CORPORATE COST CONTROL

Workforce Solutions

Employers Guide to Managing Unemployment Costs

Today's Speakers

Wayne is a photographer and wood-worker in his free time. He also enjoys reading and listening to music. When he is not flexing his creative muscles, Wayne is also an avid fan of the St. Louis Cardinals.

Wayne Rottger

Director of Tax

Wayne began his career in unemployment compensation in 1986 with The Frick Company as an Unemployment Hearing and Appeals Specialist. He was responsible for reviewing initial claim determinations, filing appeals when appropriate and preparing witnesses for the eventual hearing. These duties allowed him to gain extensive knowledge of the unemployment claims process.

During his tenure with The Frick Company, Wayne worked in several positions and departments which gave him a very unique background in the industry. Whether he was working in claims, tax, client services or quality control, Wayne constantly worked to improve processes for himself and his team while providing improved results for clients.

In 2003 when The Frick Company was acquired by TALX (subsequently Equifax) Wayne made the move from Regional Tax Manager to Senior Project Manager. In this role, Wayne was responsible for maintaining and reporting metrics on business unit revenue to senior leadership. Wayne also was responsible for determining process inefficiencies and providing solutions as the liaison between the sales team and his business unit.

With his client-focused mentality and organization skills, the leadership team challenged Wayne to assist with client retention as a Client Relationship Manager in 2005. Wayne excelled in customer service due to his progressive work-philosophy of "brining chaos to order". When an opportunity arose which enabled him to work with the analytical portion of unemployment compensation, Wayne found his way back to the tax department in 2007.

As Senior Manager of Employer Tax Services at Equifax, Wayne was responsible for the execution and success of projects exceeding $15 million in revenue. Wayne prides himself on his ability to teach and mentor a team while having a knack for identifying inefficient processes and initiating improvements. Always with the end-goal in mind, Wayne pushes both himself and his team to provide the highest levels of customer service while also maintaining the highest tax reductions possible for a client.

At CCC, Wayne strives to maintain a positive and productive team environment. With unfaltering leadership, he provides top-notch service to CCC clients while always remaining in a mentor roll to the Tax Department. He never hesitates to provide a helping hand for any project or training and finds great joy in helping a client better their workforce processes.

Today's Speakers

In Sandy's free time, she is a self-proclaimed "Band Mom" who supports her son's high school and daughter's college band activities. Sandy spends time with her dog and husband.

Sandy Rhymes

Lead Tax Analyst

Sandy Rhymes began her career in Workforce Solutions in 2003 with TALX (subsequently Equifax) as a Tax Consultant. In this role, Sandy gained extensive knowledge of the unemployment tax systems a the state and federal level.

As a Tax Consultant, Sandy was responsible for

- Researching unemployment regulations regarding unemployment tax
- Analyzing accounts for merger/acquisition/spin-off purposes
- Completion of paperwork and follow up with states for client registration/merger/acquisition/spin-off purposes
- Verification of state unemployment tax rate notices
- Reviewing client state unemployment insurance accounts for profitable buy down options in joint account or voluntary contribution states
- Consultation with clients regarding all findings related to their unemployment tax accounts
- Account reconciliation
- Preparation of unemployment tax rate projections for client budgeting purposes

Sandy's dedication to her clients allowed her to build lasting, trusting partnerships which positively impacted the clients' bottom line. She ensured her clients accounts adhered to the strict deadlines that are found in the unemployment tax process. This combination of attention to detail and customer service resulted in her receiving recognition from TALX leadership for outstanding client service and revenue generation.

In 2009, Sandy was promoted to Lead Senior Tax Consultant. Sandy provided clients with advice on key unemployment tax concerns, daily and also worked with the management team to implement LEAN initiatives. In 2016, Sandy received an Equifax 2016 Q3 Chariman Circle of Excellence Award for exemplary customer service and performance in tax.

In 2018, CCC was fortunate to add Sandy to our Tax Department as a Lead Tax Analyst. Sandy's willingness to share her experience, knowledge and customer service focus are a benefit to not only the entire CCC Tax Department but all CCC clients.

What do you think impacts your unemployment tax rate?

AGENDA

Topics

- US Dept of Labor Outlook
- History of UI
- How rates are calculated
- Factors that impact tax rates
- Reducing tax costs

US DEPT OF LABOR

Outlook for Future

Total unemployment rate is 3.7%

- Hit lowest in 50 years
- Projected to average 3.7% for 2019
- Estimated to climb 2021 through 2024 to 4.1%

Total Outstanding UI Debt is low

- In 2010, outstanding Federal Title XII Loans was at $40 billion
- In 2019, there is only jurisdiction with a Title XII Loan.

