

**Arizona Department of Economic Security
Unemployment Insurance Administration**

Employer Handbook



**A Guide to
Unemployment Insurance
Taxes and Benefits**



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

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INTRODUCTION – ARIZONA UNEMPLOYMENT INSURANCE TAXES

The Unemployment Insurance Program is a State and Federal partnership, to temporarily provide eligible unemployed workers who are actively seeking new employment with a measure of financial assistance that does not eliminate their incentive to become re-employed. By doing so, it also helps to stabilize the economy during recessions by partially replacing the lost purchasing power of the unemployed portion of the workforce.

As an employer, you likely pay Federal Unemployment Insurance Taxes under the Federal Unemployment Tax Act (FUTA). Those taxes are used to fund the costs incurred by the states in administering the program. The Unemployment Insurance Taxes that you pay to the State are used solely for the payment of Unemployment Insurance benefits to eligible unemployed workers.

100 APPLYING FOR AN ARIZONA UNEMPLOYMENT INSURANCE ACCOUNT

As soon as you begin business in Arizona, you must register with the Arizona Department of Economic Security (DES) and Arizona Department of Revenue (DOR). You register with both agencies at the same time by completing an Arizona Joint Tax Application (form JT-1/UC-001) and submitting it to the License & Registration Section of DOR. DOR will then forward a copy to DES. The information you provide to DES on this form will be used to determine whether or not you are liable to pay Arizona Unemployment Insurance (UI) taxes. NOTE: your Application cannot be processed if you do not record your Federal Employer Identification Number (EIN) in the section of the form provided for this purpose. If you do not have a Federal EIN, contact the [Internal Revenue Service](#)  to apply for one.

Choose one of the following four options to complete and submit an Arizona Joint Tax Application:

1. Register your business with both DOR and DES by completing and submitting the [Application online](#). 
2. Download an online copy of the [Application](#) (130 KB PDF). You may either fill it out on your computer and then print the completed form, or print the blank form and fill it out by hand. Return the completed form by mail.
3. Send an email to uitstatus@azdes.gov requesting an Arizona Joint Tax Application. A PDF file of the application will be forwarded to you as an email attachment that you can print out, complete, and return by mail.
4. If you do not have Internet access you may call (602) 771-6606 to receive an Arizona Joint Tax Application by fax or by mail to complete and return by mail. When calling this number, follow the step-by-step instructions to order (receive) the desired form by fax or mail. NOTE: To receive a form ordered from this number by fax, you must call from a fax line.

If you choose option two, three or four, mail your completed application to:

Arizona Department of Revenue
License & Registration Section
P.O. Box 29032
Phoenix, Arizona 85038-9032

DOR and DES process your application separately, and each agency will notify you separately after its processing is completed. If you are determined liable to pay UI taxes, a “Determination of Unemployment Insurance Liability” (UC-016 or UC-015A) will be mailed to you by DES. It will specify the legal basis for your liability, the date your UI coverage starts, your tax rate, and your Arizona UI employer account number (be sure to include this account number on any correspondence with DES). If you have questions about registering your business after reading these instructions, contact the Employer Registration Unit at uitstatus@azdes.gov.

101 EMPLOYERS AND UNEMPLOYMENT INSURANCE COVERAGE

101.01 Who Pays Unemployment Taxes?

In Arizona, most employers are required by law to pay unemployment taxes on the first \$7,000 in gross wages paid to each employee in a calendar year. An employer can be an individual, partnership, corporation, Limited Liability Company or any other entity for which a worker performs services. If you meet one of the following conditions, you are an employer required to pay unemployment taxes:

1. Pay wages of at least \$1,500 during a calendar quarter, or
2. Employ at least one worker for some part of a day in each of 20 different weeks in a calendar year, or
3. Acquire the business or part of the business of an employer already subject to unemployment taxes, or
4. Are required to pay Federal Unemployment Tax because you employed any individuals in any other state or for any other reason, or
5. Own or control two or more businesses in Arizona which together meet any of the other conditions described here, or
6. Pay domestic/household workers at least \$1,000 cash wages in a calendar quarter, or
7. Pay agricultural workers at least \$20,000 cash wages in a calendar quarter, or employ at least 10 agricultural workers for some part of a day in each of 20 different weeks in a calendar year, or
8. Are a nonprofit organization exempt under section 501(c)(3) of the Internal Revenue Code, and employ four or more individuals for some part of a day in each of 20 different weeks in a calendar year, or
9. Voluntarily elect to provide unemployment coverage to your workers even though it is not required, or
10. Are a leasing or temporary services business which leases or provides workers to other businesses, or
11. Are an Indian tribe, or are any subdivision, subsidiary, or business enterprise wholly owned by such Indian tribe.

When you meet one of the above conditions during a calendar year, you must report all gross wages and pay taxes on all taxable wages you paid during that entire calendar year. You must continue paying taxes each subsequent calendar year until your account is terminated.

101.02 Successor Employers

When you acquire all or part of a business that was required to pay unemployment taxes in this state, you are a "successor" for unemployment tax purposes. As a successor, you are immediately liable for unemployment taxes regardless of the amount of wages you pay or the number of workers you employ.

As a successor, you may also take into account wages paid by the former owner in determining the amount of wages on which you must pay taxes during the year in which you acquired the business. For example, if the former owner has paid wages in excess of \$7,000 to a worker you continue to employ, you will not have to pay taxes on any additional wages you pay this worker in the year you acquire the business.

A. Acquisition of an Entire Business

When you acquire an entire Arizona business and continue its operation, you are assigned the tax rate and experience rating account of the former owner, although you will receive a different account number. The experience rating account includes the record of wages and taxes previously paid.

Therefore, any unemployment benefits awarded based on wages paid by the former owner may be charged to your account. Additionally, you may be liable for taxes unpaid by the former owner. When acquiring a business, determine and consider whether any unemployment taxes remain unpaid by the seller.

