



UNEMPLOYMENT INSURANCE

Employers Compliance Guidance

Agenda

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UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What are the Laws and Rules!

Federal and Local Laws require all employers who incur payroll expenses (who must create a W-2 at year end) to also pay State (Virgin Islands) Unemployment Taxes (SUTA), and Federal Unemployment Taxes (FUTA).

The Virgin Islands Code Title 24 Chapter 12 Section 308 specifically requires all Employers to pay taxes in the form of contributions to the Unemployment Trust Fund.

These taxes are used to provide Unemployment Benefits to Employees who are furloughed or laid off.

The Social Security Act and U.S. Internal Revenue Laws and Rules guide the FUTA tax structure.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What is our Process!

The Unemployment tax system methodology is named “Payroll Variation”.

This methodology is a pooled system designed to raise sufficient funds from all employers in the Virgin Islands to cover future unemployment benefits in the event individuals are separated from their place of employment.

Employers are required to register their business and open an account for submitting unemployment taxes (*If they have employees on a payroll*).

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What is our Process!

Unemployment taxes (contributions) are due on a quarterly basis during a tax year, which begins on January 1, XXXX and ends December 31, XXXX.

This means employers will submit taxes and quarterly wage reports 4 times in a tax year.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What is our Process!

The following are the periods and timelines when taxes are due.

Period (s)	Due Date(s)
Jan 1, XXXX to March 31, XXXX	April 30, XXXX
April 1, XXXX to June 30, XXXX	July 31, XXXX
July 1 XXXX to September 30, XXXX	October 31, XXXX
Oct 1, XXXX to December 31, XXXX	January 31, XXXX

Note: When Employers do not file on the due dates Penalties (\$5 per month for outstanding filings) and Interest builds (accrues 0.75% per month on the outstanding balance of the taxes owed) on the contributions that are due for the period, and a penalty for not filing timely.

Note: Even when an employer may have met the tax liability for an entire year, they are still required to report the full wages of employees or enter zero if there are no wages.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What is our Process!

To determine employers assigned tax rate, VIDOL does annual calculations “Payroll Variation”. This process begins in November prior to the new tax year.

Under the Payroll Variation Model employers assigned tax rate has 3 essential components.

1. A base rate (floor): The base rate is designed to cover the benefit cost of the system over time. Benefit cost is how much the system has paid to employees when they have been laid off or furloughed.

2. Solvency factor: A rate designed as a circuit breaker to avoid future insolvency and in the cases where there is insolvency to build back adequate long-term reserves.

3. Tax factor (experience rate): This rate is designed to distribute the insured risk of the entire system and varies based on the employer's payroll in relation to the entire system.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

What is our Process!

Employee earned wages formulate the base for applying the tax.

Note: Not all wages earned are taxed, only a percentage of those wages or what we call a wage base.

i.e. If the current wage base is \$31,000.00 an employer will apply the assigned tax rate for the given year and apply to only the first \$31,000.00 of earnings.

So, if an employee's salary is \$70,000.00 taxes are only due on \$31,000.00.

Example: If employer's assigned tax rate is 4.11%. Then $\$31,000.00 \times 4.11\% = \$1,274.10$ (payable tax).

To determine dollar amount of taxable wages ,VIDOL does an annual calculation on the average salary paid in our economy in the prior year.

The source of these numbers come from filed quarterly wage reports.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

Pitfalls!

Employers fail to register with Unemployment Insurance and are assessed a large tax bill for prior years and at times the penalty and interest assessed surpass the tax liability.

Employers SUTA and FUTA reporting have differences, and they accrue liabilities to both tax systems.

Employers do not use the correct tax rate for the given tax year.

Employers do not continue to file quarterly reports or send notice of suspension of business activity and accrue penalty for not filing.

Employers close or sell their business and do not notify VIDOL Unemployment of the changes.

UNEMPLOYMENT INSURANCE EMPLOYER TAXES

Keep Informed!

It is the responsibility of each employer to constantly be aware and stay connected with the Unemployment Insurance for periodic updates and changes.

We can be reached on St. Croix at 340-773-1994, St. Thomas at 340-776-3700.

Our Website: www.vidol.gov

Our e- mail address: uitax@dol.vi.gov