



# EMPLOYER Accounts Guide

*Administrator of New Jersey's  
Unemployment & Disability  
Insurance Programs*



# 2019

*Phil Murphy  
Governor*

*Robert Asaro-Angelo  
Commissioner*

## If you have questions on:

- Subjectivity to the Unemployment Compensation Law
- Transfer of unemployment rates either in whole or in part
- Changes in ownership of your business
- Type of business organization

- What types of payments are considered wages?
- What is a subcontractor?
- Are payments reported on federal forms 1099 exempt for unemployment?
- Does a 401(k) pension or section 125 cafeteria plan affect taxable wages?

- Federal certification for FUTA taxes (940)
- Worker/Employer Refunds
- Preparation and filing of quarterly tax reports (UI/DI portion of NJ-927)
- Calendar Year Assessments

- Notice and Demand for Payment of Liability Due
- Certificate of Debt
- Statement of Outstanding Liability
- Payoff
- Monetary delinquencies.

- Monthly Count of Workers Reported on the Quarterly Tax Report (NJ-927)

- Preparation and filing of quarterly wage reports (WR-30)
- Workers not having Social Security numbers
- Wage reporting penalties
- Adjustments to quarterly wage reports

- Electronic Media Filing

- Experience Rating
- Voluntary Contributions

- Fraudulent receipt of unemployment benefits (suspicion of former employee collecting benefits while working)

- Completing Employer Weekly Wage Report (BPC-98)

- Unemployment Benefit Charges (Form B-187Q)

- Labor Disputes

## Write or call:

Division of Employer Accounts  
Employer Status  
PO Box 913  
Trenton, New Jersey 08625-0913  
(609) 633-6400 **Option 2** FAX: (609) 777-4926

Division of Employer Accounts  
Chief Auditor (contact a regional office listed on page 173)  
PO Box 942  
Trenton, New Jersey 08625-0942  
(609) 292-2321 FAX: (609) 292-9563

Division of Employer Accounts  
Office Audits  
PO Box 910  
Trenton, New Jersey 08625-0910  
(609) 633-6400 FAX: (609) 292-8855

Division of Employer Accounts  
Collector of Delinquent Accounts  
PO Box 911  
Trenton, New Jersey 08625-0911  
(609) 633-6400 **Option 1** FAX: (609) 633-8150

Division of Labor Market & Demographic Research  
Quarterly Census of Employment and Wages  
PO Box 934  
Trenton, New Jersey 08625-0934  
(609) 984-5586 or 984-5589

Division of Employer Accounts  
Contributions  
PO Box 910  
Trenton, New Jersey 08625-0912  
(609) 633-6400 **Option 3**

Division of Revenue (Department of Treasury)  
Electronic Wage Reporting

Ph. (609) 292-8720  
Email: [e-GovServices@treas.nj.gov](mailto:e-GovServices@treas.nj.gov)

Division of Employer Accounts  
Experience Rating  
PO Box 913  
Trenton, New Jersey 08625-0913  
(609) 633-6400 **Option 2** FAX: (609) 633-7813

Division of Unemployment Insurance  
Benefit Payment Control  
PO Box 043  
Trenton, New Jersey 08625-0043  
<http://lwd.dol.state.nj.us/labor/ui/content/fraud.html>  
(609) 777-4304 FAX: (609) 292-5593

Division of Unemployment Insurance  
Investigations Section  
PO Box 043  
Trenton, New Jersey 08625-0043  
(609) 292-0011

Division of Unemployment Insurance  
Technical Support Unit  
PO Box 058  
Trenton, New Jersey 08625-0058  
(609) 292-1803  
(609) 292-2460 FAX: (609) 633-2884

Division of Unemployment Insurance  
Labor Dispute Investigation  
PO Box 058  
Trenton, New Jersey 08625-0058  
(609) 984-2296 FAX: (609) 633-2884

## FOREWORD

In an era of profound economic transformation, employment disruption and unemployment can have a stifling effect on our economic growth. Unemployment results in economic insecurity, lessens purchasing power in the community, and robs the employer of productive assets and financial resources.

The State of New Jersey recognized the seriousness of unemployment in its “Declaration of State Public Policy.” To protect workers against this hazard, the unemployment insurance (UI) program was established. Under this program, employers are encouraged to provide stable employment, and through the systematic accumulation of funds during periods of employment, provide for periods of unemployment.

Since the program’s inception in 1935, billions of UI tax dollars have been collected. Greater than 90% of all workers are now covered under the law. For over 50 years, the unemployment insurance program has helped millions of men and women weather individual financial difficulties that arise when employment is lost.

To the employer’s advantage, in addition to the stabilizing effect the UI program has on the economy, it also provides a mechanism that enables employers to retain experienced and valued employees during temporary layoffs. With a shortage of skilled workers, this is critical to the livelihood of many companies.

To be eligible for unemployment benefits, in addition to being involuntarily separated, an individual must be able to work and available for work. To protect workers who suffer loss of wages due to illness or accident, the Temporary Disability Insurance Program was established.

For workers and employers to continue to benefit from these programs, both must share in their responsibilities and costs.

This handbook provides a detailed explanation of the responsibilities and rights of employers subject to the New Jersey Unemployment Compensation and Temporary Disability Benefits laws.

Any questions or problems you may have about the information contained in this handbook should be directed to the appropriate office of the New Jersey Department of Labor and Workforce Development. A referral list of selected problem situations and the appropriate phone numbers appears on the inside front cover.

The information in this publication does not have the force or effect of law, rule or regulation.

## **Employer Taxes and Wage Reporting**

**Section 1** explains the record-keeping obligations of all New Jersey employers, whether or not they are subject to the Unemployment Compensation Law.

**Section 2** details the information that subject employers must provide on Form WR-30, "Employer Report of Wages Paid," as well as the increased penalties for failure to complete and return such reports in an accurate and timely manner.

**Section 3** describes the criteria used in determining tax liability, lists exclusions from coverage, and provides information as to when liability may be terminated.

**Section 4** defines wages that are taxable for unemployment and temporary disability insurance purposes. This section also details new tax rates for both employers and workers, and explains reports, deadlines, penalties and tax credits.

**Section 5** explains the computation of the employer's basic and subsequent experience rates for unemployment insurance coverage. This section also describes the temporary disability insurance tax rate, which differs from unemployment insurance rate formulas.

**Section 6** details the unemployment insurance "reimbursement option" available to non-profit organizations.

**Section 7** explains how to prepare for an audit and what to expect during and after an audit.

**Section 8** explains the additional assessments for which employers subject to the Temporary Disability Benefits Law are liable.

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We hope this publication will help you, the employer, understand and comply with New Jersey's unemployment and temporary disability statutes and regulations. Additional assistance is available from any of the offices listed on our webpage at [https://www.nj.gov/labor/ea/ea\\_index.html](https://www.nj.gov/labor/ea/ea_index.html)

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# QUESTIONS AND ANSWERS

## Division of Employer Accounts

**Q. As an employer, what are my responsibilities to the Department?**

- A. Each calendar quarter, all employers, other than domestic employers, subject to the provisions of the Unemployment Compensation Law are required to file the "Employer's Quarterly Report" (Form NJ-927) and "Employer Report of Wages Paid" (Form WR-30). Both the forms NJ-927 and WR-30 must be submitted for the quarters ending March 31, June 30, September 30 and December 31 of each year. Reports and tax contributions due must be filed by no later than the 30th day of the month immediately following the quarter. The due dates for reports and tax contributions are April 30, July 30, October 30 and January 30. Domestic employers who employ only household workers will file Forms WR-30 and NJ-927H on an annual basis. For details about the "Exceptions," please refer to Chapter 1, Sections 3 and 4.

**Q. Who is an employer for purposes of New Jersey unemployment and disability benefits?**

- A. An employer is an individual, partnership, corporation or other entity for whom an individual performs personal services for remuneration. Please refer to Chapter I, Section 3 for more detailed information.

**Q. How do I file the required quarterly reports and make the payments?**

- A. Each employer is required to file Form NJ-927 and Form WR-30 quarterly. The "Employer's Quarterly Report" (Form NJ-927) and the "Employer's Report of Wages Paid" (Form WR-30) must be filed electronically. You may file the forms online at [https://www1.state.nj.us/TYTR\\_BusinessFilings/jsp/common/Login.jsp?taxcode=45](https://www1.state.nj.us/TYTR_BusinessFilings/jsp/common/Login.jsp?taxcode=45) or by Secure File Transfer Protocol (SFTP) technology. See page 12 for additional information about SFTP.

No employer will receive pre-printed reports. Payments must be made by Electronic Fund Transfer (EFT), credit card or E-check.

**Q. I am an experience-rated employer. How much will I pay in UI, WF/SWF contributions?**

- A. You will pay from 0.5% to 5.8% on the first \$34,400 earned by each employee in 2019. For more information, see Chapter 1, Section 5.

**Q. What specific information is required from employers on the wage report?**

- A. For each employee you must report:
- (1) The employee's Social Security number,
  - (2) The employee's name,
  - (3) The employee's gross wages paid during the quarter, and
  - (4) The number of base weeks earned by the employee during the quarter.

**Q. What is meant by the term "gross wages" as it applies to the NJ-927 and WR-30?**

- A. Gross wages means every form of remuneration paid to employees either directly or indirectly, including salaries (sick leave pay, vacation pay, holiday pay, back pay awards), commissions and bonuses and the cash value of all compensation in any medium other than cash as actually paid or otherwise distributed to the employee during the reported quarter. Remuneration also includes payments in kind for personal services such as meals, board and lodging received by a worker from his employing unit in addition to or in lieu of (rather than as a deduction from) money wages.

**Q. What is a “base week”?**

- A. A base week is any calendar week (Sunday through Saturday) in the quarter during which the employee has earned a specific dollar amount or more in remuneration. The base week amount is equal to 20 times the state hourly minimum wage (\$200 for the second half of 2019).

The base week is determined on the basis of earnings, regardless of the actual payment date. Payments made to employees for vacation, sick or other paid leave are to be reported as wages paid during the quarter. Therefore, all base weeks are credited when the leave is actually taken, which may or may not occur within the same quarter as the payment.

**Q. How do commissions or bonuses affect the calculation of base weeks?**

- A. Commissions and/or bonuses are reported as part of wages for the quarter when they are actually paid. These earnings may be used in the “base week” calculations if (1) the payment can be directly attributable to earnings of a specific calendar week, or weeks, and (2) such additional earnings would increase the existing earnings for the calendar week above the minimum amount required for a “base week.”

**Q. Do I have to file these reports if I had no employees in a quarter?**

- A. Yes. If you are subject to the New Jersey Unemployment Compensation Law, you must file both the NJ-927 and WR-30 indicating no wages paid.

**Q. How can I amend wage data (WR-30) that was previously submitted incorrectly?**

- A. To amend wage data (WR-30 report), you must file electronically either online at [https://www1.state.nj.us/TYTR\\_BusinessFilings/jsp/common/Login.jsp?taxcode=45](https://www1.state.nj.us/TYTR_BusinessFilings/jsp/common/Login.jsp?taxcode=45) or by Secure File Transfer Protocol (SFTP). See page 12 for more information regarding SFTP.