B. Acquisition of a Portion of a Business

If you acquire a portion of an Arizona business and continue to operate it, you are not automatically assigned the tax rate and experience rating account of the former owner. To apply for a portion of the account and its corresponding tax rate, you must file an [Application & Agreement for Severable Portion Experience Rating Transfer](#) (300 KB PDF) within 180 days of acquiring the business. The former owner must agree and provide payroll information for the portions of the business acquired and retained. Your account may then be charged for a portion of the unemployment benefits paid to the former owners' employees.

101.03 Termination of Account

After you become liable for unemployment insurance coverage, your liability continues until it is terminated. Your coverage, and along with it your tax account, may be terminated if you make a written request for it between January 1 and March 31, and you did not meet any of the applicable conditions that require payment of unemployment taxes in the prior calendar year. Your coverage and account will also be terminated if you transfer your entire business to a successor employer. Termination of your coverage and account does not relieve you of liability for unpaid taxes. If at any time after termination you meet any conditions requiring you to pay unemployment taxes again, you cannot reopen your previous account, but must apply for a new one.

200 EMPLOYMENT AND WAGES

201 DEFINING AN EMPLOYEE

Who is an employee?

The relationship between you and your workers determines whether your workers are employees. An employment relationship exists when a worker performs services for you that are subject to your control, or right to control, whether or not you actually exercise the control.

Generally, an employment relationship exists when the services performed are a regular part of your business. It is presumed that, in order to protect your business interests, you have the right to control the manner in which workers perform services for you.

The services may be performed on a full-time, part-time, temporary, seasonal, or probationary basis. They may be performed on or off your premises or in employees' own homes. Corporate officers,

including officers of closely held corporations, are employees of the corporation whether or not they receive wages.

In contrast, "independent contractors" are customarily engaged in an independent trade, occupation, profession, or business. They usually advertise their services, are in a position to realize profit or suffer a loss as a result of their services, and usually have a significant investment in the business. Individuals who have been found not to be employees for federal unemployment tax purposes by the IRS will not be considered employees for state unemployment tax purposes for the periods determined in the IRS writing.

If you have any questions about whether your workers are employees, please contact any of the Tax Audit Offices listed in our [Field Office Directory](#).

202 DOMESTIC EMPLOYEES

I have a domestic employee in my home. Do I need to pay unemployment tax on these wages?

Once the total amount of wages you pay for domestic services in a calendar quarter equals or exceeds \$1,000, you will be liable for state unemployment taxes on the first \$7,000 gross wages you pay each domestic worker in that entire calendar year and each year thereafter.

All wages paid must be reported and any taxes owed will be due on a quarterly basis. These wages should not be confused with federal unemployment tax, which is due annually on domestic service and is filed with your 1040 return on a schedule H by April 15 of each year.

See [Arizona Revised Statutes, Section 23-613.C](#) for the legal definition of "Employer" as it pertains to domestic services.

203 TEMPORARY AND PART-TIME EMPLOYEES

Do I report the wages of part-time or temporary employees?

You must report part-time and temporary employees, with the following exceptions. You should not report employees who work for you less than 13 days in a calendar quarter if you never intended to employ them for a longer period or on an on-call or other recurring basis. You should not report students participating in a work study program (DECA or internship) who are hired and receive school credit while working during the school year; however, if they are retained for summer employment, then wages earned during the summer are to be reported.

204 MULTIPLE STATES

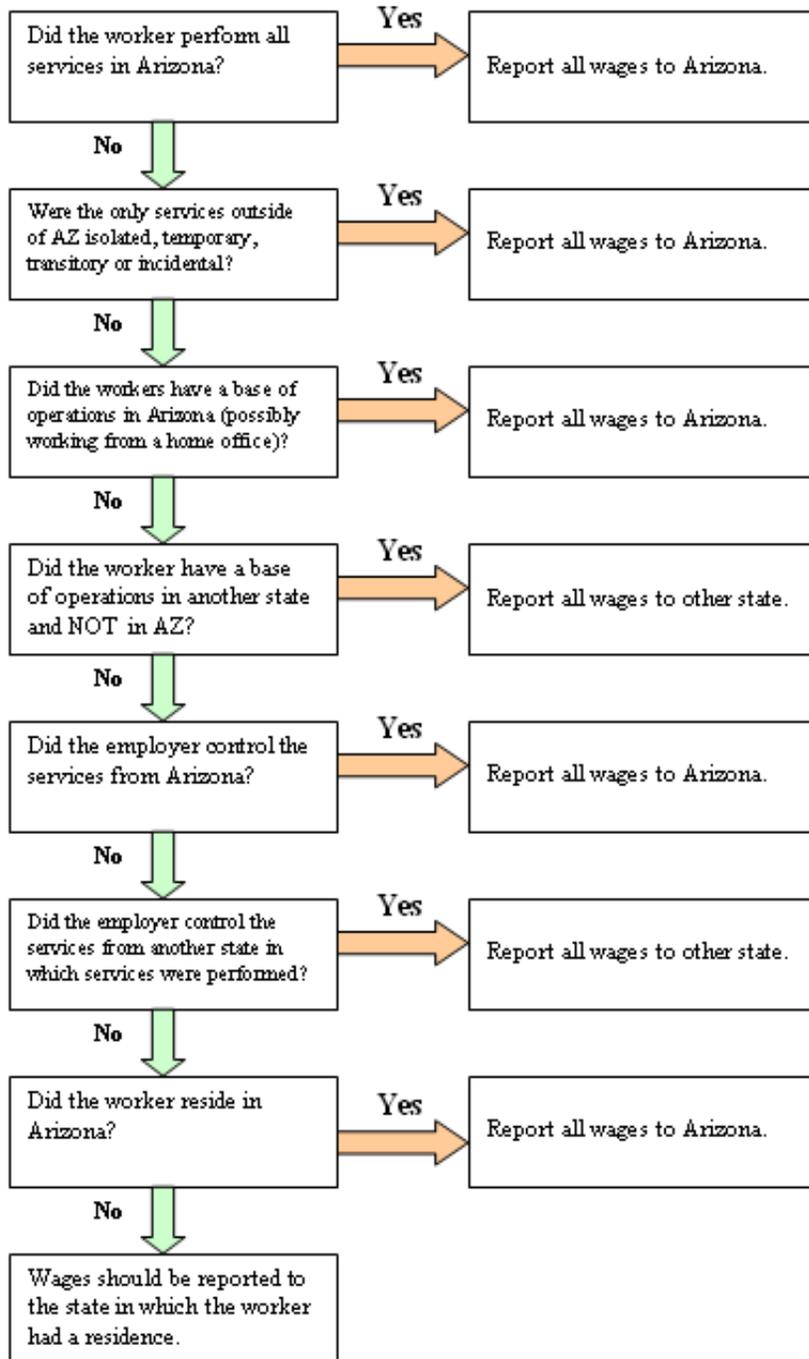
What if my employees work in more than one state?

