30 computation date (for 2021 rates the computation period is July 1, 2017, to June 30, 2020), they will receive an industry rate. If the employer provides a description of the type of products or services they provide in Alaska or provide the NAICS code, they will receive an industry rate that is equal to the average rate of employers within the same industry. Employers who do not list their business activity on their registration form will be assigned the highest industry rate. Rates based on an employer's business activity are usually less than the highest industry rate.

FUTA tax credit

Alaska employers can expect to continue to receive their full federal tax offset, provided employers file their reports and make their payments on or before the last day of the month which follows the calendar quarter for which contributions have accrued (8 AAC 85.30).

To ensure your reports and payments are received by the ES Tax Office on or before Jan. 31, use the "Online Employer Services" link at labor.alaska.gov/estax. Reports and payments mailed by Jan. 31, but not received by the ES Tax Office timely, will be applied to the account on the date received and may not be eligible to receive the full FUTA tax credit. Additionally, no grace period is provided for this federal requirement.

**Fourth quarter reports and payments
are due by Jan. 31, 2021.**