You can view instructions for amending the WR-30 report by choosing “Help” at the bottom of each page of the online report.

Amended reports are subject to penalties for non-reporting, late reporting, or incorrect reporting.

### **NJ-927 PENALTY AND INTEREST**

**Q. What are the penalties for late filing of the NJ-927 and late or incorrect filing of the WR-30?**

- A. If you file the contribution report late, you will be charged \$10.00 a day for each day of delinquency up to and including the fifth day, after which the charge is a penalty of \$10.00 a day or 25 percent of the amount of contributions due for the period covered by the report, whichever is less. If you file a contribution report late on which no contributions are due, the maximum penalty is \$50.00.

If you fail to pay the contribution when due, the law provides that the amount of the taxes due will carry interest at the rate of 1.25% for each month from the due date until the date payment is received.

### **WR-30 PENALTY**

Employers who fail, without reasonable cause, to comply with reporting requirements will be liable for penalties based upon the number of employees (a) who were not reported, (b) who were not reported completely and accurately, (c) who were not reported by the due date, and/or (d) who were not reported on electronic media when required. Such penalties will be assessed as follows:

- (1) For the first failure for one quarter in any eight consecutive quarters, \$5.00 for each employee;
- (2) For the second failure for any quarter in any eight consecutive quarters, \$10.00 for each employee;
- (3) For the third and any subsequent failure for one quarter in any eight consecutive quarters, \$25.00 for each employee.



## UNEMPLOYMENT INSURANCE

**Q. What does base-year period mean?**

- A. The regular base-year period of any claim consists of the first four of the last five completed calendar quarters preceding the date of the claim. When a claimant files an unemployment claim, the weeks and wages in the base-year period are counted to determine eligibility.

There are two alternative base-year periods that can be used to determine monetary eligibility on claims originally determined invalid under the regular base-year period. Alternative Base-year #1 consists of the four most recently completed calendar quarters preceding the date of a claim, and Alternative Base-year #2 consists of the three most recently completed calendar quarters preceding the date of the claim and weeks in the filing quarter up to the date of the claim.

**Q. What are the minimum requirements for establishing a valid unemployment claim?**

- A. To have a valid claim, a claimant must have had at least 20 base weeks of earnings in covered employment during the base-year period or, in the alternative, have earned during that time a specific dollar amount or more in remuneration. The base week amount is 20 times the state hourly minimum wage (\$200 in the second half of 2019) and the alternate earnings test is 1,000 times the state hourly minimum wage (\$10,000 in the second half of 2019).

*For more information about Unemployment Insurance, please refer to the Division of Unemployment Insurance website at <https://myunemployment.nj.gov/>*

## TEMPORARY DISABILITY INSURANCE

**Q. What is the base-year period used to establish a disability claim?**

- A. The regular base-year of a Disability During Unemployment claim consists of the first four of the last five completed quarters preceding the date of the claim. Alternative base-year periods consist of the four most recently completed calendar quarters preceding the date of the claim and the three most recently completed calendar quarters preceding the date of the claim and the weeks in the filing quarter up to the date of claim. In State Plan disability, the base year consists of the 52 calendar weeks immediately preceding the week in which the claimant is disabled. When a claimant files a claim, the weeks and wages in the appropriate base-year period are counted to determine the validity of the claim.

**Q. When does the waiting week become payable?**

- A. The waiting week *on a State Plan claim* becomes compensable when disability benefits have been paid for all or some part of each of the three weeks immediately following the waiting week. *The Disability During Unemployment program is similar to the Unemployment Insurance program in that a waiting week is not required before benefits are issued.*

## FAMILY LEAVE INSURANCE

**Q. Who is covered for Family Leave Insurance benefits?**

- A. Employees of all private and governmental employers subject to the New Jersey Unemployment Compensation Law are covered.

**Q. Are employees of small businesses covered for Family Leave Insurance benefits?**

- A. Yes. All employees working for covered employers are covered for Family Leave Insurance benefits, regardless of the number of employees in the business.

*For more information about Temporary Disability Insurance and Family Leave Insurance, please refer to the Division of Temporary Disability and Family Leave Insurance website at <https://myleavebenefits.nj.gov/labor/myleavebenefits/>*

## **CHAPTER I: EMPLOYER TAXES AND WAGE REPORTING**

### **Section 1**

#### **RESPONSIBILITIES OF ALL EMPLOYERS**

The New Jersey Unemployment Compensation Law places certain responsibilities on all individuals, groups of individuals, firms and organizations that employ one or more persons on a permanent, temporary or part-time basis, whether or not such employers are required to pay unemployment insurance taxes.

Whether or not you are an employer subject to the Unemployment Compensation Law, you are required to give any information requested by the New Jersey Department of Labor and Workforce Development concerning remuneration paid to any individual, and/or the reason why such person is no longer working for you.

So that the Department may ascertain which employers are liable for contributions, verify the correctness of amounts paid as contributions by each employer, and compute the amount and duration of benefits to which eligible workers are entitled, all employing units are required to keep the following records:

#### **For Each Worker:**

1. Full name, address and Social Security number;

Verification of workers' Social Security numbers

Title 12 of the New Jersey Administrative Code requires that employers identify covered workers in accordance with the following steps:

- (a) Each employer shall ascertain the worker's Social Security account number. The New Jersey Department of Labor and Workforce Development recommends employers inspect the worker's original Social Security card when verifying the Social Security number. We also recommend that you keep a photocopy of the Social Security card for your records, if possible
- (b) In instances where a new employee does not have an original Social Security card, the employer should instruct the employee to apply for a new or duplicate Social Security card at his local Social Security Administration office. Upon receipt of the application, the Social Security Administration will issue a receipt to the worker.

The employer should inform the worker that the application must be made before the seventh day of employment. The receipt shall be retained by the worker; however, the employer should make a photocopy for his records.

- (c) Once properly verified, the employer should list such numbers on his records including, but not limited to, Wage Reporting records.

This procedure will ensure that only verified Social Security numbers are used when reporting wages to the Unemployment Compensation Wage Reporting System. In addition, following these requirements will greatly reduce the number of wage reporting penalties associated with wages reported under incorrect Social Security numbers.

2. Remuneration paid for each pay period, showing separately:

- (a) Money remuneration, including commissions and bonuses;
- (b) Reasonable cash value of remuneration paid by the employer in any medium other than money, including room and board, meals, and tips;
- (c) Special payments such as bonuses, gifts, etc., that have been paid during the pay period that relate to employment in a prior period. Payments are regarded as special payments if the amount was not determinable in the prior period. Show separately:
  - (1) Money payments;
  - (2) Reasonable cash value of other remuneration;
  - (3) The nature of such payments;
  - (4) The period during which the services were performed for which special payments were paid;
  - (5) The date on which the employee was hired, rehired or returned to work after a temporary layoff, the date that individual was separated from employment, and the reason for the separation.

**For Each Pay Period:**

1. The beginning and ending dates of each pay period;
2. The total amount of wages paid to each employee in each pay period;
3. The total remuneration paid to all such individuals combined, separately by money and other remuneration, in each pay period and in all pay periods within each quarter.

**NOTE:** By law, payments made to workers under an agreement allowing service charges in lieu of tips are deemed remuneration. The law further provides that gratuities or tips received regularly in the course of employment from other than the employer are considered wages if the employee reports them in writing to his/her employer. If not reported, these wages will be determined in accordance with the prevailing minimum wage rate or the amount of remuneration actually received by the employee from the employer, whichever is higher.

**Records**

Records are defined as all books of original entry plus any summarizations or other media used to post to a general ledger or its equivalent, as well as all federal and state tax returns. Records also include machine-sensible data media used for recording, consolidating and summarizing accounting transactions within an employing unit's automatic data processing system.

**Length of Time Records Must Be Kept**

All records required by the Division of Unemployment Insurance and the Division of Employer Accounts must be kept safe and readily accessible at the New Jersey place of business of the employing unit. Such records must, at all reasonable times, be open for inspection by authorized representatives of these agencies, and must be preserved for the current calendar year and for the four preceding calendar years.

We keep information obtained from employers confidential and use it only to administer the Unemployment Compensation Law. It is not open to the public and cannot be used in any court action unless the Department or the state is a party to such action. Upon request, a claimant may have released to himself/herself or to any duly authorized representative any part of the applicable record.

**Section 2****WAGE REPORTING**

If you are an employer subject to the law, you must file an "Employer Report of Wages Paid" (WR-30) form within 30 days of the end of each calendar quarter. This report requires you to list all individuals who were employed by and/or received remuneration from you as employees during the calendar quarter. Since we use the data supplied by employers on Form WR-30 to determine eligibility for New Jersey unemployment and temporary disability benefits, it is imperative that only remuneration for services rendered in New Jersey be included on that form. Wages paid for services performed in other states should be reported to those states. When determining the proper state to report remuneration to, please refer to "Multiple State Employment" in Chapter I, Section 3, "Liability for Contributions (Taxes)."

Information required includes (1) employee Social Security number, (2) employee name, (3) gross wages paid, and (4) base weeks earned.

Gross wages paid are to be reported using the definition described in Chapter I, Section 4, "Wages."

**Exception:** Domestic employers (those who employ only household workers) are required to file all four quarterly WR-30 reports together with one NJ-927 report on an annual basis, due on January 30 of the following year. (Example: all wages paid in the calendar year of 2019 must be reported and filed on four quarterly WR-30 reports with one NJ-927 showing total wages, by January 30, 2020.)

## **Base Weeks**

A base week is any calendar week (Sunday through Saturday) in the reporting quarter during which the employee *earned* in employment remuneration equal to or more than 20 times the state hourly minimum wage (\$200 in the second half of 2019).

Payments made to employees for vacation, sick, or other paid leave during the quarter are to be reported as part of wages paid during that quarter. Earnings and, therefore, base weeks are credited when the leave is actually taken, which may or may not occur within the same quarter as the payment.

Termination or separation payments made to an employee in lieu of notice continue the employment relationship and should be reported as a base week. In such an instance, the actual base week would occur in the week or weeks following the last day that was worked. Severance payments made under contractual obligations, custom or company policy do not extend the employment relationship and are not counted as a base week. These payments are reported on Form WR-30, and the entry for number of base weeks is zero.

Commissions or bonuses are reported as part of wages for the quarter when they are actually paid. These earnings may be used in base week calculations if (1) the payments can be directly attributable to earnings of a specific calendar week, or specific calendar weeks, and (2) such additional earnings would only then increase the existing earnings for affected calendar week(s) above the minimum amount required to constitute a base week.

## **Electronic Filing Options for the WR-30 Report and Instructions**

All employers must file their quarterly wage reporting information (Form WR-30) electronically either online at <http://www.state.nj.us/treasury/revenue/taxemp.htm> or by Secure File Transfer Protocol (SFTP). No employers will receive pre-printed WR-30 reports or reminders of due dates.

You may view instructions for completing the WR-30 report online by choosing “Help” at the bottom of the (online) page. Read the instructions carefully before completing each quarter’s report. When filing, please ensure that all columns are completed.