If you have employees working in Arizona and one or more other states, the following guidelines will help you correctly report their wages and pay unemployment taxes.

1. If an employee works only in Arizona, report the wages and pay taxes to Arizona, whether or not you are located in Arizona.
2. If an employee works only in another state, report the wages and pay taxes to that other state, even if you are located in Arizona.
3. If an employee works primarily in Arizona and only occasionally in another state, report the wages and pay taxes to Arizona whether or not you are located in Arizona.

- If an employee works equally in two or more states, report the wages and pay taxes to the state that contains the employee's base of operations, or the state from which the services are directed and controlled (usually the state in which you are located).

[A.R.S. 23-615.1](#) contains the provisions agreed by the states in determining the state to which the services of multi-state workers shall be reported. The following chart will assist in the decision-making process as to where the work is localized:



If you have questions about properly reporting wages and paying unemployment taxes, please contact the [Employer Registration Unit](#) or any of the Tax Audit Offices listed in our [Field Office Directory](#).

205 EXEMPT EMPLOYMENT

What Is Exempt Employment?

Employees are included under the unemployment insurance law unless their services are specifically excluded. If a service is excluded, it is not counted in determining your liability for taxes, and payments for those services should not be included on your quarterly wage reports. You should not report payments to the following:

1. Licensed real estate salespersons or brokers and cemetery salespersons or brokers paid solely by commission.
2. Insurance and securities salespersons paid solely by commission.
3. Individuals employed by their son, daughter or spouse, and individuals under the age of 21 years employed by their father or mother.
 - o Under the following circumstances the family exemption does not apply and wages must be reported:
 - The employer is a corporation (this includes Subchapter S corporations), or a partnership or limited liability company (LLC) treated as a corporation for federal tax purposes; or
 - The employer is a partnership or a multi-member LLC treated for federal tax purposes as a partnership, unless an exempt family relationship exists between the employee and all of the partners or members; or
 - The employer is an estate, even if it is the estate of a deceased parent.
4. Students in an academic work experience program performing services as part of the school's academic program.
5. Income tax preparers paid solely by commission.
6. Direct sellers of consumer goods, paid solely by commission, who solicit orders or make sales in person in customers' homes.
7. Students in regular attendance at the educational institution that employs them, or spouses of students, if the spouses are employed as part of a financial assistance program for the students.
8. Individuals under 18 years of age who deliver or distribute newspapers or shopping news to customers.
9. Patients of a hospital performing services for the hospital.
10. Student nurses performing services for a hospital or a nurse's training school or interns in the employ of a hospital.
11. Individuals hired for a one-time, short-term job, generally for less than 13 days in a calendar quarter, when there was never intent for a continuing employment relationship.
12. Service performed for a nonprofit organization if payment for the service is less than \$50 in a calendar quarter.
13. Other services described in Arizona Revised Statutes sections 23-613.01 and 23-617.

206 WAGES TO REPORT

What wages must be reported?

All payments to your employees for services are wages and must be reported (before deductions) on your quarterly Unemployment Tax and Wage Report, unless specifically excluded by law. You must report salaries, commissions, bonuses, fees, fringe benefits, sick pay, deferred compensation, tips reported to you by your employees, and the cash value of payments in any medium other than cash (such as gifts). Employer contributions (to the extent elected by the employee) to 401(k) plans are also wages. Be aware of types of payments for which you do not have to pay taxes.

The following payments, excluded by law, **should not** be reported:

1. Payments you make to a plan for insurance (or payments from a plan to employees or dependents) for workers compensation, medical or hospitalization expenses, or death.
2. A domestic employee's share of FICA which you pay.
3. Long term disability (after six months).
4. Payments made to a retired employee under certain retirement plans, or payments made for an employee to a retirement plan.
5. Moving expenses reimbursed to employees where there is an allowable corresponding deduction under the Internal Revenue Code.
6. Payments you make to a group legal services plan, or the value of legal services for the employee or his dependents.
7. Payments you make for dependent care assistance (such as child care) to the extent excludable from the employee's federal income tax.
8. Meals and lodging provided for the convenience of the employer.
9. Survivor benefits.
10. Scholarships and fellowship grants provided by nonprofit or governmental employers to the extent allowed under the Internal Revenue Code.
11. Tuition reduction to employees of educational institutions.
12. Services provided to employees at no additional cost, such as free stand-by flights to airline employees.
13. Employee discounts up to 20%.
14. Working condition fringe benefits which, if provided by the worker, would be deductible business expenses (e.g., the value of a company car used for business purposes).
15. Fringe benefits of minimal or insignificant value, such as complimentary coffee and tea you provide for your employees.
16. Athletic facilities provided for workers on your premises.
17. Payments for agricultural labor in any medium other than cash.
18. Payments for services not in the course of your trade or business in any medium other than cash.
19. Amounts excluded from the definition of wages for purposes of the Federal Unemployment Tax Act (FUTA).

207 CORPORATE OFFICERS

My business is a corporation, and I am a corporate officer. Why do I have to report the wages that I earn from my corporation?

Your corporation is an artificial entity treated by law as separate from you and, as a corporate officer, you are its employee for Arizona and federal UI tax purposes. Wages that you earn from the corporation are usable as wage credits if you ever need to file a claim for unemployment benefits.

The amount and duration of unemployment benefits available to you will depend on your earnings and the conditions of your separation from employment.

208 MEMBER/MANAGER OF LLC

I am a Member/Member-Manager of my LLC. Do I have to report my wages and pay taxes?