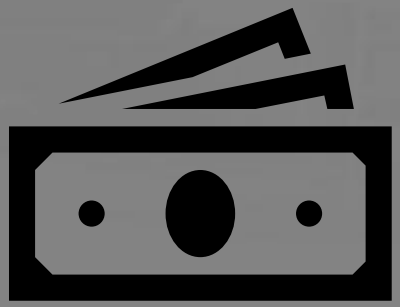
Unemployment account funding is lacking in 24 states

- When next recession occurs, these states will not be adequately funded to pay benefits.
- Loans will be necessary from Feds which must be repaid

HISTORY

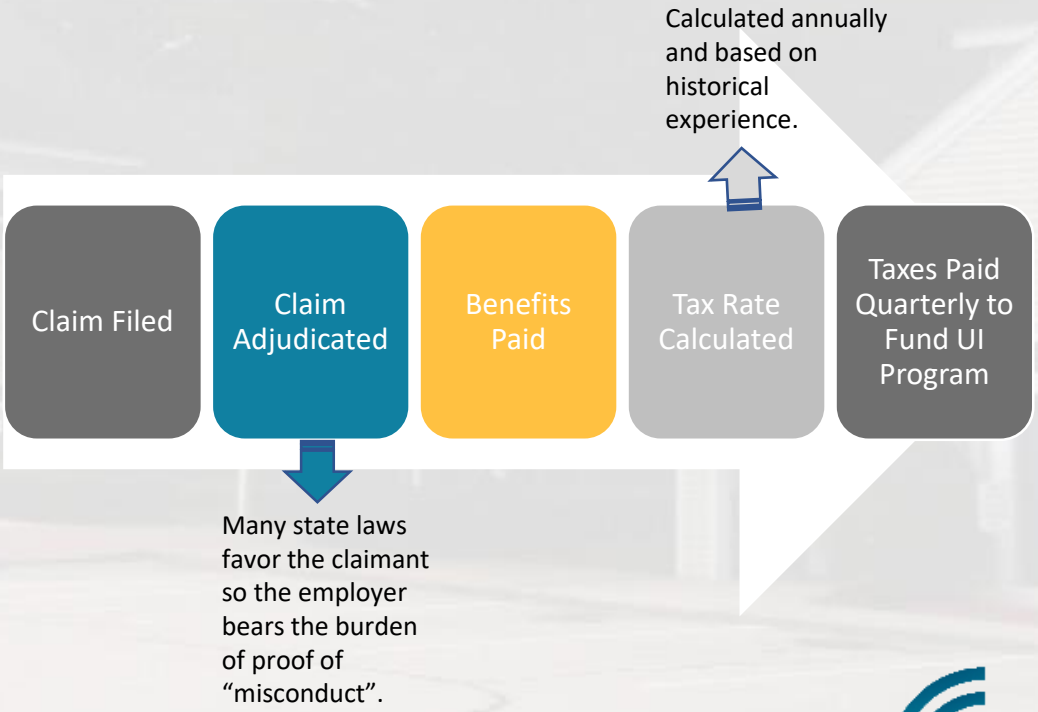
UI Tax

Purpose: To temporarily compensate individuals who were out of work through no fault of their own.