Filing the WR-30 by SFTP technology will require authorization. Submit a Request For Authorization to Report Electronically, available on the forms page online at <http://www.state.nj.us/treasury/revenue/taxemp.htm>. All types of magnetic media—including tape, cartridge, diskette and CD and e-mail attachment—have now been phased out. For more information about SFTP filing, call (609) 633-0462.

For questions about filing, call the Division of Revenue at (609) 292-6400. For questions about completing the forms, call (609) 633-6400.

## **Penalties**

The following penalties will be assessed against employers based on the number of employees who (a) were not reported, (b) were not reported by the due date, (c) were not reported completely and accurately, and/or (d) who were not reported on electronic media when required:

- (1) For the first failure for one quarter, in any eight consecutive quarters, \$5.00 per employee;
- (2) For the second failure for any quarter, in any eight consecutive quarters, \$10.00 per employee;
- (3) For the third or any subsequent failure(s) for any quarter, in any eight consecutive quarters, \$25.00 per employee.

## **Amended Reports**

Employers may amend the WR-30 report either online at <http://www.state.nj.us/treasury/revenue/amdreturns.htm> or by Secure File Transfer Protocol (SFTP). See Electronic Filing Options (above) for more information about SFTP.

For instructions on amending the WR-30 report, choose “Help” at the bottom of the page of the online report.

## Section 3

### LIABILITY FOR CONTRIBUTIONS (TAXES)

If you are employing, or expect to employ, one or more persons, you should notify the Division of Employer Accounts. This Division will determine whether you are subject to the Unemployment Compensation law. Under the law it is your responsibility to make the fact known. Once you determine that you are an employer, register your business online at <http://www.state.nj.us/treasury/revenue>.

#### Determination of Liability

If you start a business and employ one or more individuals and pay wages of \$1,000 or more in a calendar year, you may be subject to the law.

If you acquire the organization, trade or business, or substantially all the assets of an employing unit that is already subject to the law, you immediately become a subject employer.

If you are subject to the provisions of the Federal Unemployment Tax Act, you automatically become subject under the law, unless the services performed are specifically excluded under the New Jersey law. An employing unit is generally subject to FUTA if it had covered employment during some portion of a day in 20 different calendar weeks within the calendar year *or* had a quarterly payroll of \$1,500 or more.

**NOTE:** Agricultural employers - You are liable for contributions on wages paid to agricultural employees if:

1. You were already a registered employer, *or*
2. Not registered, you were or became subject to the law, having paid wages of \$1,000 or more in a calendar year to one or more workers for services performed in a non-agricultural business operation, *or*
3. You acquired the organization, trade or business, or substantially all the assets of an employing unit already subject to the law, *or*
4. You are subject to the Federal Unemployment Tax Act, *or*
5. Not subject under the above provisions, you:
  - A. Paid gross cash remuneration of \$20,000 or more to individuals employed in agricultural labor during any calendar quarter, *or*
  - B. Employed 10 or more individuals in agricultural labor, regardless of whether they were employed at the same time, for some portion of a day in each of 20 different calendar weeks, whether or not such weeks were consecutive.

**SPECIAL EMPLOYERS** - Under certain circumstances, a crew leader who provides a crew to an agricultural employer can be considered the employer of the crew for unemployment tax purposes. The agreement between the crew leader and entity must comply with all federal and state regulations and the crew leader must be registered under the New Jersey Crew Leader Registration Act. For more information contact any Regional Office listed in the Appendix.

Domestic Employers - You are subject to the law, if you paid gross cash remuneration of at least \$1,000 to domestic labor in a calendar quarter.

The State of New Jersey and its political subdivisions are subject to the law. In determining liability, consideration is given to the following:

#### 1. Independent Contractors

Whenever services are performed for remuneration (including commissions, bonuses and the cash value of compensation in kind), the question of whether such services are considered as performed by an independent subcontractor or a covered employee is determined by application of the three tests of Section 19(i) (6) (A), (B) and (C) of the New Jersey Unemployment Compensation Law.

All remunerated services performed by an individual are deemed to be employment, unless it is established to the satisfaction of the Department that:

- A. “Such individual has been and will continue to be free from control or direction over the performance of such service, both under his contract of service and in fact;” *and*
- B. “Such service is either outside the usual course of the business for which such service is performed, or that such service is performed outside of all the places of business of the enterprise for which such service is performed.” This is a two-part test and satisfaction of either part will meet the requirement. Service that is essential to the nature of the business does not meet the first part of this test, regardless of whether any employee performs the same type of service. If there is no fixed place of business, services performed in whole or in part at a temporary work site or an area where customers or prospective customers are located will not meet the second part of this test; *and*
- C. “Such individual is customarily engaged in an independently established trade, occupation, profession or business.” This requires the individual’s business activity to exist and continue to exist independently of, and apart from, the particular service relationship; it must be a stable, lasting enterprise which will survive termination of the relationship.

## **2. Multiple-State Employment**

When an employee performs services for the same employer in New Jersey and in some other state(s), the question of whether that employee is covered by the New Jersey Unemployment Compensation Law is determined by the tests of Sections 19 (i) (2) (A ) and (B). Similar tests exist in the unemployment compensation laws of other states to avoid conflict and overlapping of coverage.

The application of these tests will result in the reporting to one state of the employee’s total wages in all states. The tests are to be applied to the employee, not to the employer, in the following order: (A) localization of service; (B) base of operations; (C) place of direction and control; (D) residence of employee.

### **A. LOCALIZATION OF SERVICE TEST**

To determine jurisdiction of coverage, we first determine whether the service is localized in any state. Service is reportable to the state in which it is localized; if the service is localized in one state, it is unnecessary to apply any other test. Localization occurs when all service is performed in one state, or when all service with the exception of incidental out-of-state service is performed in one state. Service is considered incidental if it is temporary or transitory in nature, or consists of isolated transactions.

### **B. BASE OF OPERATIONS TEST**

If an individual’s service is not localized in any state, we must apply the second test: Are any services performed in the state in which the individual’s base of operations is located? Services that are not localized in any state are reportable to the state serving as the employee’s base of operations, provided that some services are performed in that state. Base of operations is the place or fixed center of more or less permanent nature, from which the employee starts work and customarily returns to in order to accomplish any of the following:

- receive instructions from the employer;
- receive instructions from customers or other persons;
- replenish stocks and materials;
- repair equipment;
- perform any other functions necessary to the exercise of the particular trade or business.

### **C. PLACE FROM WHICH SERVICE IS DIRECTED AND CONTROLLED TEST**

If jurisdiction cannot be established using the localization of service test or the base of operations test, services are reportable to the state from which the employer exercises direction and control over the employee, provided that the employee performs some services in that state. The place from which an employer directs and controls an individual’s service is the place from which the employer’s basic authority and general control emanate.



## D. PLACE OF RESIDENCE TEST

If coverage cannot be determined by any of the above tests, it is necessary to apply the test of residence. Residence is a factor in determining coverage only when the individual's service is not localized in any state and no service is performed in the state that serves either as the employee's base of operations (if there is such a base) or the place from which the service is directed and controlled. If coverage cannot be established using localization, base of operations, or place of direction and control, services are reportable to the state in which the employee resides, provided that some services are performed in that state.

### 3. Exempt Employment

The following services are exempted from coverage if they are also exempt from coverage under the Federal Unemployment Tax Act. Services outlined in sections E, K, L, T, U, V and W (following) are not specifically excluded from FUTA coverage. In addition, services performed by "mutual fund brokers or dealers in the sales of mutual funds or other securities," described in G below, are not excluded from FUTA coverage. If you do not have an Internal Revenue ruling excluding these services, or the individuals providing the services do not meet the ABC Independent Contractor Test, they are considered employees for New Jersey unemployment and disability purposes.

- A. Where the employing unit is a proprietorship, service performed by an individual in the employ of his/her son, daughter or spouse, and service performed by a child under the age of 18 in the employ of his/her father or mother;
- B. Service performed in the employ of any other state or its political sub-divisions;
- C. Service performed in the employ of the United States government or of an instrumentality of the United States, unless the Congress of the United States permits coverage;
- D. Service in the employ of fraternal beneficiary societies, orders or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system and providing for the payment of life, sick, accident or other benefits to the members of such society, order or association, or their dependents;
- E. Service performed as a member of the board of directors, a board of trustees, a board of managers, or a committee of any bank, building and loan or savings and loan association, incorporated or organized under the laws of this State or the United States, where such services do not constitute the principal employment of the individual;
- F. Service with the respect to which unemployment compensation is payable under the Railroad Unemployment Insurance Act (52 Stat. 1094);
- G. Service by agents of *mutual fund brokers or dealers* in the sale of mutual funds or other securities, by agents of insurance companies, exclusive of industrial insurance agents, or by agents of investment companies, who are compensated wholly on a commission basis;
- H. Service by licensed real estate salesmen or brokers who are compensated wholly on a commission basis;
- I. Service by agents of mutual benefit associations who are compensated wholly on a commission basis;
- J. Service in the employ of any veterans' organization chartered by act of Congress or of any auxiliary thereof, no part of the net earnings of which organization, or auxiliary thereof, inures to the benefit of any private shareholder or individual;
- K. Service for the owner or operator of any theater, ballroom, amusement hall, or other place of entertainment, not in excess of 10 weeks in any calendar year for the same owner or operator, by any leader or musician of a band or orchestra, commonly called a "name band," entertainer, vaudeville artist, actor, actress, singer, or other entertainer;

- L. Service by an individual for a labor union organization, known and recognized as a union local, as a member of a committee or committees reimbursed by the union local for time lost from regular employment or as part-time officer of a union local when the remuneration for such services is less than \$1,000 in a calendar year;
- M. Service performed in the sale or distribution of merchandise by home-to-home salespersons or in-the-home demonstrators whose remuneration consists wholly of commissions or commissions and bonuses; if a service is sold in addition to merchandise the exclusion does not apply. Merchandise does not include capital improvements to the home or memberships in clubs or organizations.
- N. Service performed in the employ of a hospital as a student nurse, or an intern in the first year of internship, or by a patient of the hospital;
- O. Service in an educational institution by a student or by the spouse of a student, if the spouse is advised that the employment is part of a program of financial aid for the student who is enrolled at said institution on a full-time basis;
- P. Service performed by an individual enrolled at a nonprofit or public institution as part of a work-study program, if the institution certifies the employer as a participant in the program;
- Q. Service performed in the employ of a foreign government, including service as a consular, non-diplomatic representative, or other officer or employee;
- R. Service performed in the employ of an instrumentality wholly owned by a foreign government if a reciprocal exemption is granted by that government;
- S. Service in the employ of an international organization entitled to the privileges, exemptions and immunities under the International Organization Immunities Act;
- T. Services performed by operators of motor vehicles where the aggregate weight of the unloaded tractor and the unloaded weight of the attached trailer, if the normal use of the tractor would require the use of that trailer, is 18,000 lbs. or more, licensed for commercial use and used for the highway movement of motor freight, who own their equipment or who lease or finance the purchase of their equipment through an entity that is not owned or controlled directly or indirectly by the entity for which the services were performed and who were compensated by receiving a percentage of the gross revenue generated by the transportation move or by a schedule of payment based on the distance and weight of the transportation move;
- U. Services performed by a certified shorthand reporter certified pursuant to P. L. 1940, c. 175 (C. 45:15B-1 et seq.), provided to a third party by the reporter who is referred to the third party pursuant to an agreement with another certified shorthand reporter or shorthand reporting service, on a freelance basis, compensation for which is based upon a fee per transcript page, flat attendance fee, or other flat minimum fee, or combination thereof, as set forth in the agreement.
- V. Services performed by a limousine franchisee are exempt in relation to the limousine franchisor if:
  - 1. The limousine franchisee is incorporated.
  - 2. The franchisee is subject to regulation by the Interstate Commerce Commission.
  - 3. The limousine franchise exists pursuant to a written franchise arrangement between the franchise and the franchisor as defined by Section 3 of P. L. 1971 c. 356 (C. 56:10-3).
  - 4. The franchisee registers with the Department of Labor and Workforce Development and receives an employer registration number.
- W. Services provided by certain outside travel agents over which the taxpayer does not and cannot exercise any control or direction.