Multi-member limited liability companies (LLCs) that are treated as partnerships for federal employment tax purposes are treated as partnerships for Arizona UI tax purposes. Members and Member-Managers of such LLCs are not reportable.

Single-member and multi-member LLCs that have elected federal tax treatment as a corporation are treated as corporations for Arizona UI tax purposes. All Members and Member-Managers of such LLCs are, therefore, reportable.

Single-member LLCs that have *not* elected federal tax treatment as a corporation for federal employment tax purposes are treated as a sole proprietorship for federal employment tax purposes. Arizona treats such LLCs the same for UI tax purposes. Member-owners of such LLCs are not reportable.

209 VOLUNTARY COVERAGE

Can I get unemployment insurance coverage for my workers even if I'm not required to provide coverage?

If you have not met any of the statutorily [defined conditions](#) (also refer to Arizona Revised Statutes, Section 23-613) that require you to provide unemployment insurance (UI) coverage, but you want to get UI coverage for your workers, you may apply for voluntary coverage.

The [Arizona Joint Tax Application form JT-1/UC-001](#) (130 KB PDF) includes a section entitled "Voluntary Election of Unemployment Insurance Coverage" where you are given the option of applying for voluntary coverage. Check the appropriate box in that section and submit the form to the Department of Revenue (address is printed on the form). If you have already submitted your form to the Department of Revenue, have not yet received your Department of Economic Security unemployment insurance tax number, and it has been more than one month since you submitted the form, please contact the [Employer Registration Unit](#).

Note: If voluntary coverage is approved, you must continue to cover your employees for at least two full calendar years.

300 UNEMPLOYMENT INSURANCE TAXES (AND OTHER EMPLOYMENT TAXES)

301 CALCULATING UNEMPLOYMENT TAX RATES

How much are unemployment taxes?

(The following does not apply to certain nonprofit and governmental employers, Indian tribes and churches/religious organizations that have chosen the reimbursement payment option.)

Arizona unemployment tax rates range from a minimum of 0.02 percent to a maximum (ordinarily) of 5.40 percent on the first \$7,000 in wages paid to each employee in a calendar year. (An additional 1.0 percent or 2.0 percent surtax may be added if benefits paid exceed taxes paid as a result of participation in the Shared Work program. The usual maximum tax rate of 5.40% may be adjusted to a higher rate when the unemployment rate and volume of unemployment claims have been extraordinarily high.) The actual taxes you pay are calculated by multiplying your quarterly taxable wages by your tax rate.

If you are a new employer (other than a successor to a liable employer), you are assigned a tax rate of 2.0 percent for a minimum of two calendar years. After that, you may be eligible for a higher or lower tax rate depending on:

1. The amount of taxes you have paid;
2. The amount of unemployment benefits paid to your former employees and charged to you;
3. The average size of your annual taxable payroll; and

4. The overall solvency of the unemployment trust fund.

These four factors are used to compute your tax rate using a "reserve ratio" system. The taxes you have paid minus the amount of benefits attributable to your business are divided by your average annual taxable payroll to produce your reserve ratio. The higher your reserve ratio, the lower your tax rate. This system ensures an equitable distribution of the cost of the system based on employers' actual experience with the Unemployment Insurance program. It also encourages employers to stabilize their workforces and monitor their ex-employees' unemployment claims, thereby helping to prevent abuse and minimize charges to their accounts.

$$\frac{\text{Reserve Balance (taxes paid minus benefits charged)}}{\text{Average Annual Taxable Payroll}} = \text{Reserve Ratio}$$

Your reserve ratio is compared to a table in the law that prescribes the rates assigned to each ratio. The law provides that these rates may be increased or decreased depending on the solvency of the unemployment benefit trust fund. High rates of unemployment in the state can produce higher tax rates in subsequent years; conversely, low unemployment can produce lower tax rates.

Each January, you will receive a Determination of Unemployment Tax Rate (UC-603) (View [sample UC-603](#) 345 KB PDF) advising you of your tax rate for that calendar year. This notice contains your tax rate and all the factors used in calculating your reserve ratio. If you disagree with the rate assigned or any of the calculations, you may appeal by following the instructions on the notice. Make sure you provide a copy of your rate notice to your tax return preparer so that your taxes are calculated at the correct rate.

302 SPECIAL ASSESSMENT

Arizona Revised Statutes § 23-730.01 imposes a Special Assessment (SA) on taxable wages paid in 2011 and 2012. This is necessary to meet federally imposed unemployment trust fund obligations. The Department of Economic Security (DES) Unemployment Insurance (UI) Tax Section is responsible for collecting the SA along with employers' regular quarterly UI taxes (reported on Line 7, Part C of the Unemployment Tax and Wage Report, form UC-018).

NOTE:

- All employers subject to Arizona UI Tax in 2011 and 2012 are also subject to the SA.
- [Reimbursement employers](#) are exempt from the SA.
- "Taxable wages" are the first \$7,000 of gross wages paid to each employee in a calendar year.
- The SA rate is 0.40% of taxable wages paid in 2011 (maximum \$28 per employee).
- The SA rate is 0.50% of taxable wages paid in 2012 (maximum \$35 per employee).

The Department anticipates that insufficient SA funds will be collected to repay all outstanding federal loans by November 10, 2012, which is the repayment deadline that must be met to avoid a Federal Unemployment Tax (FUTA) rate increase in 2012. Consequently, the credit Arizona employers receive for paying their Arizona UI taxes on wages paid in 2012 will be reduced by 0.30%. The effect of this is that their FUTA Tax rate for 2012 will increase by 0.30%.

The FUTA rate increase for 2012 is intended to help repay the money Arizona borrowed from the federal government. That 0.30% increase (paid to the IRS) combined with the 0.50% 2012 SA (paid to DES) rate totals 0.80%, the same amount beyond employers' regular Arizona UI taxes as the maximum SA

rate intended by the Arizona legislature. The Department anticipates that Arizona's unemployment trust fund will return to solvency in 2013 prior to the next FUTA credit reduction date of November 10, 2013.