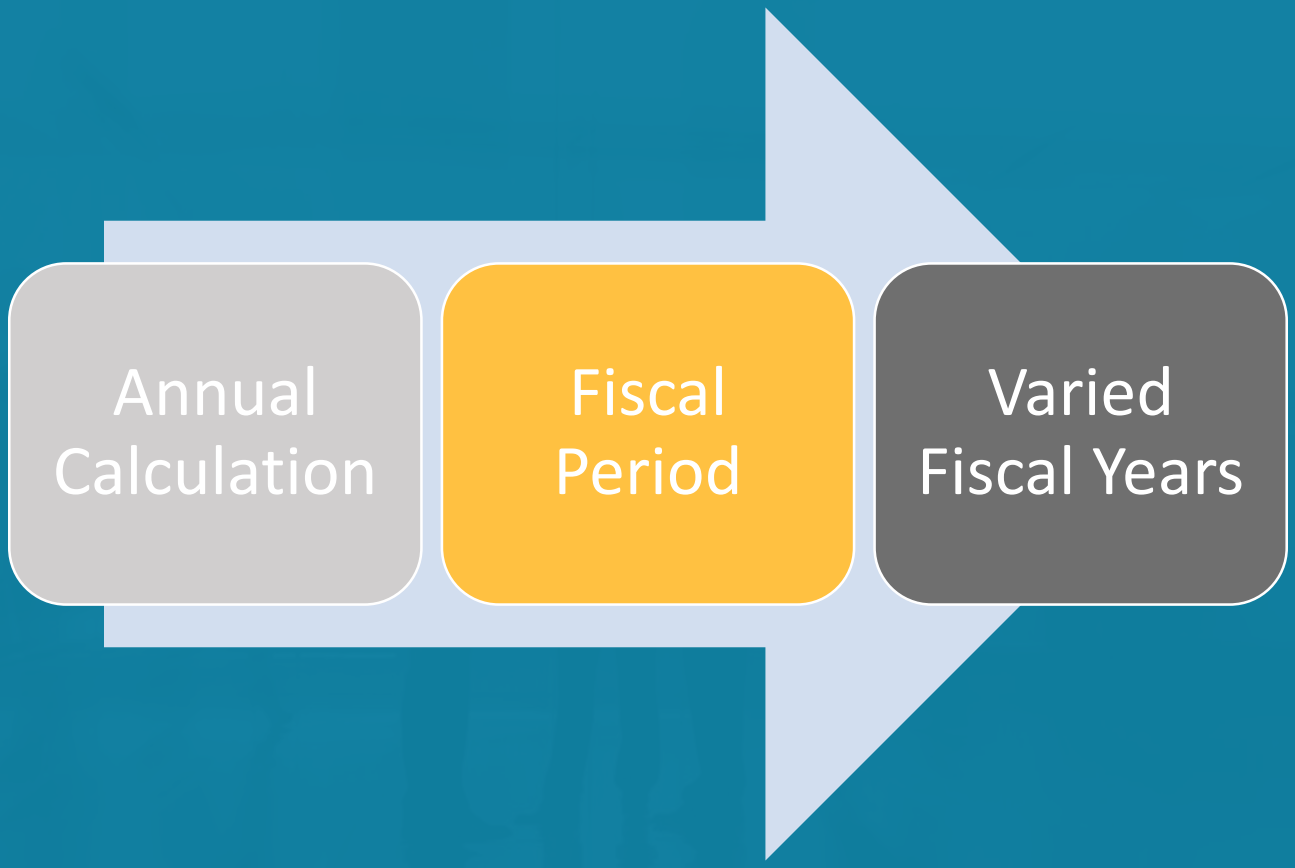
- Prior to 1932, there was no formal program in place. In 1932, Wisconsin became first state to make unemployment insurance a law.
- 1935 – President Franklin D. Roosevelt signs into law the Social Security Act which included plans for unemployment insurance.
- 1937 – All states and jurisdictions have enacted unemployment insurance laws.

Funded: The unemployment insurance program is funded primarily by taxes paid by employers in each state in which it has operations.



UNEMPLOYMENT TAX RATES

How are they calculated?



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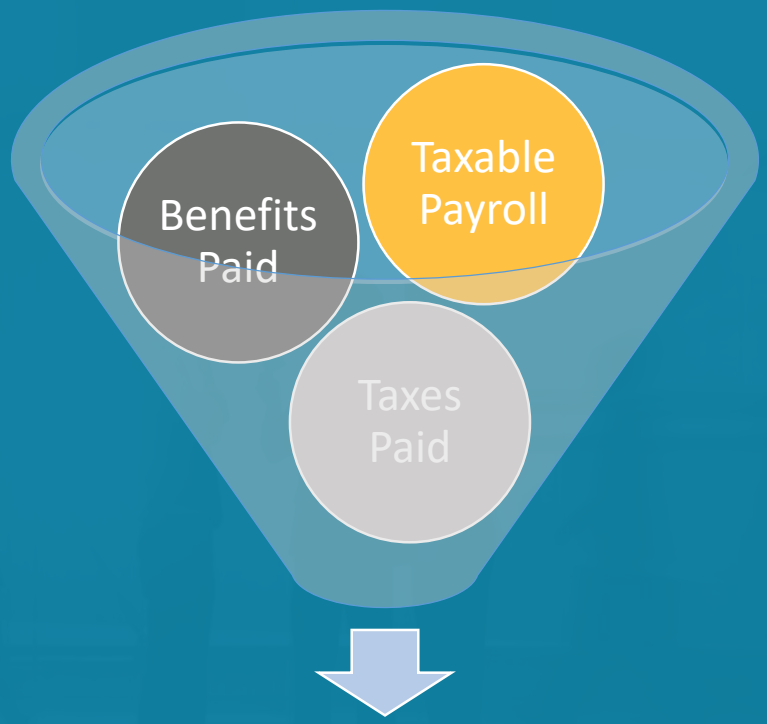