**NOTE:** If one-half or more of the services performed by an individual for an employing unit in any pay period constitutes employment covered by the law, all services performed in that period are covered.

### **Additional Exemptions From Coverage (Public and Nonprofit Institutions)**

The law exempts certain services if they are performed for public or non-profit institutions exempt under 501(c)(3) of the Internal Revenue Code. They are:

Services performed in the employ of a church or organization operated primarily for religious purposes. As of May 26, 1981, this exemption includes church-related elementary and secondary schools; that is, schools operated under the corporate charter of a church or other formal religious groups. However, any such group may elect coverage for its employees by contacting the Department of Labor and Workforce Development, Division of Employer Accounts, Employer Status Section, PO Box 397, Trenton, New Jersey 08625-0397. Services performed by a duly ordained minister, priest or member of a religious order in the exercise of duties required of such order.

Services performed in a facility for rehabilitation by a person receiving rehabilitation.

Services performed as part of work relief or work training program by a person receiving the training.

If you employ any person(s) performing services you think may be exempt, contact any Regional Office for guidance. You may request a written opinion by writing to the Chief Auditor, Division of Employer Accounts, PO Box 942, Trenton, New Jersey 08625-0942.

Do not attempt to make your own determination. It may be wrong. If it is, it could cost you money in the form of interest and penalties.

### **Right of Appeal**

If you disagree with the determination of the Division of Employer Accounts, you have the right to protest and request a hearing on the matter. Any such request must be made within 30 days of the date of the notification.

### **Termination of Liability**

If you are subject to the law and you sell your business, or you do not have anyone working for you now, you may be relieved of your responsibility of filing reports *if* you so notify the Division of Employer Accounts.

## **Section 4**

### **CONTRIBUTION REPORTS**

If you are an employer subject to the law, you are required to file an Employer's Quarterly Report for each calendar quarter. As an employer subject to the provisions of the New Jersey Unemployment Compensation Law, you are also subject to the provisions of the New Jersey Temporary Disability Benefits Law, including the Family Leave Insurance program.

**Exception:** Domestic employers (those who employ only household workers) will file Employer's Quarterly Report (Form NJ-927H) each year, reporting gross, excess and taxable wages and paying contributions due for calendar year 2019, by January 30, 2020. This form will also allow employers to report and pay gross income tax withheld from workers.

**Exception:** A governmental entity or instrumentality is not automatically subject to the provisions of the state's Temporary Disability Benefits Law for temporary disability benefits, but may voluntarily elect this coverage. (See Chapter II, Section 8, Temporary Disability Insurance.) However, these same governmental entities or instrumentalities are automatically subject to the provisions of the state Temporary Disabilities Benefits Law for Family Leave Insurance benefits.

Contributions under the Unemployment Compensation Law are required of all subject employers and covered workers. Contributions under the Temporary Disability Benefits Law are also required if the State Plan of disability insurance is in force.

Exception: Nonprofit organizations exempt under Section 501(c)(3) of the Internal Revenue Code may elect to reimburse the Unemployment Trust Fund for unemployment benefits paid instead of making regular contributions. (See Chapter I, Section 6, Special Notes for Non-Profit Organizations.)

Exception: A governmental entity shall reimburse the Unemployment Trust Fund for unemployment benefits paid instead of making regular contributions, but may voluntarily elect to pay contributions, effective January 1 of a calendar year, by filing written notice with the Division of Employer Accounts not later than February 1 of such year. This election must remain in effect for at least two full calendar years and may be terminated by filing written notice not later than February 1 of the year termination is to be effective.

## **Workers**

Each monthly employment figure reported on the Employer's Quarterly Report (Form NJ-927) should represent a count of all full-time and part-time workers covered by the NJ Unemployment Insurance Law who worked during or received pay for the payroll period that includes the 12th of the month. If no workers were employed during the payroll period, enter zero (0) for the month.

The monthly counts reported *should not* be a restatement of the summary count of employees reported on the Employer Report of Wages Paid (Form WR-30). The summary count from Form WR-30 represents a count of all workers who were employed during the quarter. Monthly employment reported on the Employer's Quarterly Report reflects *payroll* counts for the pay period including the 12th of each month. The summary count from the WR-30 will generally be greater than or equal to any of the monthly payroll counts from the NJ-927. At no time should any monthly employment figure reported on the Employer's Quarterly Report exceed the summary count of employees reported on the Employer Report of Wages Paid for the same quarter.

For questions about reporting monthly employment counts on the Employer's Quarterly Report (Form NJ-927), contact the Covered Employment Statistics unit at (609) 984-5586 or (609) 984-5589.

## **Wages**

The term "wages" as used in this section means every form of remuneration you pay to your employees, either directly or indirectly, including salaries (vacation pay, holiday pay, back pay awards), commissions, tips, and bonuses.

Certain sick leave payments and continuation pay for family leave made by employers to employees for periods of disability are considered wages for both tax and benefit purposes under the Unemployment Compensation and Temporary Disability Benefits laws.

Types of sick leave payments and continuation pay for family leave deemed wages and therefore taxable are:

1. Continuation of pay during period of sickness or injury or for periods of family leave;
2. Payment of the difference between temporary disability benefits paid under the State Plan or an approved private plan and full salary;
3. Payment of the difference between Workers' Compensation benefits and full salary;
4. Payment of unused sick leave made to an employee while still in employment.
5. Payment of the difference between family leave insurance benefits paid under the State Plan or an approved private plan, and full salary.

Types of sick leave payments and continuation pay for family leave deemed benefits and therefore not taxable are:

1. Benefits paid from the State Plan for temporary disability insurance;
2. Benefits paid by an insurance carrier under an approved private plan;

3. Benefits paid by a union under an approved private plan;
4. Benefits paid by the employer under an approved self-insured private plan;
5. Benefits paid for work-related injury under Workers' Compensation;
6. Benefits paid to employees in the public sector for work-related illness under Sick Leave Injury (SLI);
7. Payment of sick leave made after retirement or separation from employment;
8. Family leave insurance benefits paid from the State Plan;
9. Family leave insurance benefits paid by an insurance carrier under an approved private plan;
10. Family leave insurance benefits paid by a union under an approved self-insured private plan;
11. Family leave insurance benefits paid by the employer under an approved self-insured private plan.

Benefits paid by a private plan employer or an approved self-insured private plan for temporary disability must apply the following rules to determine if payments constitute taxable wages:

- (a) Payments made to employees under an approved private plan are considered taxable remuneration, if payments are for a period of less than seven consecutive days following the date of disability.
- (b) Payments made for periods after the seventh consecutive day following the date of disability are not considered taxable.
- (c) If the period of disability extends to the twenty-second day of disability and payment is made for that twenty-second day, then the first seven days, referred to in (a) above, are not considered taxable.

#### Family leave insurance benefits payments

- (a) Family leave insurance benefits payments made to employees under an approved private plan are considered taxable remuneration if the payments are for a period of seven or less consecutive days following the first day that the individual establishes a claim.
- (b) Family leave insurance benefits payments made for periods after the seventh consecutive day following the first day that the individual establishes a claim are not considered taxable remuneration.
- (c) Family leave insurance benefits payments made for seven or less consecutive days following the first day that the individual establishes a claim referred to in (a) above are not considered taxable remuneration when:
  1. the period during which family leave insurance benefits have been paid extends to 22 consecutive days, or
  2. the claimant is eligible for at least one day of family leave insurance benefits in three separate weeks subsequent to the week in which the claim for family leave insurance benefits was established.

Payments in kind for personal services such as meals, board, lodging or any other payment in kind received by a worker from his/her employing unit in addition to or in lieu of (rather than as a deduction from) money wages are deemed to be remuneration paid by his/her employing unit. The Department of Labor and Workforce Development will determine or approve the cash value of such payments in kind. Such cash value will be used to determine the wages payable or paid to such worker and to compute contributions due under the law.

Money value for board and room, meals and lodging are treated as follows:

1. Where a money value for board and room, meals and lodging, or for any such items furnished to a worker is agreed upon in a contract of hire, the amount agreed upon will be deemed the cash value of such item or items.
2. The Director will establish rates for board and room, meals and lodging furnished in addition to, or in lieu of, money wages, unless the employer can establish different costs determined by generally accepted accounting principles. The rates for 2019 are:

i.	Full board and room, per week .....	\$231.50
ii.	Meals, per day .....	\$ 26.50
	Meals, if less than 3 meals per day, the individual meals shall be valued as follows:	
	Breakfast .....	\$ 8.00
	(Meals served between 12:01 a.m. & 11:00 a.m.)	
	Lunch .....	\$ 8.00
	(Meals served between 11:00 a.m. & 4:00 p.m.)	
	Dinner .....	\$ 10.60
	(Meals served between 4:00 p.m. & 12:00 p.m.)	
iii.	Lodging, per week .....	\$ 99.20

**NOTE:** These amounts are used for unemployment and temporary disability insurance purposes only when the employer does not assign value to such payments. They have no bearing on the New Jersey Wage and Hour laws or regulations or the federal Fair Labor Standards Act (FLSA) and regulations. Rates for board and room, meals and lodging under the New Jersey Wage and Hour laws or regulations may be found at N.J.A.C. 12:56-8, 12:56-13 and 12:56-14. Under the FLSA, these rates may be found at 29 U.S.C. 201 et seq., and 29 CFR Part 531.