Arizona is one of more than thirty states that borrowed money from the federal government after their unemployment trust funds were depleted during the economic recession. This enabled the states to continue paying unemployment benefits to eligible claimants as required by federal law. Arizona first borrowed in March 2010 and SA monies collected will be used to repay the loan principal with interest. Interest on the loans was waived in 2010 due to a provision in the American Recovery and Reinvestment Act of 2009, but began accruing on January 1, 2011.

303 VOLUNTARY PAYMENTS TO LOWER TAX RATE

Included with your annual unemployment tax rate notice is information about voluntary payments. It explains how to calculate the amount you can pay to improve your reserve ratio and lower your tax rate. By comparing the voluntary payment amount with your potential reduction in taxes, you can determine if you will save money by making a voluntary payment.

Each year consider a voluntary payment as a way to reduce your taxes.

Voluntary payments must be made by January 31 in order to lower your rate for that calendar year. It is advisable to pay by check rather than electronically. This enables you to specify the purpose of the payment on the check and mail it directly to the UI Tax Experience Rating Unit for correct processing. See the reverse side of your annual tax rate notice for complete instructions.

[Arizona adjusted Unemployment Tax rates](#) by calendar year (111 KB PDF)

304 REIMBURSEMENT PAYMENT OPTION

304.01 What is the reimbursement payment option?

Nonprofit organizations that are exempt from federal unemployment taxes under Section 501(c)(3) of the Internal Revenue Code, government entities, Indian tribes, and churches/religious organizations that voluntarily elect to participate in the Unemployment Insurance Program are offered an alternative method of paying for unemployment insurance: the reimbursement payment option, a form of "self-insurance." In lieu of paying taxes on a quarterly basis, you reimburse the Department of Economic Security for your proportionate share of the amount of unemployment benefits it pays to your former workers.

You may choose the reimbursement payment option within 30 days of the date you are notified of your liability for unemployment insurance coverage as an employer by completing and returning the form enclosed with the notification. If you do not return the form, your account will be established on a tax-rated basis. Your choice remains in effect for at least three calendar years and may be changed by filing a written application at least 30 days prior to the beginning of the fourth or any subsequent year.

304.02 What factors should be considered before choosing the reimbursement payment option?

1. This option is generally more advantageous for small employers with stable employment; the tax-rated basis is usually more advantageous for large employers, who tend to have a higher rate of employee turnover, or employers of any size that have unstable employment.
2. Reimbursement payments will vary depending on the number of former employees who are receiving unemployment benefits. With this method, it is difficult to estimate costs. In contrast, tax-

rated employers can more accurately estimate unemployment costs because their tax rates remain constant for a complete calendar year.

- Employers who have elected the reimbursement payment option may not be relieved of charges for benefit payments for any reason. This includes cases when former employees are paid benefits after a disqualification for quitting or discharge, in cases where they are paid benefits after subsequent employment, and certain other circumstances. Although tax-rated employers may be relieved of charges for specific individuals, the actual cost of the benefits paid to those individuals is shared by all tax-rated employers.

305 FEDERAL UNEMPLOYMENT TAX (FUTA)

Most employers who pay Arizona state unemployment tax are also required to pay the Federal Unemployment Tax (FUTA). The annual FUTA tax you pay is used to fund the administrative costs of the Unemployment Insurance program while your Arizona state unemployment tax is used **solely** for the payment of benefits to unemployed workers.

The FUTA tax rate was 6.2% from January 1, 2011 through June 30, 2011. The rate decreased to 6.0% July 1 2011. This tax is required on the first \$7,000 in wages paid to each worker in a calendar year.

When you pay your state unemployment taxes on time, you receive a tax credit of 5.4% to reduce your FUTA tax regardless of your Arizona unemployment tax rate. The credit is equal to your actual tax rate, plus the difference between that percent and 5.4%. This means that Arizona employers who pay their state taxes timely pay a net federal tax of 0.6%. For example:

If your Arizona tax rate is 2.7%, you will receive a tax credit of 5.4% to reduce the federal tax even though your tax rate is less than 5.4%

	6/30/2011 & Prior	7/1/2011 & After	
Federal Tax Rate	6.2%	6.0%	
Credit	<u>5.4%</u>	<u>5.4%</u>	(2.7% state tax credit plus an additional 2.7% credit)
Net Federal Tax	0.8%	0.6%	

NOTE: Arizona borrowed money from the federal government after its unemployment trust fund was depleted during the economic recession, thus enabling the state to continue paying unemployment benefits to eligible claimants as mandated by federal law. The Department anticipates that it will be unable to repay all outstanding federal loans by November 10, 2012, the repayment deadline that must be met to avoid a Federal Unemployment Tax (FUTA) rate increase on wages paid in 2012. Consequently, the credit Arizona employers receive for paying their Arizona UI taxes on wages paid in 2012 will be reduced by 0.3%. The effect of this is that their FUTA Tax rate for 2012 will increase by 0.3%. Therefore, Arizona employers who pay their 2012 state unemployment tax on time will pay their 2012 FUTA Tax at the rate of 0.9% (2012 FUTA Tax is paid to the IRS in January 2013).

In order to receive the full federal tax credit, you must pay state unemployment taxes on time. If you pay your state taxes late, you will receive only 90% of the allowable credit. Visit the [Internal Revenue Service](#) Web site for more information on FUTA and other federal taxes.

NEW: The IRS has issued proposed regulations (REG 153340-09) that would eliminate the option of making federal tax deposits by paper coupon. Taxpayers would be required to use the Electronic Federal Tax Payment System (EFTPS) to pay FUTA and other federal taxes starting in 2011. Changes to the deposit regulations are necessary because the paper coupon system will no longer be maintained

by the Treasury Department after December 31, 2010. For more information, visit the [Internal Revenue Service](#) Web site.

306 ARIZONA JOB TRAINING TAX

Arizona Job Training Tax collected on behalf of Arizona Commerce Authority

Effective January 1, 2001, Arizona law imposed a 0.10% Job Training Tax (JTT) on taxable wages (taxable wages are the first \$7,000 in gross wages paid to each employee in a calendar year). The JTT is not part of an employer's Federal Unemployment Tax (FUTA) certification or Arizona Unemployment Insurance (UI) experience rating or included in the UI tax rate. Reporting and paying JTT mirrors the Arizona UI tax process. The JTT is entered on Line 7, Part C of the quarterly Unemployment Tax and Wage Report (UC-018). (Employers who qualify for and have elected the [Reimbursement payment option](#) in lieu of paying UI Tax are exempt from the JTT.)