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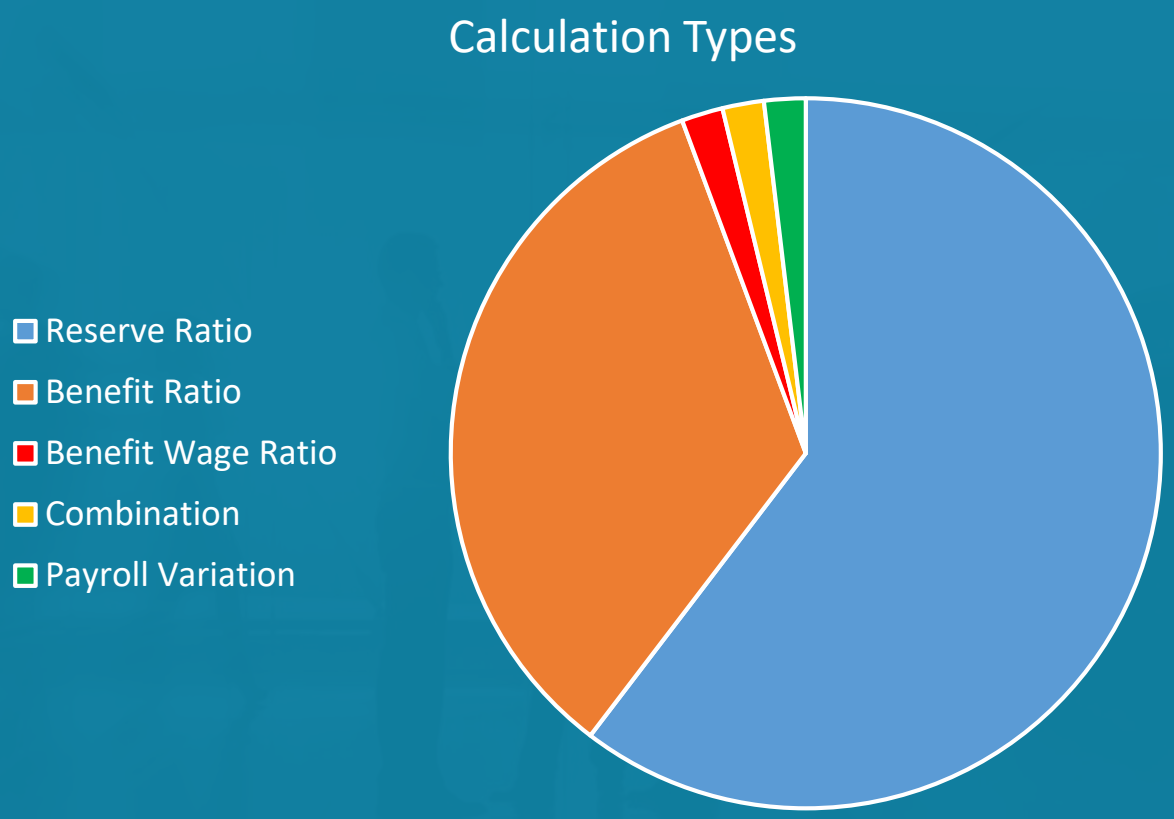
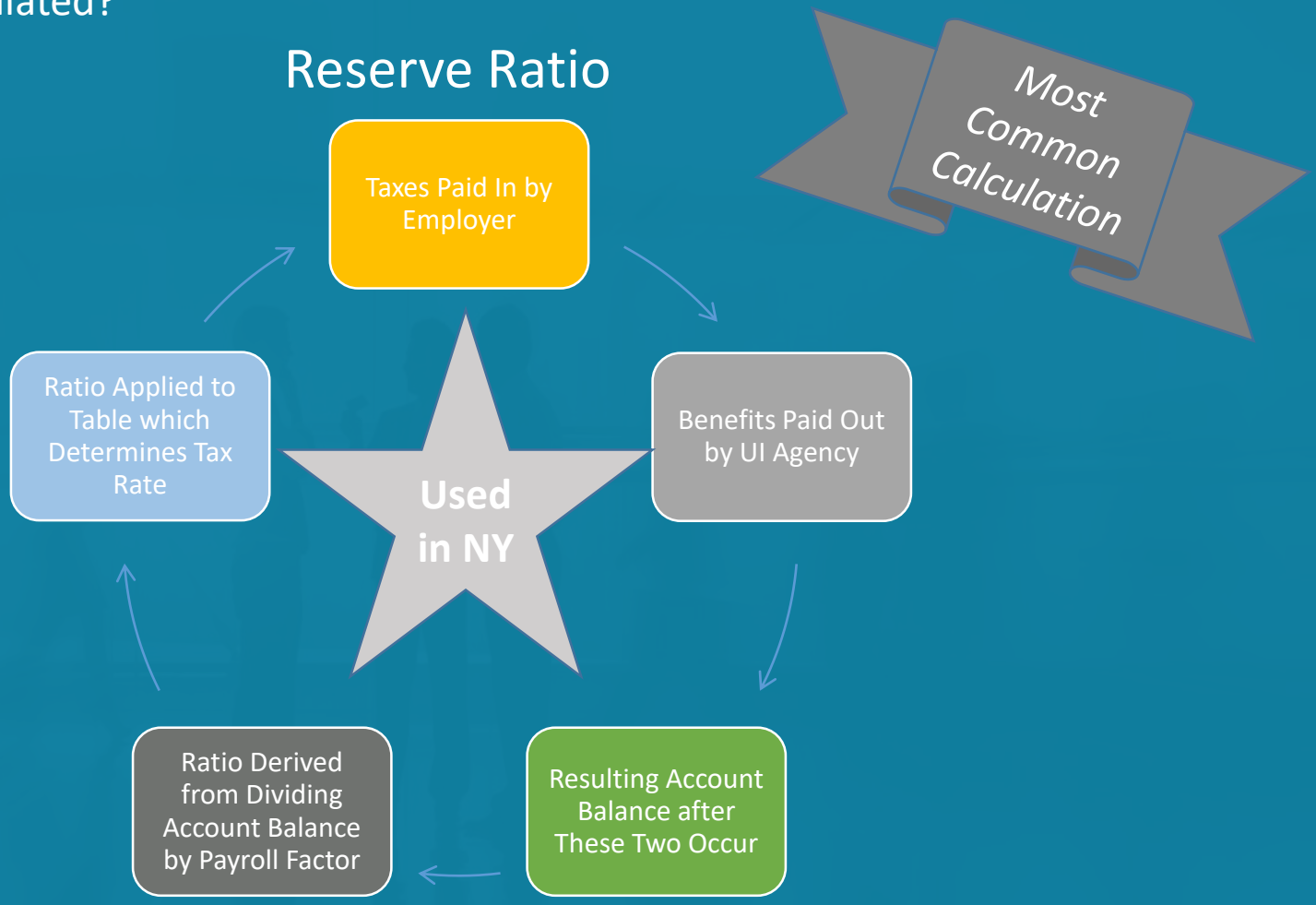