The following types of remuneration are also considered wages:

1. Separation pay if made under a contractual obligation or by custom.
2. Payment of employees' portion of federal or state income tax, Social Security tax or unemployment and temporary disability taxes.
3. Distributions of income to officers of Subchapter "S" corporations when paid, if the officers performed any services for the corporation.
4. Employee payments to IRA or other deferred compensation plans that are withheld from gross remuneration.
5. Employer contributions to employees' cash or deferred arrangements under Internal Revenue Code Section 401(k), to the extent that the employee could have elected to receive cash in lieu of making contributions.
6. Employer contributions to a cafeteria plan arrangement pursuant to Section 125 of the Internal Revenue Code is be taxable remuneration to the extent that the employee could have elected to receive cash in lieu of the employer making the contribution.
7. Employer contributions on behalf of, or reimbursements to, an employee under a Dependent Care Assistance program.
8. If a Dependent Care Assistance program is financed by an employee's voluntary salary reduction, remuneration will be that amount the employee could have received in lieu of making the contribution.
9. Remuneration resulting from a below-market interest rate loan is taxable to the extent it is determined to be income for the purposes of FUTA.
10. When personal use of a company vehicle is present, the value of such use as determined by Section 61 of the Internal Revenue Code is considered remuneration.
11. Residual payments made to entertainers for reuse of commercial recordings are taxable if the original services were performed in this state.
12. All wages paid to aliens are taxable and reportable under a valid Social Security number.
13. Stock options are taxable to the extent that the employee could elect to receive cash in lieu of them.

## Taxable Wages

The maximum amount of wages on which subject employers must pay taxes is as follows for the periods shown:

Calendar Year	Taxable Wages	Starting in 2020, there is a separate Taxable Wage Base for TDI, FLI - Workers Portions Only:
2015	\$ 32,000	
2016	\$ 32,600	
2017	\$ 33,500	
2018	\$ 33,700	
2019	\$ 34,400	
2020	\$ 35,300	\$ 134,900

The taxable wage base changes each year, and is 28 times the statewide average weekly wage paid to workers subject to the law. This statewide average wage is determined by the Commissioner of Labor and Workforce Development on or before September 1 of each year on the wages paid during the preceding calendar year.

## Contribution Rates

### Supplemental Workforce Fund

Legislation enacted in 2001 established a Supplemental Workforce Fund (SWF) for Basic Skills to provide basic skills training to qualified workers. Effective July 1, 2001, each employer's unemployment insurance tax rate is reduced by .0175%, with the corresponding reduction paid into the SWF. Effective January 1, 2002, workers' tax rates are also reduced by .0175%, with this amount paid into the new fund. In the tables in this section and in Section 5 (Chapter I), the tax rates for the SWF and the Workforce Development Partnership Fund (WF) have been combined.

## Employers

Except for employers who become subject due to the "successor" provisions of the law, most new employers are assigned basic "starting" rates. The basic contribution rates for unemployment insurance and State Plan disability insurance coverage are subject to change, depending on the condition of the Unemployment Trust and Disability Benefits Funds, respectively. For a full explanation of contribution rates and experience rating, see Chapter I, Section 5.

New employer rates for Unemployment Insurance (UI), State Plan Temporary Disability Insurance (DI), Workforce Development Partnership (WF), Supplemental Workforce (SWF), and Health Care Subsidy (HC) are as follows for the periods shown:

Period	UI	DI	WF/SWF
7-1-14 to 6-30-15	2.6825%	0.5%	0.1175%
7-1-15 to 6-30-16	2.6825%	0.5%	0.1175%
7-1-16 to 6-30-17	2.6825%	0.5%	0.1175%
7-1-17 to 6-30-18	2.6826%	0.5%	0.1175%
7-1-18 to 6-30-19	2.6826%	0.5%	0.1175%
7-1-19 to 6-30-20	2.6825%	0.5%	0.1175%

## Workers

The workers' contribution rates and maximum contributions to be deducted for Unemployment Insurance (UI), State Plan Disability Insurance (DI), Workforce Development Partnership (WF), Supplemental Workforce (SWF), and State Plan Family Leave Insurance (FLI) are as follows for the periods shown:

Calendar Year Deduction	Rates				Maximum Deductions				
	UI	DI	WF/SWF	FLI	UI	DI	WF/SWF	FLI	Total
2015	0.3825%	0.25%	0.0425%	0.090%	\$122.40	\$80.00	\$13.60	\$28.80	\$244.80
2016	0.3825%	0.20%	0.0425%	0.080%	\$124.70	\$65.20	\$13.86	\$26.08	\$229.83
2017	0.3825%	0.24%	0.0425%	0.100%	\$128.14	\$80.40	\$14.24	\$33.50	\$256.28
2018	0.3825%	0.19%	0.0425%	0.090%	\$128.90	\$64.03	\$14.32	\$30.33	\$237.59
2019	0.3825%	0.17%	0.0425%	0.080%	\$131.58	\$58.48	\$14.62	\$27.52	\$232.20

Find more information on Family Leave Insurance (FLI) online at <https://myleavebenefits.nj.gov/worker/fli/>

## **Special Reimbursable Accounts**

Governmental entities or instrumentalities that elect to reimburse the cost of benefit payments in lieu of contributions deduct worker contributions of 0.425% of taxable wages. "Governmental reimbursable" employers will remit 0.325% with the Contributions Report, and will deposit from January 1, 2000 through June 30, 2004, 0.1% into the employer's trust account. Beginning July 1, 2004, government reimbursable employers will remit 0.125% with the Contributions Report, and will deposit 0.3% into the employer's trust account.

Governmental employers that have elected coverage under New Jersey's Temporary Disability Benefits Law will continue to remit the full worker contribution, 0.5% of taxable wages, along with the employer contribution. Governmental employers covered under the State Plan for Family Leave Insurance will remit the worker contribution of 0.12% of taxable wages; there is no employer contribution for family leave.

## **Instructions for Filing the Quarterly Contributions Report (NJ-927) and Submitting Payments**

Effective the first quarter of 2009, all employers must file the NJ-927 report electronically either online at <http://employerfiling.state.nj.us> or Secure File Transfer Protocol (SFTP) technology. See page 12 for more information on SFTP. No employer will receive pre-printed reports or reminders of due dates.

You may view instructions for completing the NJ-927 report by choosing "Help" at the bottom of each page of the online report. To see individual line instruction, select the line number of the online report. We recommend that the person responsible for filing the report read these instructions carefully.

Payments must be submitted by Electronic Fund Transfer (EFT), credit card or E-check. Find information about electronic payment options online at <http://www.state.nj.us/treasury/revenue/taxemp.htm>.

## **Due Dates of Reports**

Employer's Quarterly Reports (Form NJ-927) are required for the periods ending March 31, June 30, September 30 and December 31 of each year. The reports and the contributions due on the taxable wages shown on the reports must be sent to the Division of Employer Accounts not later than April 30, July 30, October 30, and January 30. This allows you 30 calendar days after the close of the quarter to prepare the report.

Domestic employers should refer to the first "Exception" under "Contribution Reports," Section 4, about annual filing.

## **Penalties for Failure to File Reports**

If you, as an employer, fail to file the Employer's Quarterly Report (Form NJ-927), the Division of Employer Accounts may estimate the amount of taxes you owe from any available information, and may assess and collect the taxes due, together with penalties and interest.

It is mandatory that all employers, including reimbursement-option employers, submit these reports. The reporting form must be completed and returned even if you, the employer, have had no payroll in the quarter.

If you file the contribution report late, you will be charged \$10.00 a day for each day of delinquency up to and including the fifth day, after which the charge is a penalty of \$10.00 a day or 25 percent of the amount of contributions due for the period covered by the report, whichever is less. If you file a contribution report late on which no contributions are due, the maximum penalty is \$50.00.

If you fail to pay the contribution when due, the law provides that the amount of the taxes due will carry interest at the rate of 1.25% for each month from the due date until the date payment is received.

## **Adjustment to Reports**

Each report should include only the information that pertains to a particular quarter. If you discover that you made an error on a previous report, you can amend the Quarterly Report online. Visit [www.state.nj.us/treasury/revenue/amdreturns.htm](http://www.state.nj.us/treasury/revenue/amdreturns.htm).



## Credit Against the Federal Unemployment Tax

If you employ one or more persons for some portion of a day in each of 20 weeks within a calendar year or have a payroll of \$1,500 in a calendar quarter, you are subject to the provisions of the Federal Unemployment Tax Act. Employers who pay their taxes on time to the New Jersey Department of Labor and Workforce Development are allowed a credit not to exceed 90 percent of 6.2 percent on the first \$7,000 of wages paid to each employee. "On time" means that employers must have paid their taxes due under the New Jersey law by January 31 of the year following the calendar year for which they claim credit. The total allowable credit is 5.4 percent of the gross tax.

### Section 5

#### EXPERIENCE RATING

Unemployment and disability insurance tax rates are assigned on a fiscal year basis (July 1 - June 30). Every subject employer receives a "Notice of Employer Contribution Rates" (Form AC-174.1) and its accompanying explanation at the beginning of each fiscal year.

#### Employer Unemployment Tax Rate

Two factors determine an employer's unemployment tax rate: (1) the Unemployment Trust Fund Reserve Ratio and (2) the Employer's Reserve Ratio.

#### Unemployment Trust Fund Reserve Ratio

The Unemployment Trust Fund Reserve Ratio is computed by dividing the balance of the Unemployment Trust Fund as of March 31 of the current calendar year by the total taxable wages reported by all employers for the prior calendar year.

$$\frac{\text{Balance of Unemployment Trust Fund (as of March 31)}}{\text{Total UC Taxable Wages}} = \text{Unemployment Trust Fund Reserve Ratio}$$

The Unemployment Trust Fund Reserve Ratio determines which column of rates will be in effect for all employers for the rate year beginning on July 1 of the same year. Since July 1, 1986, New Jersey's unemployment tax tables have included six columns of rates, labeled columns A, B, C, D, E and E+10%. Column A rates, the lowest rates, are applicable when the fund is highest (1.40% of taxable wages, or greater. Column E+10% rates, the highest rates, are applicable when the fund is lowest (below 0.49% of taxable wages).

The trust fund reserve ratio thresholds that trigger various tax columns were modified in 2011 as follows:

	A	B	C	D	E	E+10%
Effective July 1, 2011 through Present	3.50% and over	3.00% to 3.49%	2.50% to 2.99%	2.00% to 2.49%	1.00% to 1.99%	0.99% and below

From January 1, 1998, through June 30, 2001, each employer's rate, except those with a reserve ratio of negative 35.00%, is decreased by 0.1%, with the corresponding reduction paid into the Workforce Development Partnership Fund. Additionally, from January 1, 1998 through December 31, 1998, each employer's rate, after the 0.1% reduction, was decreased by 12%, with the corresponding reduction paid into the Health Care Subsidy Fund. For calendar year 1999, the employer's rate was decreased by 10% and in 2000 by 7%, with the corresponding reduction paid into the Health Care Subsidy Fund. From January 1, 2001, through December 31, 2001, there was no reduction to the employer's rate for payment into the Health Care Subsidy Fund.

Effective July 1, 2001, each employer's rate, except those with a reserve ratio of negative 35.00%, is decreased by 0.1175% with the corresponding reduction paid into the Workforce Development/Supplemental Workforce Funds.

