

Riding the Gravy Train

Unemployment Insurance: Part 1

By Lesley Sifers, Tax Favored Benefits, Inc.

One topic that comes up on the HR Help Line over and over is unemployment insurance. My impression is that many dealerships are blessed with a stable workforce so unemployment claims are few and far between. When I get calls, it's usually because you are surprised that a claim has been filed or angry because the employee doesn't "deserve" unemployment benefits.

Unemployment insurance benefits are intended to provide temporary financial assistance to unemployed workers who meet the requirements of their STATE's laws. Each state administers its program within guidelines established by federal law. Eligibility, benefit amounts, duration of benefits, and other requirements are established by each state.

The program is funded by federal and state payroll taxes. The federal tax rate (FUTA) is 6.5 percent offset by a credit for the amount paid to the state. For most employers, the net rate for FUTA ends up being .008 percent of the first \$7,000 of compensation or \$56.00 per year, per employee. Each state establishes rates that are applied

to that state's "taxable wage base." For example, in

Iowa the rate for a company in business at least three years would fall between 0 and 9 percent of the first \$19,700 of employee compensation. In Nebraska, the rate would be between .37 to 6.76 percent, while in Kansas it's between 0 to 7.4 percent. Both Nebraska and Kansas have a wage base of \$8,000.

Rates for new employers are fixed by each state. After a period of time, usually around three years, "experience rating" is used. The state then factors in actual charges to your unemployment account and sets your individual rate based on claims experience. Companies with a history of frequent layoffs and firings thus pay higher payroll taxes than companies that have only an occasional charge to their account.

Weekly benefit amounts vary widely from state to state, as do formulas for calculating the amount. In Iowa, the minimum benefit is \$37 and maximum is \$324, but it can increase to \$398 for someone with four dependents. In Nebraska, the minimum is \$36 and maximum is \$288, while in Kansas the minimum is \$89 and maximum is \$359 with no further allowance for dependents. The minimum in Missouri is \$40 with a maximum of only \$250 a week.

Formulas for setting an individual's benefit amount are complicated but are based upon a percentage of what the employee earned in the "base period." For most states, the base period is the first four of the last five completed quarters prior to the quarter in which the claim was filed. After all the calculations are made, the average person collecting UE benefits probably gets

less than 50 percent of what they were making while working.

Plus, these benefits are taxable income to be reported on the person's tax return. Collecting unemployment is not exactly the "gravy train" some people might think it is.

Once a person begins receiving benefits, they can become disqualified for a

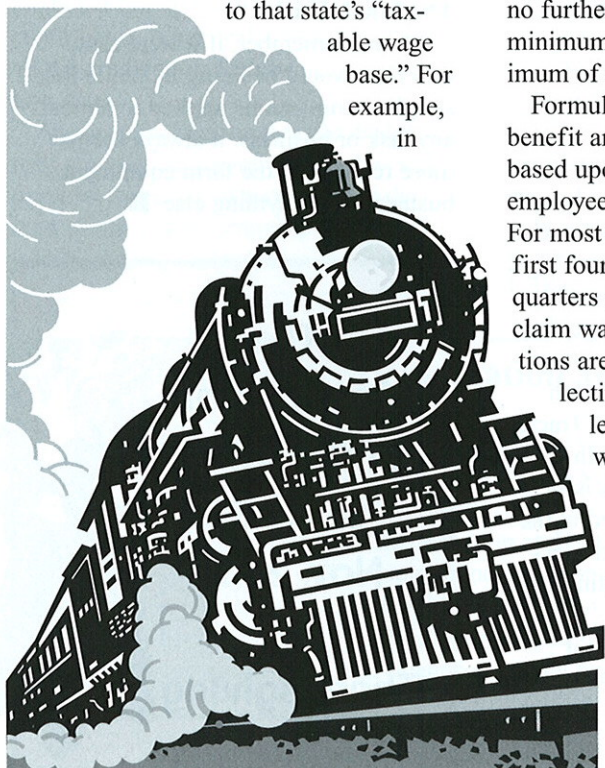
variety of reasons. In most states, refusal to accept suitable employment is a reason to stop benefits. In many states, including Iowa and Missouri, the person must be "actively and earnestly" seeking work to remain eligible (unless they are on a layoff). Many states require claimants to submit periodic reports, signed cards, etc., proving they have applied for jobs.