How are they calculated?

Reserve Ratio



UNEMPLOYMENT TAX RATES

How are they calculated?

Normal Rate: 2.100%
Subsidiary Rate: 0.625%
Unemployment Insurance: 2.725%

Reserve Ratio

NEW YORK	
1. Employer Account Balance 1/1/18	$132,598.74
a. PLUS normal contributions credited 12/31/18 on wages from payroll year.	$90,412.49
b. MINUS benefit payments charged in 2018	$63,799.27
2. Employer Account Balance 12/31/18	$159,211.96
3. Average payroll subject to contributions	$3,835,074
4. Account percentage	4.15
5. Size of Fund Index Range	2.5% but less than 3.0%
6. General account balance	Less than 0

Taxable Wagebase - $11,400
Minimum Tax Rate – 0.60%
Maximum Tax Rate – 7.90%
New Employer Tax Rate – 3.20%

Department of Labor
Employer Account Adjustment Section
Harriman State Office Campus
Albany, New York 12240-0415
www.labor.ny.gov

Notice of Unemployment Insurance Rate 2019 Q

02/14/19

Employer Reg.:

For assistance call the Employer Hotline at: (888) 899-8810
Website: www.labor.ny.gov

Your Rate	
Normal Rate	0.400%
Subsidiary Rate	0.525
Unemployment Insurance	0.925%
Re-employment Service Fund	0.075%

YOUR U.I. RATE INCLUDES THE 0.4% NORMAL RATE AND THE 0.525% SUBSIDIARY RATE - BOTH BASED ON YOUR POSITIVE ACCOUNT PERCENTAGE. THE RATE CALCULATION IS SHOWN BELOW.