From January 1, 2002, through March 31, 2002, each employer's rate, after the 0.1175% reduction was decreased by 36%, with the corresponding reduction paid to the Health Care Subsidy Fund. From April 1, 2002, through June 30, 2002, the employer's rate was decreased by 85% and from July 1, 2002, through June 30, 2004,

by 15%, with the corresponding reductions paid to the Health Care Subsidy Fund. From July 1, 2004, through June 30, 2005, the employer's rate was reduced by 7%, with the corresponding reduction paid to the Health Care Subsidy Fund. From July 1, 2005, through December 31, 2005, the employer's rate was reduced by 16% and from January 1, 2006, through June 30, 2006 by 34%, with the corresponding reductions paid to the Health Care Subsidy Fund. Effective July 1, 2006, the rate reduction and payment to the Health Care Subsidy Fund ended.

The Experience Rating Tax Table illustrates combined employer contribution rates (Unemployment Insurance, Workforce Development, Supplemental Workforce Fund and Health Care Subsidy). This table is followed by applicable tax schedules from July 1, 2012, through June 30, 2018.

### Employer's Reserve Ratio

New Jersey uses the "reserve ratio" method to determine unemployment tax rates for subject employers. A record is maintained for each employer showing the contributions paid, unemployment benefits charged to that account and taxable wages. The cumulative benefits are subtracted from the cumulative contributions. The resulting value is known as the "Reserve Balance."

$$\text{Employer Contributions} - \text{Benefits Charged} = \text{Reserve Balance}$$

Employer contributions include all payments made as of January 31 of any calendar year. Benefits charged include only those paid to claimants through December 31 of the previous calendar year.

The Reserve Balance is divided by average annual taxable wages (for the last three or five calendar years, whichever is higher) and the product is the "Reserve Ratio."

$$\frac{\text{Reserve Balance}}{\text{Average Annual Taxable Wages (last 3 or 5 years)}} = \text{Reserve Ratio}$$

The employer's Reserve Ratio will fall within one of the 28 categories as shown in the table on the next page. After establishing the employer's Reserve Ratio category and determining which particular schedule of rates is in effect, the employer's unemployment tax rate can be ascertained.

In some cases, however, an employer's Reserve Ratio is not used to determine the employer's combined UI/WF/HC contribution rate. Three such rating categories, and corresponding employer contribution rates, are shown here:

	<b>Unemployment Trust Fund Reserve Ratio</b>					
	<b>1.40% and Over A</b>	<b>1.00% to 1.39% B</b>	<b>0.75% to 0.99% C</b>	<b>0.50% to 0.74% D</b>	<b>0.49% and Below E</b>	<b>0.49% and Below E+10%</b>
(1) New Employer Rate	2.8%	2.8%	2.8%	3.1%	3.4%	3.7%
(2) Specially Assigned (positive)	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
(3) Specially Assigned (negative)	5.4%	5.4%	5.8%	6.4%	7.0%	7.7%

### (1) New Employer Rate

New Jersey employers are assigned new employer rates until they have established three consecutive full or partial years of contribution payment experience. Effective July 1 of the fourth year of subjectivity, rates are assigned based on the employer's unemployment experience history.

### (2) Specially Assigned Rates (positive) and (3) Specially Assigned Rates (negative)

Specially assigned rates apply to employers who previously had sufficient experience to receive an "experience rate" but subsequently paid no contributions on wages for employment with respect to at least one of the last three calendar years. Category (2) employers have positive Reserve Balances; category (3) employers have negative Reserve Balances.



UNEMPLOYMENT INSURANCE CONTRIBUTION RATES\*  
JULY 1,2012-JUNE 30,2016

TABLE E

(.00)			CURRENT		CONVERTED	
POSITIVE RESERVE RATIO			RATE	WFD/SWF*	HCS	U I
17.00%	AND OVER		1.2%	0.1175%	0.0000%	1.0825%
16.00%	TO	16.99%	1.2%	0.1175%	0.0000%	1.0825%
15.00%	TO	15.99%	1.2%	0.1175%	0.0000%	1.0825%
14.00%	TO	14.99%	1.2%	0.1175%	0.0000%	1.0825%
13.00%	TO	13.99%	1.2%	0.1175%	0.0000%	1.0825%
12.00%	TO	12.99%	1.2%	0.1175%	0.0000%	1.0825%
11.00%	TO	11.99%	1.2%	0.1175%	0.0000%	1.0825%
10.00%	TO	10.99%	1.6%	0.1175%	0.0000%	1.4825%
9.00%	TO	9.99%	1.9%	0.1175%	0.0000%	1.7825%
8.00%	TO	8.99%	2.3%	0.1175%	0.0000%	2.1825%
7.00%	TO	7.99%	2.6%	0.1175%	0.0000%	2.4825%
6.00%	TO	6.99%	3.0%	0.1175%	0.0000%	2.8825%
5.00%	TO	5.99%	3.4%	0.1175%	0.0000%	3.2825%
4.00%	TO	4.99%	3.7%	0.1175%	0.0000%	3.5825%
3.00%	TO	3.99%	3.9%	0.1175%	0.0000%	3.7825%
2.00%	TO	2.99%	4.0%	0.1175%	0.0000%	3.8825%
1.00%	TO	1.99%	4.1%	0.1175%	0.0000%	3.9825%
0.00%	TO	0.99%	4.3%	0.1175%	0.0000%	4.1825%
SPECIAL ASSIGNED RATE			5.4%	0.1175%	0.0000%	5.2825%
DEFICIT RESERVE RATIO (CR)						
0.00%	TO	2.99%	6.1%	0.1175%	0.0000%	5.9825%
3.00%	TO	5.99%	6.2%	0.1175%	0.0000%	6.0825%
6.00%	TO	8.99%	6.3%	0.1175%	0.0000%	6.1825%
9.00%	TO	11.99%	6.4%	0.1175%	0.0000%	6.2825%
12.00%	TO	14.99%	6.5%	0.1175%	0.0000%	6.3825%
15.00%	TO	19.99%	6.6%	0.1175%	0.0000%	6.4825%
20.00%	TO	24.99%	6.7%	0.1175%	0.0000%	6.5825%
25.00%	TO	29.99%	6.8%	0.1175%	0.0000%	6.6825%
30.00%	TO	34.99%	6.9%	0.1175%	0.0000%	6.7825%
35.00%	AND UNDER		7.0%	0.1175%	0.0000%	6.8825%
SPECIAL ASSIGNED RATE			7.0%	0.1175%	0.0000%	6.8825%
NEW EMPLOYER RATE			3.4%	0.1175%	0.0000%	3.2825%

WFD/SWF WORKFORCE DEVELOPMENT/SUPPLEMENTAL WORKFORCE FUNDS  
HCS HEALTH CARE SUBSIDY FUND  
UI UNEMPLOYMENT INSURANCE

\*TABLE SHOWS THE REDUCTION OF 0.1000% FOR THE WORKFORCE DEVELOPMENT FUND AND A FURTHER REDUCTION OF 0.0175% FOR THE SUPPLEMENTAL WORKFORCE FUND.

# Unemployment Insurance Contribution Rates\*

July 1, 2017 - June 30, 2018

"Table C"

(.00) Positive Reserve Ratio	Current Rate	Converted		
		WFD/SWF*	HCS	U I
17.00% and over	0.50%	0.1175%	0.0000%	0.3825%
16.00% to 16.99%	0.60%	0.1175%	0.0000%	0.4825%
15.00% to 15.99%	0.70%	0.1175%	0.0000%	0.5825%
14.00% to 14.99%	0.70%	0.1175%	0.0000%	0.5825%
13.00% to 13.99%	0.80%	0.1175%	0.0000%	0.6825%
12.00% to 12.99%	0.90%	0.1175%	0.0000%	0.7825%
11.00% to 11.99%	1.00%	0.1175%	0.0000%	0.8825%
10.00% to 10.99%	1.30%	0.1175%	0.0000%	1.1825%
9.00% to 9.99%	1.60%	0.1175%	0.0000%	1.4825%
8.00% to 8.99%	1.90%	0.1175%	0.0000%	1.7825%
7.00% to 7.99%	2.20%	0.1175%	0.0000%	2.0825%
6.00% to 6.99%	2.50%	0.1175%	0.0000%	2.3825%
5.00% to 5.99%	2.80%	0.1175%	0.0000%	2.6825%
4.00% to 4.99%	3.10%	0.1175%	0.0000%	2.9825%
3.00% to 3.99%	3.20%	0.1175%	0.0000%	3.0825%
2.00% to 2.99%	3.30%	0.1175%	0.0000%	3.1825%
1.00% to 1.99%	3.40%	0.1175%	0.0000%	3.2825%
0.00% to 0.99%	3.60%	0.1175%	0.0000%	3.4825%
Special Assigned Rate	5.40%	0.1175%	0.0000%	5.2825%

## Deficit Reserve Ratio (CR)

0.00% to 2.99%	5.10%	0.1175%	0.0000%	4.9825%
3.00% to 5.99%	5.10%	0.1175%	0.0000%	4.9825%
6.00% to 8.99%	5.20%	0.1175%	0.0000%	5.0825%
9.00% to 11.99%	5.30%	0.1175%	0.0000%	5.1825%
12.00% to 14.99%	5.40%	0.1175%	0.0000%	5.2825%
15.00% to 19.99%	5.50%	0.1175%	0.0000%	5.3825%
20.00% to 24.99%	5.60%	0.1175%	0.0000%	5.4825%
25.00% to 29.99%	5.60%	0.1175%	0.0000%	5.4825%
30.00% to 34.99%	5.70%	0.1175%	0.0000%	5.5825%
35.00% and under	5.80%	0.1175%	0.0000%	5.6825%
Special Assigned Rate	5.80%	0.1175%	0.0000%	5.6825%
New Employer Rate	2.80%	0.1175%	0.0000%	2.6825%

WFD/SWF Workforce Development/Supplemental Workforce Funds  
HCS Health Care Subsidy Fund  
UI Unemployment Insurance

\*Table shows the reduction of 0.1000% for the Workforce Development Fund,  
and a further reduction of 0.0175% for the Supplemental Workforce Fund.

