

CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: 10/08/2018

AGENDA ITEM:	
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARYSVILLE, WASHINGTON, CHANGING THE CITY'S PAYMENT METHOD FOR UNEMPLOYMENT INSURANCE TO THE REIMBURSABLE METHOD	
PREPARED BY:	DIRECTOR APPROVAL:
Sandy Langdon, Finance Director	
DEPARTMENT:	
Finance	
ATTACHMENTS:	
Draft Resolution Employment Security Method Information	
BUDGET CODE:	AMOUNT:
SUMMARY:	

The City has been performing due diligence regarding insurance activity. One of these activities is unemployment insurance. Currently the city pays 0.2% of total gross wages to the State Employment Security Department (State) each quarter and any claims are paid directly by the State. This method is considered the "Taxable" method. The State has another option called the "Reimbursable" method, under this method the employer is billed, if any, every three months for its share of the unemployment insurance benefits received by former employees during the preceding calendar quarter.

The review of the unemployment insurance consisted of meeting with several cities, districts, and the State to determine options, responsibilities, and the associated processes. Of the cities and districts that we met with 100% of them use the "Reimbursable" method. The benefits of the "Reimbursable" method provides for the benefit to match the cost.

Any changes in the method must be received by November 30 for the following year and must remain with the chosen method for two calendar years.

The recommendation would be to move to the "Reimbursable" method.

RECOMMENDED ACTION: Staff recommends the Council to authorize the Mayor to sign a Resolution changing the City's payment method for unemployment insurance to the reimbursable method.

CITY OF MARYSVILLE
Marysville, Washington

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARYSVILLE,
WASHINGTON, CHANGING THE CITY’S PAYMENT METHOD FOR
UNEMPLOYMENT INSURANCE TO THE REIMBURSABLE METHOD.**

WHEREAS, the City currently pays for unemployment insurance by the taxable method and is assigned a base tax rate of 1.25% of total gross wages; and

WHEREAS, the City’s unemployment claims are less than it pays in tax; and

WHEREAS, the City has the option of paying for unemployment insurance by the reimbursable method which bills the employer every three months for its share of unemployment insurance benefits received by former employees; and

WHEREAS, switching to the reimbursable method will result in an alignment of cost to benefit for the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARYSVILLE that the Mayor is authorized to take all necessary steps to change the City’s method of paying unemployment taxes to the reimbursable method.

ADOPTED by the City Council at an open public meeting this _____ day of October, 2018.

CITY OF MARYSVILLE

By _____
JON NEHRING, MAYOR

Attest:

By _____,
DEPUTY CITY CLERK

Approved as to form:

By _____
JON WALKER, CITY ATTORNEY



Here are the options:

Political subdivisions and most nonprofit organizations that are exempt from federal unemployment taxes under Section 501(c)(3) of the Internal Revenue Code have more than one option for unemployment insurance payments. You can make a choice by completing this form. Here are three options:

Taxable method: File quarterly wage reports and make quarterly tax payments

All private sector employers use this method. This option is also available to nonprofit employers and political subdivisions *except* cities, counties and towns. Taxes are paid quarterly, based on the tax rate and tax ceiling in effect for a particular year.

Washington's tax rate is a variable rate determined by the cost of unemployment claims that were paid to an employer's former employees. An employer that has only operated in Washington for a short time is assigned the previous owner's tax rate or the average industry tax rate until enough time has passed to qualify for a rate based on experience. Employers also pay amounts for social tax and the Employment Administration Fund (EAF).

Reimbursable method: Pay for actual benefits of former employees

This option is available to political subdivisions and most nonprofit organizations. A reimbursable employer is billed every three months for its share of unemployment insurance benefits received by former employees during the preceding calendar quarter. The bill must be paid within 30 days.

Local Government Tax

This method is available only to cities, counties, and towns. Employers who elect this option are assigned a tax rate of 1.25% of total gross wages for the first eight quarters. After that, the tax rate is computed using an experience rating system based on benefits paid to former employees. These rates vary from 0.2% to 3.0%. An employer's local government tax rate can never increase by more than 1% a year.

If you have questions, please contact the Registration Unit at status@esd.wa.gov or 360-902-9360.