All UI taxpayers are subject to JTT on taxable wages they paid from July 1, 2011 through June 30, 2012, but the following UI taxpayer groups are exempt from JTT on taxable wages paid prior to July 1, 2011 and after June 30, 2012:

- Employers with a positive reserve ratio of at least 13 percent
- Employers with a positive reserve ratio of at least 12 percent
- Employers assigned the new employer tax rate
- Employers with a negative reserve ratio

The JTT funds the Arizona Job Training Program administered by the Arizona Commerce Authority. It is a job-specific reimbursable grant program that supports the design and delivery of customized training plans for employers creating new jobs or increasing the skill and wage levels of current employees.

Questions about the **Job Training Program** can be directed to the [Arizona Commerce Authority](#)

Questions about the **Job Training Tax** can be directed to:

Experience Rating Unit
Arizona Department of Economic Security
(602) 771-6603
Email: uitexperience@azdes.gov

307 ARIZONA WITHHOLDING TAX

Arizona Department of Revenue Income ("Withholding") Tax

All wages, salaries, bonuses or other compensation paid for services performed in Arizona are subject to state income tax withholding, with exceptions. Visit the [Arizona Department of Revenue](#) Web site for detailed information.

400 REPORTING WAGES AND PAYING UNEMPLOYMENT INSURANCE TAXES

401 REPORTING WAGES

Learn about [online filing](#) of your quarterly Unemployment Tax and Wage Report (UC-018).

Businesses determined liable to provide unemployment insurance coverage for their workers are required to:

1. submit Unemployment Tax and Wage Reports (UC-018) for each quarter they are covered, even for quarters during which no wages were paid, and
2. pay taxes each quarter taxable wages were paid.

Once you have been issued an Arizona unemployment tax account number, the Department of Economic Security (DES) will automatically mail UC-018 forms to you during the last month of each quarter. Failure to receive a report does not relieve you of the responsibility of filing a report or waive penalty assessments.

If you have an Arizona unemployment tax account number and do not receive a UC-018 from DES, contact the [Employer Accounting Unit](#) and request that a duplicate UC-018 be generated for your account and mailed to you. Make sure to verify that your correct mailing address is on your account when you contact the Accounting Unit. Also, be aware that all such requested forms are generated in bulk only once per week and are mailed sometime during the next work week following the week the form is requested—the timing of this process is beyond the control of the Unemployment Tax program.

Once you have an Arizona unemployment tax account number, you are encouraged to submit quarterly wage reports and pay taxes electronically by using our [online Tax and Wage System \(TWS\)](#). Your password to access TWS is issued on the preprinted UC-018 DES mails you each quarter. If you file online, DO NOT file the paper UC-018. However, instead of filing either online or entirely by paper form (UC-018), you may submit the tax and wage summary portion of your reports by paper form and the employee and wage detail portion by “magnetic media.” New magnetic media filers may only use compact discs for this purpose--see [Magnetic Media Reporting and Electronic Filing \(MMREF-1\)](#) (439 KB PDF) for detailed instructions and specifications. For additional information about Magnetic Media Reporting, please contact the [Employer Accounting Unit](#).

401.01 Reporting Wages Under the Reimbursement Payment Method

This section applies **only** to nonprofit and governmental employers, Indian tribes and churches/religious organizations who have chosen and been approved to reimburse the Department of Economic Security for benefit payments charged to their accounts in lieu of paying quarterly taxes.

Each quarter, the employer must complete and submit an Unemployment Tax and Wage Report (UC-018) listing all employees' names, social security numbers, and total gross wages. No “excess” wages or taxes are computed, and no payment is included with the report.

402 PAYING TAXES

This section does not apply to nonprofit and governmental employers, Indian tribes and churches/religious organizations which have chosen and been approved to reimburse the Department of Economic Security for benefit payments charged to their accounts in lieu of paying quarterly taxes.

Your tax payment is due on the same date your [report is due](#). If quarterly reports and payments are filed late, [penalties and interest](#) are assessed.

State unemployment taxes are used solely for the payment of unemployment benefits, and the [Arizona Job Training Tax](#) is collected on behalf of the Arizona Commerce Authority to fund its Job Training Program (some employers are exempt from this tax—see section on the [Job Training Program](#)). **Neither tax can be withheld from employees' wages.** Be sure to compute the amount of taxable wages accurately following the instructions provided on the form. Taxable wages are the first \$7,000 in gross wages paid to each employee in a calendar year. Check your calculations carefully and watch the decimal point in the tax rate when figuring the amount of taxes to pay.

You must report total gross wages paid to all employees in the quarter, but pay taxes on only the first \$7,000 paid to each employee in the calendar year. Subtract "[excess wages](#)" (amounts over \$7,000 paid to each employee in a calendar year) from total wages to determine taxable wages. Remember, if you are a successor employer, you may take into account wages paid by the former owner in the same calendar year you acquired the business to compute your taxable portion of wages paid to any of the former owner's employees you continued to employ.

Once you have an Arizona unemployment tax account number, you are encouraged to submit quarterly wage reports and pay taxes electronically by using our [online Tax and Wage System \(TWS\)](#). Your password to access the online system is issued on the preprinted Unemployment Tax and Wage Report form (UC-018) the Department of Economic Security (DES) mails you each quarter. Do not complete and submit the paper report form if you have submitted your report online. Online payments may be made either along with or separately from online report filing, or you may select the paper check payment option, which generates a payment voucher for you to print and submit along with your payment by check.

402.01 [Reimbursement in Lieu of Paying Quarterly Taxes](#)

This section applies **only** to nonprofit and governmental employers, Indian tribes and churches/religious organizations who have chosen and been approved to reimburse the Department of Economic Security for benefit payments charged to their accounts in lieu of paying quarterly taxes.