UNEMPLOYMENT INSURANCE CONTRIBUTION RATES\*  
JULY 1, 2018 - JUNE 30, 2019

TABLE B

POSITIVE RESERVE RATIO			CURRENT RATE	WFD/SWF*	CONVERTED HCS	UI
17.00%	AND	OVER	0.40%	0.1175%	0.0000%	0.2825%
16.00%	TO	16.99%	0.50%	0.1175%	0.0000%	0.3825%
15.00%	TO	15.99%	0.60%	0.1175%	0.0000%	0.4825%
14.00%	TO	14.99%	0.60%	0.1175%	0.0000%	0.4825%
13.00%	TO	13.99%	0.70%	0.1175%	0.0000%	0.5825%
12.00%	TO	12.99%	0.80%	0.1175%	0.0000%	0.6825%
11.00%	TO	11.99%	0.80%	0.1175%	0.0000%	0.6825%
10.00%	TO	10.99%	1.10%	0.1175%	0.0000%	0.9825%
9.00%	TO	9.99%	1.30%	0.1175%	0.0000%	1.1825%
8.00%	TO	8.99%	1.60%	0.1175%	0.0000%	1.4825%
7.00%	TO	7.99%	1.80%	0.1175%	0.0000%	1.6825%
6.00%	TO	6.99%	2.10%	0.1175%	0.0000%	1.9825%
5.00%	TO	5.99%	2.40%	0.1175%	0.0000%	2.2825%
4.00%	TO	4.99%	2.60%	0.1175%	0.0000%	2.4825%
3.00%	TO	3.99%	2.70%	0.1175%	0.0000%	2.5825%
2.00%	TO	2.99%	2.80%	0.1175%	0.0000%	2.6825%
1.00%	TO	1.99%	2.90%	0.1175%	0.0000%	2.7825%
0.00%	TO	0.99%	3.00%	0.1175%	0.0000%	2.8825%
SPECIAL ASSIGNED RATE			5.40%	0.1175%	0.0000%	5.2825%
DEFICIT RESERVE RATIO (CR)						
0.00%	TO	2.99%	4.30%	0.1175%	0.0000%	4.1825%
3.00%	TO	5.99%	4.30%	0.1175%	0.0000%	4.1825%
6.00%	TO	8.99%	4.40%	0.1175%	0.0000%	4.2825%
9.00%	TO	11.99%	4.50%	0.1175%	0.0000%	4.3825%
12.00%	TO	14.99%	4.60%	0.1175%	0.0000%	4.4825%
15.00%	TO	19.99%	4.60%	0.1175%	0.0000%	4.4825%
20.00%	TO	24.99%	4.70%	0.1175%	0.0000%	4.5825%
25.00%	TO	29.99%	4.80%	0.1175%	0.0000%	4.6825%
30.00%	TO	34.99%	4.80%	0.1175%	0.0000%	4.6825%
35.00%	AND	UNDER	5.40%	0.0000%	0.0000%	5.4000%
SPECIAL ASSIGNED RATE			5.40%	0.1175%	0.0000%	5.2825%
NEW EMPLOYER RATE			2.80%	0.1175%	0.0000%	2.6825%

WFD/SWF Workforce Development/Supplement Workforce Funds

HCS Health Care Subsidy Fund

UI Unemployment Insurance

\*Table shows the reduction of 0.1000% for the Workforce Development Fund  
and a further reduction of 0.0175% for the Supplemental Workforce Fund

UNEMPLOYMENT INSURANCE CONTRIBUTION RATES\*  
JULY 1,2019-JUNE 30,2020

TABLE B

(.00)			CURRENT	CONVERTED		
POSITIVE RESERVE RATIO			RATE	WFD/SWF*	HCS	U I
17.00%	AND OVER		0.40%	0.1175%	0.0000%	0.2825%
16.00%	TO	16.99%	0.50%	0.1175%	0.0000%	0.3825%
15.00%	TO	15.99%	0.60%	0.1175%	0.0000%	0.4825%
14.00%	TO	14.99%	0.60%	0.1175%	0.0000%	0.4825%
13.00%	TO	13.99%	0.70%	0.1175%	0.0000%	0.5825%
12.00%	TO	12.99%	0.80%	0.1175%	0.0000%	0.6825%
11.00%	TO	11.99%	0.80%	0.1175%	0.0000%	0.6825%
10.00%	TO	10.99%	1.10%	0.1175%	0.0000%	0.9825%
9.00%	TO	9.99%	1.30%	0.1175%	0.0000%	1.1825%
8.00%	TO	8.99%	1.60%	0.1175%	0.0000%	1.4825%
7.00%	TO	7.99%	1.80%	0.1175%	0.0000%	1.6825%
6.00%	TO	6.99%	2.10%	0.1175%	0.0000%	1.9825%
5.00%	TO	5.99%	2.40%	0.1175%	0.0000%	2.2825%
4.00%	TO	4.99%	2.60%	0.1175%	0.0000%	2.4825%
3.00%	TO	3.99%	2.70%	0.1175%	0.0000%	2.5825%
2.00%	TO	2.99%	2.80%	0.1175%	0.0000%	2.6825%
1.00%	TO	1.99%	2.90%	0.1175%	0.0000%	2.7825%
0.00%	TO	0.99%	3.00%	0.1175%	0.0000%	2.8825%
SPECIAL ASSIGNED RATE			5.40%	0.1175%	0.0000%	5.2825%
DEFICIT RESERVE RATIO (CR)						
0.00%	TO	2.99%	4.30%	0.1175%	0.0000%	4.1825%
3.00%	TO	5.99%	4.30%	0.1175%	0.0000%	4.1825%
6.00%	TO	8.99%	4.40%	0.1175%	0.0000%	4.2825%
9.00%	TO	11.99%	4.50%	0.1175%	0.0000%	4.3825%
12.00%	TO	14.99%	4.60%	0.1175%	0.0000%	4.4825%
15.00%	TO	19.99%	4.60%	0.1175%	0.0000%	4.4825%
20.00%	TO	24.99%	4.70%	0.1175%	0.0000%	4.5825%
25.00%	TO	29.99%	4.80%	0.1175%	0.0000%	4.6825%
30.00%	TO	34.99%	4.80%	0.1175%	0.0000%	4.6825%
35.00%	AND UNDER		5.40%	0.0000%	0.0000%	5.4000%
SPECIAL ASSIGNED RATE			5.40%	0.1175%	0.0000%	5.2825%
NEW EMPLOYER RATE			2.80%	0.1175%	0.0000%	2.6825%

WFD/SWF WORKFORCE DEVELOPMENT/SUPPLEMENTAL WORKFORCE FUNDS

HCS HEALTH CARE SUBSIDY FUND

UI UNEMPLOYMENT INSURANCE

\*TABLE SHOWS THE REDUCTION OF 0.1000% FOR THE WORKFORCE DEVELOPMENT FUND, AND A FURTHER REDUCTION OF 0.0175% FOR THE SUPPLEMENTAL WORKFORCE FUND.

## **Voluntary Contributions**

At the beginning of each fiscal year, any employer whose rate is based on experience may lower his unemployment tax rate by making a voluntary payment to increase his Reserve Ratio. You can do this online at <https://www.nj.gov/labor/ea/employer-services/rate-info/>. We must receive your remittance within 30 days of the mailing date of the “Notice of Employer Contribution Rates” and you must meet the requirements stated therein. Voluntary contributions apply only to the employer unemployment insurance rate.

## **Benefit Charges to Employer Accounts**

When unemployment insurance benefits are paid to a claimant, a charge equal to the amount of benefits is made to the account of the employer for whom the individual worked. If the claimant worked for more than one employer during the period on which his benefits are based, each base-year employer is charged for each benefit payment in proportion to the amount of wages that the employer paid the claimant during the base-year to total wages received during that period. That is, under proportional charging, all base-year chargeable employers share in the cost of each week of benefit payments.

The employer is notified of these charges quarterly on Form B-187Q, “Unemployment Benefits Charged to Experience Rating Account.” We recommend that employers check these listings carefully with their payroll records to help prevent incorrect charges and improper benefit payments.

When a claimant is determined to be ineligible for or disqualified from unemployment benefits, no associated costs for benefit payments should be reflected on his/her chargeable employer’s (or employers’) B-187Q notice(s) for the period of ineligibility or disqualification. However, a claimant who is separated from employment by either a chargeable base-year employer or a nonchargeable lag-period employer due to voluntary leaving, misconduct or gross misconduct, may become eligible for benefits by fulfilling legally prescribed criteria for removal of these disqualifications. Effective January 4, 1998, an amendment to the New Jersey Unemployment Compensation Law provides for the relief of charges to a contributory employer’s experience rating account when an individual’s separation from employment is for reasons that are disqualifying under the law. Thus, even though an individual may overcome an imposed disqualification or a potential disqualification, and is entitled to receive unemployment benefits, the employer’s account will not be charged for the benefits that occur subsequent to the disqualifying separation.

When the relevant criterion is met in cases involving voluntary leaving or misconduct separation issues, any chargeable employer is notified in writing of the claimant’s potential eligibility for benefits. The cost of any subsequently paid benefits will appear on B-187Q notices mailed to the claimant’s chargeable employer(s). Because a disqualification due to gross misconduct involves the immediate cancellation of wage credits earned with the employer prior to the date of discharge, the employer’s account will not be charged for benefits which are compensable after the claimant requalifies.

## **Employer Disability Insurance Rate**

An employer’s disability tax rate is computed in a manner similar to the unemployment rate. A “reserve ratio” system incorporates (1) the employer’s excess or deficit Reserve Balance percentage, and (2) the condition of the State Disability Benefits Fund.

## **Excess or Deficit Reserve Balance Percentage**

A record is maintained for each employer showing the State Plan disability benefits charged, contributions paid (both employer and worker) and taxable wages. The benefits are subtracted from the contributions to yield the Reserve Balance.

$$\text{Contributions (Employer \& Worker)} - \text{Benefits Charged} = \text{Reserved Balance}$$

The contributions are those paid as of January 31. The benefits charged are those paid to claimants as of December 31.

The Reserve Balance is reduced by \$500.00 and then divided by the average annual taxable wages (for the last three or five years, whichever is higher) to give the Excess or Deficit Reserve Balance Percentage.

$$\frac{\text{Reserve Balance (Reduced By \$500.00)}}{\text{Average Annual Taxable Wages (last 3 or 5 years)}} = \frac{\text{Excess or Deficit Reserve}}{\text{Balance Percentage}}$$

This percentage will determine the preliminary rate, as shown in the table below:

<b>Excess or Deficit Reserve Balance Percentage</b>	<b>Preliminary Rate</b>
1.50% or more	0.10%
1.25% to 1.49%	0.15%
1.01% to 1.24%	0.20%
1.00% or less	0.25%
0.24% CR* or less	0.35%
0.25% CR to 0.49% CR	0.45%
0.50% CR to 0.74% CR	0.55%
0.75% CR to 0.99% CR	0.65%
1.00% CR or more	0.75%

\* CR indicates that we have paid out more in benefits to your employees than you have paid in contributions. Such situations result in higher employer rates.

The excess or deficit Reserve percentage is not calculated if:

1. There were one or more years during the past three years in which no contributions were paid to the fund, or
2. The excess or deficit Reserve Balance is \$500.00 or less. The preliminary rate assigned under (1) is 0.50% and under (2) is 0.25%.

### **Adjustment of Preliminary Rate**

The law provides that an employer's preliminary rate cannot be 0.20% higher nor 0.10% lower than the unadjusted preliminary rate for the prior fiscal year. The preliminary rate is adjusted according to this provision except when the basic rate of 0.50% has been assigned, in which case no adjustment is made.

### **State Disability Benefits Fund**

An employer's disability rate can be further modified according to the condition of the State Disability Benefits Fund. Depending on the size of the fund reserve percentage, rates can be raised, lowered, or remain unchanged.

### **Disability Benefits Charges**

If a State Plan disability claim's base-year had more than one subject employer, in most cases a charge equal to the amount of disability benefits paid is made only to the account of the claimant's most recent subject employer. (This differs from how unemployment benefits are charged.)

The employer is notified of State Plan benefit charges by Form DS-7CR2, "Notice of Disability Benefits Charged or Credited."

### **Transfer of Experience Rating**

When the entire organization, trade or business, or substantially all the assets of an employer subject to the law are acquired by another entity, the unemployment tax rate of the acquired entity is automatically transferred to the new employer.