Explanation	Computation	
Each employer has an account used solely as a means to measure experience within the Unemployment Insurance program. Your account balance includes contributions attributable to your normal rate if paid on time.	1. Employer account balance 1/1/18:	$1,916.20
	a. PLUS normal contributions credited 12/31/18 on wages from the payroll year:	$111.00
Contributions of your subsidiary rate and the Re-employment Service Fund (RSF) are not included.	b. MINUS benefit payments charged in 2018:	$0.00
The **payroll year** is from October 1 - September 30. Your average payroll subject to contributions is determined by totaling your payroll from the last five payroll years and then dividing that total by the number of such payroll years in which you were liable.	2. Employer account balance 12/31/18:	$2,027.20
	3. Average payroll subject to contributions:	21,400
Your account percentage = Your employer account balance (Item 2) divided by your average payroll subject to contributions (Item 3). An equalization factor is applied if you have a positive account percentage and have been liable for 5 to 21 consecutive calendar quarters.	4. Account percentage:	9.47
	5. Size of Fund Index Range: 2.5% BUT LESS THAN 3.0%	
Your normal rate is determined by matching your account percentage to the Size of Fund Index in the contribution rate table (located on our website at www.labor.ny.gov/ui/bpta/contributiontable.shtm).	6. General Account Balance: LESS THAN $0	
The **subsidiary rate** is assigned to employers based on your account experience and the balance in the General Account on the computation date (located on our website at www.labor.ny.gov/ui/bpta/subtable.shtm).	Keep this notice. Use your 2019 Unemployment Insurance Contribution Rate to calculate Unemployment Insurance Contributions Due (line 4) on the "Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return" (NYS-45). Returns are due on 4/30/19, 7/31/19, 10/31/19 AND 1/31/20.	
The **Re-employment Service Fund** of 0.075% is uniformly assigned to all rated employers. It cannot be used as a credit on the Federal IRS Form 940.	For more information about calculating your rates: - Download the Experience Rating publication from our website at: https://labor.ny.gov/formsdocs/ui/IA318.12.pdf or - Call the Employer Hotline at: (888) 899-8810	

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IA 97 (02/19)

NEW YORK STATE OF OPPORTUNITY. Department of Labor

How are they calculated?

Benefit Ratio

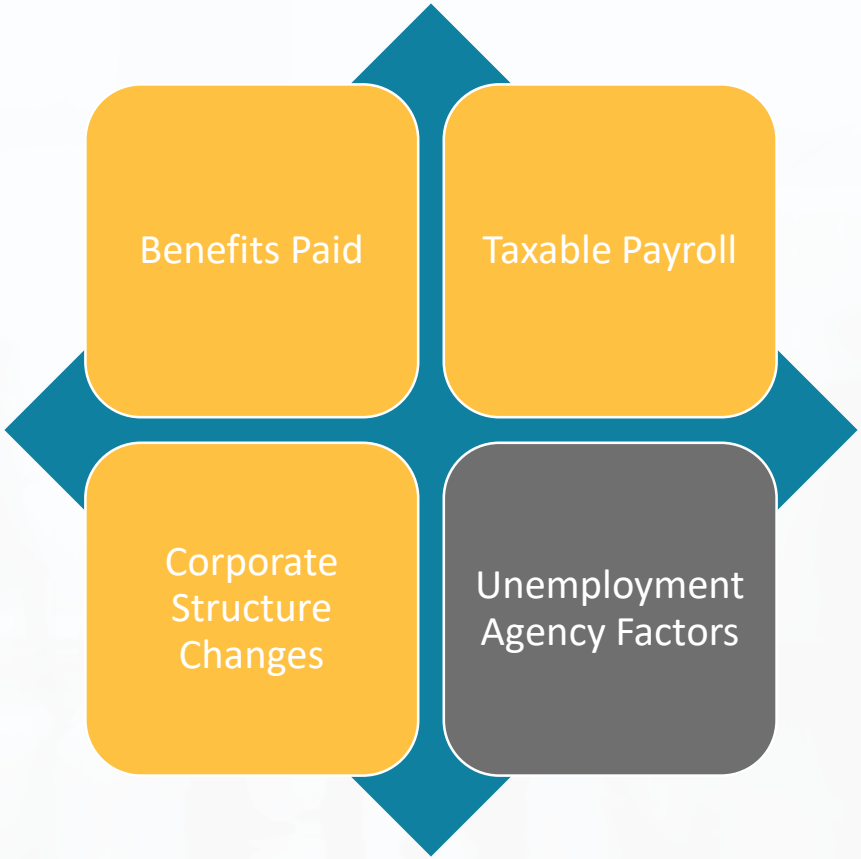
Taxes Paid in by Employer	
Quarterly	Taxable Payroll X Tax Rate