1. Each quarter you must complete and submit an Unemployment Tax and Wage Report (UC-018) listing all employees' names, social security numbers, and total gross wages. No "excess" wages or taxes are computed, and no payment is included with the report.
2. You will be notified when former employees file for benefits and will be provided the opportunity to protest the employee's receipt of benefits, based on the reason for separation, if you were the claimant's last employer.
3. Whenever benefits are paid to former employees in a calendar quarter, you will receive a Benefit Charge Notice (UC-602) during the first month of the following quarter. A statement will accompany the notice specifying the amount due. That amount will be your proportionate share of benefit payments made that quarter, plus half of your share of extended benefits if you are a nonprofit employer, and the full amount of your share of extended benefits if you are a governmental employer or Indian tribe. Your payment is due on or before the last day of the second month following the end of the quarter in which the benefit claims were paid.

Additional provisions affecting Indian tribes

[Arizona Revised Statutes, Section 23-751.01](#) provides that Indian tribes which fail to make payments, including assessments of interest and penalties, within 90 days of notice of the amounts due lose the option to make payments in lieu of taxes for the following tax year, unless full payment is made before the taxes for the next tax year are computed. This can also result in the tribe losing its Federal Unemployment Tax (FUTA) exemption and becoming liable to pay FUTA Tax at the full 6.0% rate (6.2% for periods prior to July 1, 2011).

403 WAGE REPORTING SCHEDULE

Reports are due as follows, unless the due date falls on a weekend or [state holiday](#), in which case the due date is extended to the next business day:

UI Tax Wage Report Schedule		
For Wages Paid During	Calendar Quarter Ends	Report Due By
January, February, March	March 31	April 30
April, May, June	June 30	July 31
July, August, September	September 30	October 31
October, November, December	December 31	January 31

If quarterly reports and payments are filed late, penalties and interest are assessed. The penalty for a late report is 0.1% of total wages paid in the quarter; the minimum penalty is \$35 and the maximum is \$200. Interest on unpaid taxes accrues at 1% of the taxes due per each month, or portion of a month, that the payment is late. You can avoid the late report penalty charge by filing your reports on time, even if you are unable to pay the tax at the time of filing. However, if you cannot pay the tax due, contact the [Collections Unit](#) to make payment arrangements. The department may file liens, levy on property, and otherwise enforce collection of overdue amounts.

Can a single report be filed for the entire year?

No. You must file a quarterly Unemployment Tax and Wage Report for each quarter whether or not wages were paid. The primary reason for this is that monetary eligibility for unemployment benefits is based on the wages the claimant received in the first four of the last five completed calendar quarters prior to the quarter in which the claimant initially filed for benefits. Since benefit claims potentially may be filed at any time of the year, claimants' monetary eligibility for benefits can be determined accurately and timely only if wages are reported quarterly.

404 GROSS, TOTAL AND TAXABLE WAGES

Both total and taxable wages are reportable on the quarterly [Unemployment Tax and Wage Report \(UC-018\)](#) (212 KB DOC).

Gross wages are the total amount of wages paid to an employee before deductions. This includes, but is not limited to, salaries, wages, commissions, bonuses, overtime pay, incentive awards and tips. All of the types of remuneration that are considered wages for unemployment insurance (UI) reporting purposes are defined in [Arizona Revised Statutes, Section 23-622](#).

Total wages for UI reporting purposes are the total of the gross wages paid.

Taxable wages for UI reporting purposes are the first \$7,000 in total gross wages paid to each employee in a calendar year. You must continue reporting employees' wages even after the base of \$7,000 for each worker is met. This is because wages reported quarterly are used to establish eligibility for unemployment insurance benefits regardless of whether taxes were due on those wages.

All wages must be reported for the quarter in which they were paid to the worker.

405 FILING WAGE REPORTS WITHOUT A TAX ACCOUNT NUMBER

You may file a wage report without an Arizona unemployment tax account number **only** if you have not been issued a number. When filing without a number, you must use a paper [Unemployment Tax and Wage Report \(UC-018\)](#) (168 KB DOC). To the right of the ARIZONA ACCOUNT NUMBER called for in the upper right area of the form, type or print "Applied for." Also, be sure to record your 9-digit Federal Employer Identification Number (EIN) to the right of the words FEDERAL ID NO. The mailing address to which you return your completed UC-018 form is printed in the top left area of the form. Additionally, if you have a copy of your filed Arizona Joint Tax Application (form JT-1), please include it with your completed UC-018 form.

If you have not filed a JT-1 form, you must do so without delay. [How to obtain an Arizona unemployment tax account number](#).

406 COMPLETING THE WAGE REPORT

Instructions for completing the quarterly Unemployment Tax and Wage Report (UC-018) can be found on the reverse side of the paper form that DES custom-generates and mails to each employer with an active UI tax account every quarter. Blank UC-018 and UC-020 (UI Tax Wage Listing Continuation) forms are also available [online](#) (168 KB DOC), with completion instructions on the UC-018 Instructions page and on the UC-018 itself.

In preparing your reports, list employees' names in alphabetical order or numerically by social security number and provide the total amount paid to each employee in the quarter. Wages must be reported in the quarter in which they are paid. For example, if a pay period ends September 30 but wages are not paid until October 1, report the wages on your fourth quarter wage report, covering the months October through December.

Complete the monthly employment data reported on the UC-018 in Section A. Enter the count of all your full-time and part-time employees who performed services during the payroll period that includes the twelfth of the month. If you do not have any employees in the payroll period, enter zero.

If more than one page is required to report all of your employees, wage listings that are computer generated or printed on plain white paper are acceptable provided the employee wage information and format are the same as the Wage Listing, Part B of form UC-018. You may use the [Wage Listing Continuation \(UC-020\)](#) (75 KB DOC), which is designed to be completed in the required format, to list additional employees.

[Penalties](#) are assessed for incomplete reports, so be sure that each page contains the following information:

1. Employer name.
2. Employer account number.
3. Calendar quarter and year for which report is being filed.
4. Employees' Social Security numbers and names (last name first).
5. Total amount of wages paid to each employee during the quarter.
6. Page total amount of wages paid to all employees (listed on the page) during the quarter.