When acquiring another employing enterprise, in whole or in part, the employer is required to notify the Employer Status Section of the Division of Employer Accounts.

There are other changes in legal entity that have the same effect as if there were an actual change in ownership from one individual to another. A change of legal entity occurs when a business becomes incorporated, a sole ownership becomes a partnership or a corporation, or if a partnership adds or changes a partner, etc. Whenever there is such a change, the employer should notify the Employer Status section within the Division of Employer Accounts should be notified immediately.



## **Worker Contribution Refunds**

If, as a result of employment with two or more employers during a calendar year, a worker had deducted from his/her wages more than the maximum annual contribution amounts for unemployment, temporary disability insurance, family leave insurance, Workforce Development, and Health Care Subsidy purposes, he/she may obtain credit for the excess contributions on his/her New Jersey income tax return. To claim this credit, the worker should obtain Form NJ-2450, "Employee's Claim for Credit for Excess Unemployment and Disability Contributions," from the state's Division of Taxation. The completed Form NJ-2450 should be filed with the New Jersey Gross Income Tax return. Non-New Jersey residents who do not file New Jersey Income Tax returns should file refund Forms UC-9A, W-2 and/or UC-52 directly with the Division of Employer Accounts.

**NOTE:** W-2 forms, used by the Division of Taxation to document the payment of excess contributions, must include the employer's New Jersey taxpayer identification number, must show separately the worker's contribution amounts for unemployment and temporary disability insurance for the tax year, and, if appropriate, must include the plan number of the approved Private Plan for disability insurance.

## **Section 6**

### **REIMBURSEMENT OPTION - SPECIAL NOTES FOR NONPROFIT ORGANIZATIONS**

Nonprofit organizations that are exempt under 501(c)(3) of the Internal Revenue Code may either pay unemployment contributions on taxable wages on a quarterly basis, or may reimburse the Unemployment Trust Fund for benefits paid. Worker contributions are to be deducted at the rates indicated on pages 21, for the Health Care Subsidy Fund, Unemployment Insurance Trust Fund, Workforce Development Partnership Fund, and Family Leave Insurance, and forwarded to the Department of Labor and Workforce Development with the quarterly reports.

A newly subject nonprofit organization that elects to reimburse the Fund for benefits paid must file written notice of its intention with the Division of Employer Accounts within 120 days of the day on which the organization attains subject status, or not later than 30 days from the date on which the organization is notified of its subjectivity, whichever is later. Nonprofit organizations on a contributions schedule may change to a reimbursement basis by filing a written notice to that effect with the Division of Employer Accounts not later than February 1 of any calendar year. Elections to reimburse will be effective for a period of not less than two calendar years.

Two or more employers who are liable for reimbursement of the benefit costs in lieu of contributions may apply to establish a "group account" for the purpose of sharing the cost of benefits paid.

Nonprofit organizations that elect to reimburse the Fund for benefit payments will be required to furnish proof of financial responsibility or file a surety bond with the Department. The amount of the bond or deposit will not exceed the amount derived by multiplying the organization's taxable wages for the preceding calendar year, or the estimated taxable wages for the ensuing year, whichever is greater, by the maximum unemployment insurance contribution rate in effect at the beginning of the calendar year for which the bond or deposit is required (currently 5.8 percent).

Nonprofit organizations that have elected to make reimbursements of costs for benefits paid that are attributable to base-year wages earned during the reimbursement election period are billed on a quarterly basis.

A nonprofit organization may file a written notice terminating its election, not later than February 1 of any calendar year in which the termination is to become effective.

If an election for reimbursement is terminated by a nonprofit organization or cancelled by the Division of Employer Accounts, the nonprofit organization remains liable for the reimbursement of all benefits paid that were based on wages earned in the employ of the nonprofit organization during the effective period of the election.

As of the effective date of the termination of an election for reimbursement, a nonprofit organization will become liable to pay unemployment insurance contributions on taxable wages paid to its employees subsequent to the termination. Its contribution rate beginning with the first July 1 in the period following the termination will be assigned in accordance with the experience rating provision of the law, except that:

1. The benefit charges to its account that are attributable to base-year services during the effective period of the election will not be included in the total benefit charges to its account in the calculation of its reserve balance for determining its rate.
2. Its average annual payroll will be determined without inclusion of any of the wages paid in any calendar year during which its election for reimbursement was effective for any part of the calendar year.
3. The period during which the election for reimbursement was effective will not be included in calculating the period of eligibility for modification of its rate.
4. For the period from the date of termination to July 1 following termination, a rate of 1% will be assigned for contributions under the Unemployment Compensation Law.

**NOTE:** The reimbursement option is not available for temporary disability contributions.

## **Section 7**

### **AUDIT PROCESS**

The following explanations address frequently asked questions from employers who receive notice of a New Jersey Unemployment Compensation (UC) audit. This information will help you prepare for the audit and let you know what to expect during and after the audit.

#### **Why does the NJ Division of Employer Accounts perform audits?**

The United States Department of Labor requires New Jersey to implement a comprehensive field audit program as an efficient means of ensuring compliance with the New Jersey Unemployment Compensation law and the timely collection of taxes on an equitable basis. Audits are performed to verify your reported payroll and exclusions taken for unemployment compensation purposes, to ensure that benefits have been charged correctly to your account, and to answer any questions you may have regarding the Unemployment Compensation law.

#### **Why was I selected for audit?**

Each year, several thousand employers are selected for audit. Some employers are selected randomly from the entire list of employers covered under the New Jersey UC law to verify that wages are being reported correctly. Others are selected to resolve report delinquencies or benefit claims (both unemployment and temporary disability). If you are not currently covered under New Jersey UC law, we may do an audit to determine if you should be a covered employer for unemployment compensation purposes. The auditor can tell you why you were selected.

#### **How much time will this audit take?**

The length of time depends on the size of the employer, the condition of the employer's records, and questionable issues or problems encountered, if any. Some audits take from two to four hours while others may take longer. The auditor will be able to answer this question for you.

#### **What if I cannot provide records on the scheduled audit date?**

Contact the auditor *immediately* at the telephone number listed on the scheduling letter. We will reschedule the audit if necessary. Please provide several alternate dates when you will be available so that we can reschedule promptly.

#### **Must I be available at the time of the audit?**

You may designate a representative to provide the records to the auditor. That individual should understand your records and be able to answer questions. Your designated representative may be your accountant, bookkeeper or other responsible individual.

#### **What period of time will the audit cover?**

Usually, the audit will cover one calendar year unless we discover issues that could affect other years. The scheduling letter lists the time period for which records must be provided. If the audit is not expanded beyond the one-year period, it may not be necessary for the auditor to examine the records of other years.



However, have all requested records available for all years in case they are needed. Records must be retained and readily accessible at the New Jersey place of business for the current calendar year and for the four preceding calendar years per N.J.A.C. 12:16-2.4a.

### **What records will the auditor examine?**

The records to be examined are listed in the scheduling letter. These include, but are not limited to: payroll records, cash disbursements records, or check books and canceled checks, federal and state tax reports, financial statements, general ledger, corporate minutes book, Form W-3 Transmittal with Forms W-2, and Form 1096 Transmittal with Forms 1099. Not all employers maintain all these records, but those you do maintain must be made available to the auditor.

Furthermore, *payments to individuals for personal services* will be scrutinized for proper classification as an "independent contractor" or "employee." Have the following information available for the auditor's examination: invoices, contracts, agreements, advertisements, business licenses, business telephone listings, business cards and stationery, and the address and telephone listing for each individual receiving such payments.

### **Why is the auditor examining records and documents in addition to payroll records?**

The auditor must examine a variety of records and documents to verify that payroll was correctly reported for unemployment compensation purposes. Payments for personal services are made differently, and through different accounts, from employer to employer. The auditor is required to scrutinize all records that may show payments to individuals for personal services, and determine if these payments have been properly classified.

### **Can I refuse to provide records to the auditor?**

New Jersey Unemployment Compensation Law (N.J.S.A. 43:21-11(g) and N.J.A.C. 12:16-2) requires employers to provide records to the auditor for examination. If you refuse to do so, the records can be subpoenaed. The same law declares that all records, reports and other information obtained from employers will be held confidential.

### **When will I know the audit results?**

The auditor will discuss the results before leaving your place of business or the location where the audit is conducted. If the audit is not complete at that time or you are not available, the auditor will meet with you, if practicable, or contact you later to discuss the results. An "exit letter" will also be sent to the employer or representative.

If required, the auditor will provide you a summary of any audit adjustments with contribution reports for signature and the payment due.

### **What if I don't agree with the audit results?**

The auditor's immediate supervisor will contact you to discuss the audit results. If possible, we will clarify and resolve issues at this time. However, this may not always be possible. Thereafter, you will receive a Chief Auditor's Notice of Employer Liability with a "Request for Hearing" form.

To appeal the auditor's determination, you must make a written request for a hearing on the prescribed form within 30 days after the date of the notice, providing your reasons for disputing the determination, and return the request to the Chief Auditor.

### **What if I am unable to pay the monies due?**

Any contributions, interest, and penalty due must be paid. If you are unable to make full payment immediately, you can initiate an installment arrangement with the auditor. Interest will continue to accrue on the unpaid balance of the contributions.

### **Will I owe additional taxes to the IRS?**

In certain situations, audit results are shared with the federal government, such as the certification of wages for Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, that you file each year. Contact the IRS or your accountant to determine if you are liable for any additional taxes.

**Why are you auditing me when I don't have any employees? I pay only independent contractors or subcontractors!**

Under the New Jersey UC law, individuals receiving payment for personal services are presumed to be your employees unless it is determined that the services are either exempt by law or such services satisfy the three provisions of N.J.S.A. 43:21-19(i)(6), known as the "ABC" test.

The auditor must determine that *all* three test requirements are satisfied for each individual. These tests are listed in Chapter I, Section 3 on pages 13 and 14. The auditor will answer your questions about the "ABC" test.

**What if I have other questions regarding the audit?**

You can contact the auditor directly at the telephone number on the scheduling letter, or ask to speak with the auditor's supervisor.

**Section 8**

**TEMPORARY DISABILITY INSURANCE ASSESSMENTS**

There are several yearly assessments for which employers who are subject to the Temporary Disability Benefits Law are liable:

1. An assessment to offset a year-ending deficit in excess of \$200,000.00 in the Unemployment Disability Account. All employers covered by the law or their indemnified insurers are liable for this assessment.
2. An assessment to cover the Department's administrative cost of maintaining separate disability benefit accounts for employers required to contribute to the State Disability Benefits Fund. Employers covered under the State Plan are liable for this assessment.
3. An assessment to cover the Department's administrative cost of supervising and operating approved private plans. Employers with approved private plans or their indemnified insurers are liable for this assessment.
4. An assessment to cover the Catastrophic Illness, Right to Know and Pollution Prevention Control. These assessments are billed together annually. All New Jersey employers are billed \$1.00 per employee for the Catastrophic Illness Fund. Only specific employers (based upon their SIC codes) are billed \$4.00 per employee for the Right to Know Fund (minimum bill is \$75), and \$2.00 per employee for the Pollution Prevention Control Fund.