Benefits Paid Out by Agency	
Weekly	Statements Sent to Employer

Ratio Derived by Dividing Benefit Charges by Payroll Factor	
Annually	Tax Rate Assigned

FACTORS THAT IMPACT
Controllable vs Uncontrollable

Controllable



Uncontrollable

REDUCING TAX COSTS

Statutory Options

Allowed in NY

Voluntary Contributions

- Allowed in 27 states
- One-year commitment
- Low risk

Corporate Structure Change

- Acquisition
- Divestiture
- Restructure / merger

Allowed in NY
3-Year
commitment

Joint Accounts

- Allowed in 11 states
- One-year or multi-year
- Temporarily combines rate experience
- NOT legal merger

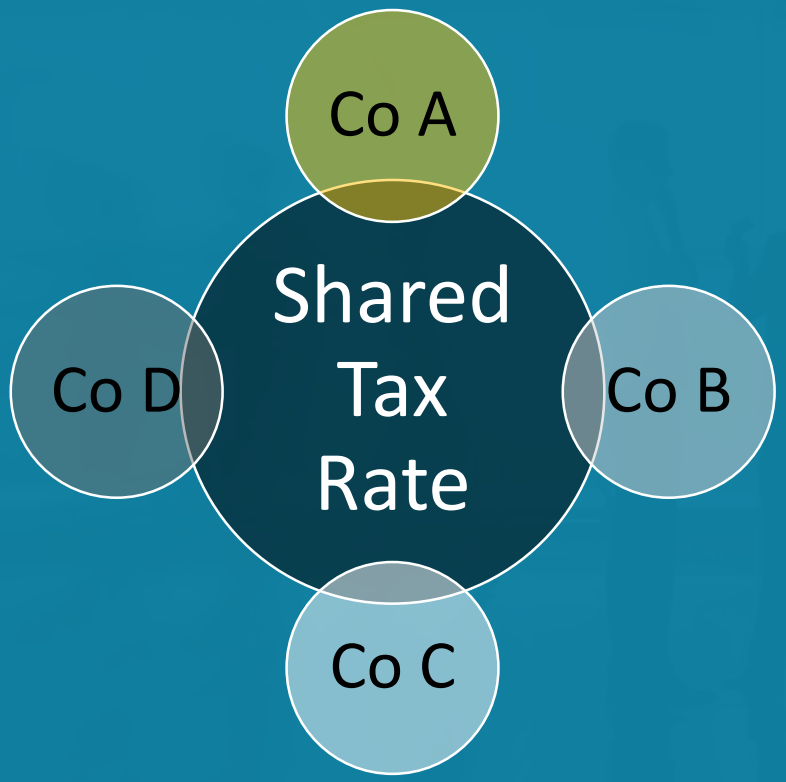
Unique State Options

- Arkansas one year vs three year vs five year taxable
- Negative write offs (PA and NY)

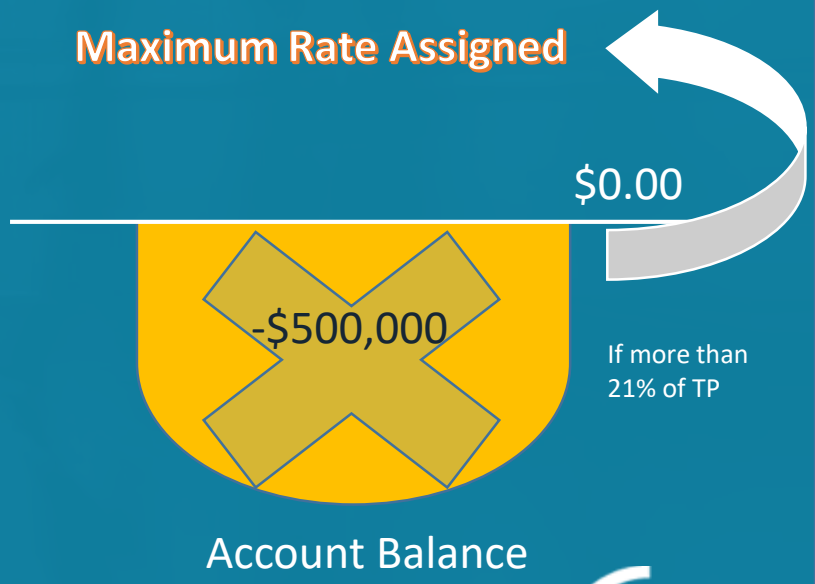
CORPORATE COST CONTROL

Joint Accounts & Negative Account Balance Write-offs

Joint Account



Negative Account Balance Write-off



CORPORATE STRUCTURE CHANGES

Considerations

For unemployment tax purposes, a corporate change is considered to have occurred when all or a portion of a business is acquired, divested or otherwise merged with another entity.