Please sign this form and fax to 800-794-7657 or mail to:

Employment Security Department, Registration Unit, P.O. Box 9046, Olympia WA 98507-9046



Reimbursable employers at a glance

Who are reimbursable employers?

Only employers who are exempt from Federal Unemployment Tax Act (FUTA) may choose the reimbursable method of paying for unemployment insurance. This includes governmental entities (federal, state, and local), their political subdivisions, and 501(c)(3) nonprofit agencies (religious, educational, charitable, and scientific organizations).

State, federal, and military employers must be reimbursable; while local governmental accounts, subdivisions, and 501(c)(3) nonprofit agencies may choose to be either taxable or reimbursable.

How do reimbursable employers differ from taxable employers?

Taxable employers pay a percentage of their taxable wages each quarter to the Employment Security Department as insurance for unemployment benefits. Reimbursable employers are billed for their share of benefits that were paid to former employees.

How else are reimbursable employers different?

They submit quarterly reports the same as taxable employers. However, they make no payments with their reports. Employment Security bills them quarterly if there are any benefit charges to their accounts. Payment is due 30 days after the billing date.

How does an employer switch payment methods?

An account remains reimbursable until an employer asks to change to the taxable method, or the department converts the account due to delinquent payments. Any request to switch payment methods must be received by November 30 for the following year.

An employer that chooses reimbursable status must remain with that payment method for two calendar years. If the reimbursable method is chosen, ESD may require a surety bond before the request is processed. A nonprofit organization that becomes taxable must remain taxable for one year, while local government agencies and political subdivisions must remain taxable for two years.

What happens if an employer switches from reimbursable to taxable?

Upon switching from the reimbursable to taxable method, an employer gets a new account number and is treated like a new business. Wages reported are subject to Unemployment Insurance tax. No longer billed for benefits paid to former employees, the employer pays a tax rate that is based on benefits paid in previous years. These benefits determine an experience rate. *If you switch from reimbursable to taxable payment method, you still have to pay for outstanding reimbursable benefit charges.* In other words, you cannot avoid paying for benefits paid to your former employees while you were under the reimbursable method.

What else should I know about being a reimbursable employer?

A reimbursable employer is charged when benefits are paid to former employees, even if the last employer was different. Furthermore, a reimbursable employer is not eligible for relief of benefit charges. If Employment Security determines that it overpaid a former employee, the reimbursable employer is issued a credit when the money is recovered.



Choice of Tax Payment Method for Unemployment Insurance

Name: _____ ESD number: _____
 Mailing address: _____ UBI number: _____
 _____ Business phone: _____

Please note that corporate officers are reportable, regardless of the payment method you choose.

Nonprofit organizations

Please attach a copy of the Certificate of Exemption under Internal Revenue Code Section 501(c)(3).

How would you like to pay for unemployment insurance?

- Taxable method: Employer files quarterly wage reports and makes quarterly tax payments.
- Reimbursable method: Employer files quarterly wage reports and is billed for the benefits that former employees received during the preceding quarter. Reimbursable method may require a surety bond (see next pages for more detail about reimbursable accounts)

Political subdivisions

Is the political subdivision or instrumentality a city, county, or town?

- Yes. Complete section A.
- No. Complete section B.

A. Cities, counties, and towns

How would you like to pay for unemployment insurance?

- Local government tax: Employer files quarterly wage reports and makes quarterly tax payments.
- Reimbursable method: Employer files quarterly wage reports and is billed for the benefits that former employees received during the preceding quarter.

B. All other political subdivisions or instrumentalities of the state. How would you like to pay for unemployment insurance?

- Taxable method: Employer files quarterly wage reports and makes quarterly tax payments.
- Reimbursable method: Employer files quarterly wage reports and is billed for the benefits that former employees received during the preceding quarter.

I certify that the statements above are correct to the best of my knowledge.

Signature Title Date

Email

In accordance with State Law RCW 50.44.060:

Hours and wages must be reported and contributions paid to ESD; if choosing the reimbursable method this form must be received within 30 days of account setup; to make changes to your current payment method this form must be received not later than 30 days prior to the beginning of the coming year.