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Most states require people to be "available for work." However, there are exceptions. For example, a person who quits to join the military could collect unemployment while waiting to begin active duty. Some states have interesting requirements. In Alaska, a person is considered available for work if they are engaged in non-commercial hunting or fishing for survival (NOT recreation). In Oklahoma, an inmate of the state's Department of Corrections is not eligible for benefits during confinement. (Does that really need to be spelled out in their statutes?)

One of my most interesting unemployment cases involved a retiree who filed for benefits over a year after his retirement. I was stunned when I received the initial notice and immediately responded with a letter explaining that he had

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Nebraska Power Farming Show Update

With December just around the corner, we are delighted with the response from exhibitors wanting to showcase their products and services at the 2007 Nebraska Power Farming Show. We're approximately 50 days from the show opening and we have received 158 exhibitor contracts. In addition, several other manufacturers and companies have made verbal commitments to exhibit. As of October 15, more than 98 percent of our planned exhibit space was spoken for and we anticipate reaching 100 percent well before show time.

A key show feature will be the tractor displays. They include: John Deere, Case IH, AGCO, New Holland, McCormick, Kubota, Foton and Montana. The 2007 Nebraska Power Farming Show will also showcase several types and brands of equipment appealing to a broad cross-section of farmers and ranchers, including: sprayers, planters, grain bins, augers, dryers, wagons, trailers, seed companies, buildings, pumps, chemicals, professional services, irrigation, live-stock and tillage equipment – just to name a few.

The Association is proud to recognize Farm Credit Services of America and Performance Toyota as premiere sponsors of the 2007 Nebraska Power Farming Show. Farm Credit Services of America will sponsor the exhibitor and dealer reception on Wednesday, December 5. In addition, the show will also feature some excellent seminars, including: market strategies for farmers provided by Stewart-Peterson and truck needs for the farm by Performance Toyota.

As a part of our aggressive promotional campaign, ads are already running in the *Midwest Messenger* and *Midwest Producer*. Over the next several weeks, additional ads will run in *Farm Bureau News*, *Fastline Publications*, *Iowa Farmer Today*, *High Plains Journal* and the *Midwest Journal*.

Television and radio spots will also air on KOLN-KGIN Channel 10/11, the Brownfield Network, KRVN 880 Rural Radio, KTIC 840 Rural Radio, KMA 960 AM, WIBW 580 AM, KFAB 1110



NEBRASKA POWER FARMING SHOW

AM and KFEQ AM. In addition to the print and broadcast media, an additional 20,000 farming households in Nebraska, western Iowa, northwest Missouri, northern Kansas, and southern South Dakota will be targeted with a direct mail piece.

If you plan to stay overnight in the Lincoln area, don't forget to book your hotel room before it's too late. The official hotel for the Nebraska Power Farming Show is the Villager Courtyard

and Gardens located 5200 "O" St. in Lincoln. Rooms can be booked for \$62 per night, with reservations made by calling 1-800-356-4321.

For a complete promotional schedule and updated show information, visit www.nebraskapowershow.com. Please contact Tom Junge or Will Rogers with any questions regarding the show at 1-800-622-0016 or via e-mail at: nebraskapowershow@ineda.com. ■

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retired (gold watch, two roundtrip tickets to Las Vegas and an employee lunch). A week later, I got a letter stating that benefits were awarded and would be charged to our account. According to the UE office, the reason he retired was because the company's relocation several years previously had made his commute intolerable. I immediately filed a protest and requested a hearing.

At the hearing, I provided documentation that his commute had, indeed, increased by three miles. My evidence was a set of colorful maps showing the routes and distances from his home to the old plant and the new plant. It helped that my own commute, along with many others, had also increased. The claimant was his own worst enemy in the hearing. He couldn't recall the mileage from his house to work or what

his hourly wage had been (\$18.00 in 1994 with plentiful overtime). At the end of the hearing, the Administrative Law Judge (ALJ) looked over his glasses at the claimant and said, "I'm just an ole farm boy from South Dakota but, in my day, we woulda walked 26 miles for that kinda money!" Needless to say, the claim was denied.

On the way out of the hearing, I asked the former employee why he had filed for unemployment. He said his buddies told him to try it because, most of the time, a company doesn't bother to fight it. Then he said, "Guess they were wrong."

Next month, I will look at things you can do to control unemployment costs. Stay tuned. You can always contact me at lesley@taxfavoredbenefits.com or on the HR Help Line at 800-683-3440. Happy Thanksgiving! ■