Total

- Predecessor ceases to exist
- May be able to secure predecessor's tax rate if requested
- Experience transfer is required most of the time

Partial

- Predecessor continues to report wages for a certain amount of individuals
- More stringent deadlines for notification to agency to obtain predecessor rate
- May elect not to take predecessor experience if no common ownership, mgt or control exists.

NOTE: Employee movement between FEINs may be considered merger and experience transfer

CORPORATE STRUCTURE CHANGES

Considerations

Experience transfers are required regardless of COMC

- *Negative predecessor account experience cannot be left behind and may impact tax rate of the successor*

Rate combined date effective immediately upon the date of transaction

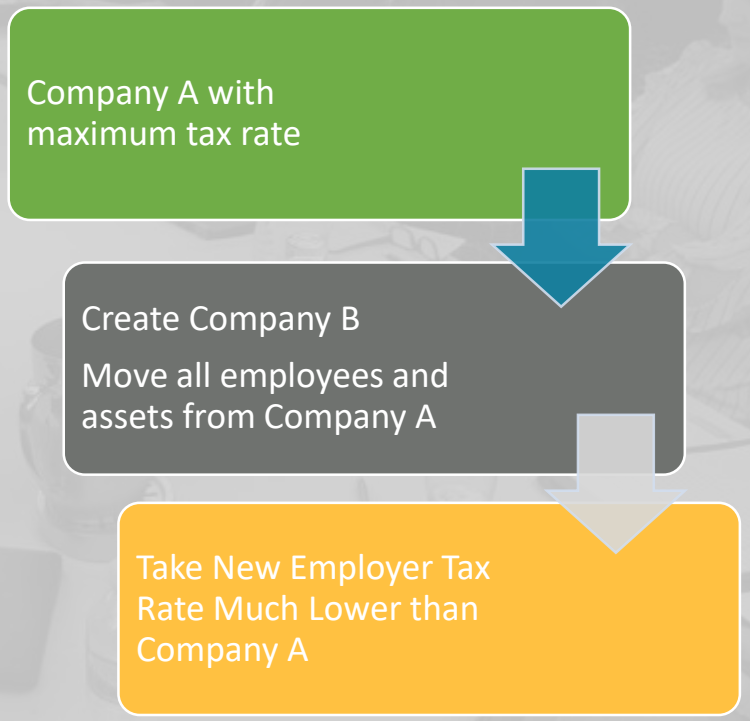
Transfer of rate experience must occur in order for successor to take credit for taxes paid by predecessor on employees transferring if mid-year transaction

CORPORATE STRUCTURE CHANGES

Considerations

- Employers should notify the applicable UI agencies when these transactions occur
- Deadlines for notification exist and some are short
- Follow up necessary once paperwork sent to agencies to make certain correct rate is assigned
- On mid-year transactions, take advantage of state and federal treatment of wage base carryover options
- SUTA Dumping could be identified if notifications not sent and employer is audited.

SUTA DUMPING



NOTE: POSSIBLE CIVIL AND CRIMINAL PENALTIES COULD BE IMPOSED

TODAY'S TAKE-AWAYS

1. Unemployment tax is controllable
2. Manage claims well
3. Take advantage of tax reduction opportunities afforded by agencies
4. Try to maintain static workforce
5. Report changes in corporate structure timely
6. Know your options for rate experience transfer and wage base treatment

CORPORATE COST CONTROL

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CCC provides workforce solutions nationwide through:

- 14 offices
- 4 mail centers
- 2 data centers

Corporate Office:
50 Nashua Road Londonderry, New Hampshire 03053

(800) 207-6926

contact@corporatecostcontrol.com

www.corporatecostcontrol.com

CCC Nationwide

It's in our DNA since 1965-
CCC is a third generation family business. When Jack Rooney opened his doors in 1965, he set in motion an idea that is still ever present today. Our clients are, and will always be, at the center of everything we do!

1965 Jack Rooney opens Jon-Jay Associates

1993 CCC opens in Dallas, TX

2005 Jon-Jay acquired by TALX

2006 Jay & Tim Rooney hired to run TALX UI Division

2009 Jay & Tim Rooney acquire CCC

2014 CCC Releases Hamlet & C3 Platforms

2018 CCC receives SOC 2 Type II certification