Reimbursable Payment Method

Nonprofit organizations and political subdivisions that elect the reimbursable payment method need to be aware of the risks and responsibilities. The following chart gives a comparison of different employment situations and what effect they may have on both the taxable method and the reimbursable method for payment of UI taxes.

IF AN EMPLOYER HAS:	WITH TAXABLE:	WITH REIMBURSABLE:
Few layoffs and low turnover	May pay more than benefits paid out	Lower costs
Temporary help	Fixed costs regardless of number of layoffs	Higher risks after layoff
Stable or improving economy	May pay more than benefits paid out	Lower costs
Many layoffs and high turnover	Fixed costs regardless of turnover	Higher risks. For the amount of an employer's liability, see *The risks*, below.

The risks

Employers who choose the reimbursable payment method must be aware of the risks associated with this payment method. Employers assume liability for their former employees when those workers draw benefits on wages paid while working for them. Reimbursable employers will pay dollar for dollar on that portion of their former employees' benefits attributable to those wages.

As of January 1, 2011, the potential liability for regular benefits paid to a single employee receiving the maximum weekly amount for the maximum number of weeks is $9,620. The employer may also be liable for extended benefits that are triggered when the unemployment rate for the entire state reaches a certain level and duration.

Regular benefits as of January 1, 2011

Minimum weekly benefit amount: $ 56

Maximum weekly benefit amount: $370
Minimum number of benefit weeks: 16
Maximum number of benefit weeks: 26

Dependents allowance: $24 per child up to 3 children

Extended benefits as of January 1, 2011

The number of weeks of extended benefits is based on one-half the time of the parent claim.

Depending on the claim:
Minimum number of payable benefit weeks: 8
Maximum number of payable benefit weeks: 13

An employer electing to use the reimbursable method will have to continue reimbursement payments based on wages paid while the employer was on the reimbursable method. Liability for this obligation is binding for the remainder of the calendar year in which the election of coverage is received and for two additional years. The two most common situations involving this type of liability are:

- ✓ if an employer ceases business, and employees are still drawing UI benefits

- ✓ if a reimbursable employer chooses to become a contributory payer, that employer will continue to be liable for any remaining reimbursable payments based on the period during which the reimbursable method was used.

Electing the reimbursable method

Election of the reimbursable payment method requires approval from the Alaska Department of Labor and Workforce Development (AKDOL). These items must be submitted before approval can be granted:

- ✓ a completed Alaska Employer Registration Form

- ✓ a written notice of the employer's election

- ✓ a copy of the IRS 501(c)(3) exemption letter

- ✓ a security deposit

Bonding and security requirements

An election of the reimbursable payment method is not effective until a nonprofit organization or political subdivision files a surety bond with the Alaska Department of Labor and Workforce Development or deposits money or securities with the Department. The amount of the bond or deposit is the larger of $32,000 or 3.2 percent of the reportable

wages paid by the nonprofit organization or political subdivision in the four calendar quarters immediately preceding the effective date of the election.

If wages were not paid in the four quarters before the effective date of the reimbursable account status, the payroll will be estimated using the most recent and applicable information available. As above, the minimum bond or deposit will be $32,000 or 3.2 percent of the estimated total wages.

A bond is required to be in effect for three years after the business ceases operations or switches to the contributory method of payment. A cash deposit will not be refunded until all liability for benefits ends, which is also for a three-year period.
Political subdivisions that elect the reimbursable payment method may request in writing a waiver of the bond or deposit requirement. A waiver can only be granted if the political subdivision is not delinquent in its payments, and payments do not appear to be in jeopardy.

Terminating the reimbursable payment method

When the reimbursable payment method is selected, it remains in effect for the remainder of the year elected and the two full calendar years following.

Termination by the employer

An employer who has been reimbursing the fund for benefit payments to former employees may terminate this election and begin to pay regular contributions. Written notice must be filed by March 1 of the year that the termination will be in effect.

In addition to becoming a contributory employer, an employer who was once reimbursable will continue to be responsible for reimbursing the fund for benefits based on wages paid to former employees during the time the employer was using the reimbursable payment method.

Termination by UI Tax staff

■ An employer's election to reimburse the fund can be terminated by UI Tax staff for failure to make timely payments. The election will be terminated at the beginning of the next taxable year, and the termination is effective for two years.

■ Election to reimburse the fund also may be terminated by the UI Tax staff if an employer fails to meet the bonding or security requirements. At least 30 days' written notice of intention to terminate the reimbursable payment method must be given by UI Tax. Termination under these conditions will be in effect for not less than the four consecutive calendar quarters beginning with the quarter in which the termination becomes effective.

Employees' Contributions

Employees of nonprofit organizations or political subdivisions who have chosen the reimbursable payment method are not required to contribute to the UI program. Unlike regular contributory employers, reimbursable employers will not make deductions from their employees' pay to reimburse the Trust Fund.

For information about appeal rights or penalty and interest charges for reimbursable employers, see other sections of this handbook.

- ***Penalty for failure to file a report***

The late filing penalty is 0.1% of the total reportable wages in the quarter for each 30-day period or fraction of a 30-day period for which the report is late. The penalty may not exceed 0.5% of total reportable wages paid for the quarter, and may not be less than $10 for each delinquent report.

- ***Interest on past due contributions***

Interest accrues at 12% per year on all unpaid balances beginning 30 days after the quarterly billing is mailed.