You may also file your [quarterly wage report online](#).

407 REPORT CORRECTIONS

407.01 Correcting taxes and wages on a previously submitted report

If you find you reported taxes or wages incorrectly on a previously submitted report, you may submit a copy of that report with the corrections clearly indicated on it along with an explanation of the reason for the adjustment. Alternatively, you may download and complete an [Adjustment Form \(UC-522\)](#) (91 KB DOC), or contact the [Employer Accounting Unit](#).

Adjustments must be made to the quarterly report in which the error occurred; do not make an adjustment for a prior quarter on a current quarter's report. Do not attempt to correct a worker's over-reported wages by including a negative amount on a subsequent wage report; these amounts are read by the system as additional wages and could result in an overpayment of unemployment benefits or additional taxes due.

407.02 Correcting names or social security numbers on a previously submitted report

You can make changes to a name or social security number by writing a letter, including the name reported/social security number reported previously, and the corrected name/social security number. Also provide the quarter(s) in which it was reported and be sure to include your Arizona unemployment tax account number.

Mail the letter to:

DES UI Tax
c/o Accounting Unit
P.O. Box 6028
Phoenix, Arizona 85005-6028

408 NO EMPLOYEES TO REPORT / ACCOUNT SUSPENSION

What if I no longer have any employees but expect to in the future?

When employment has discontinued, but is expected in the future, you must choose one of the following two actions to avoid numerous problems:

1. You may continue to file the quarterly Unemployment Tax and Wage Reports, indicating on them that no wages are being paid. This will enable your unemployment tax account to remain active for as many as 11 consecutive calendar quarters with no wages being paid, and you will continue to receive all mailings. When employment resumes, simply resume indicating the wages you paid on your reports.
2. If you submit Unemployment Tax and Wage Reports indicating that no wages are being paid for 12 consecutive calendar quarters, your unemployment tax account will be suspended automatically. However, you may request that your account be suspended instead of submitting quarterly reports indicating no wages are being paid. Contact the [Employer Registration Unit](#) to request a suspension of your account. If your account is suspended automatically or by your request, some mailings will cease during the suspension period, including quarterly Unemployment Tax and Wage Report forms and annual tax rate notices, but your experience rating account will remain intact. When you resume paying wages, immediately notify the Employer Registration Unit to reopen your account. In a few days, you will be notified by mail of your tax rate, which may have changed if your account is reopened in a subsequent calendar year.

Warning: If you stop submitting reports without your account being suspended, this will create delinquent reports and could result in higher future tax rates being computed for your account based on estimated wages.

409 PENALTIES FOR LATE WAGE REPORTS AND / OR TAX PAYMENTS

Even if you did not receive the preprinted quarterly report forms in the mail, quarterly reports are due by the last day of the month following the end of the previous quarter. If you are late filing, you will still be charged a penalty and interest. Arizona Administrative Code Section R6-3-1703(B)(2) states: "Failure to receive a quarterly Contribution [Tax] and Wage Report form shall not relieve the employer of the responsibility for filing the report."

The penalty for a late report is 0.1% of total wages paid in the quarter; the minimum penalty is \$35 and the maximum is \$200. Interest on unpaid taxes accrues at 1% of the taxes due per each month, or portion of a month, that the payment is late. You can avoid the late report penalty charge by filing your reports on time, even if you are unable to pay the tax at the time of filing. However, if you cannot pay the tax due, contact the [Collections Unit](#) to make payment arrangements. The department may file liens, levy on property, and otherwise enforce collection of overdue amounts.

Please refer to [Arizona Revised Statutes, Section 23-723.A](#) for the law that imposes this penalty.

My report was late, but I paid all the taxes due, including Job Training Tax. Why did I get a notice saying I still owe Job Training Tax?

The Job Training Tax payment you made was applied to your late report penalty and late unemployment tax payment interest charges.

410 ADDITIONAL QUESTIONS ABOUT WAGE REPORTS AND / OR TAX PAYMENTS

I was unable to print out a copy of my quarterly Unemployment Tax and Wage Report when I filed it online. How do I get a copy?

To obtain a copy of the quarterly report you submitted online, please contact the [Employer Accounting Unit](#).

The IRS has recently advised me to contact the state because of a discrepancy between the federal and state wages reported. What form do I need?

Discuss the issue with a Department of Economic Security accounting technician by contacting the [Employer Accounting Unit](#). When the cause of the discrepancy is determined, the steps necessary to resolve it can be taken. If the resolution changes the amount of wages you have reported to Arizona, the department will issue a written recertification reflecting this amount, which you can then provide to the IRS.

500 FILING ONLINE

501 TAX AND WAGE SYSTEM (TWS)

Use the Internet Tax and Wage System (TWS) to:

- File a Quarterly Wage Report

- Make a payment
- View and print a copy of documents previously filed via the Internet

You can use TWS to file reports listing wages for 1 to 999 employees, or file zero-wage reports indicating your business had no employees and paid no wages.

To access TWS, you need:

- Your complete 8-digit Arizona Unemployment Account Number, and
- Your assigned 6-character password.

Both are preprinted in the upper right corner of the Unemployment Tax and Wage Report (form UC-018) the Department mails to you each quarter (contact the [UI Tax Accounting Unit](#) if you are not receiving these forms). Your password is located in the box directly above the words "TYPE OR USE BLACK INK ONLY". However, do **not** submit a paper report form if you file your report online.

For security purposes, your password is changed each quarter. Your new password is activated as soon as the quarter ends, at midnight (Mountain Standard Time). The newest quarter will not become available for filing until then. You may file delinquent reports or make payments using your password from the previous quarter until your new password is activated. Effective at 12 a.m. (Arizona Time) of December 31/January 1; March 31/April 1; June 30/July 1; and September 30/October 1, use your new password for all transactions.

501.01 Business Requirements

In order to use Arizona's Internet Unemployment Tax and Wage System, your business must be registered with the Arizona Department of Economic Security (DES); be determined by DES to be liable for Unemployment Insurance (UI) coverage; and have an active UI account as a rated or reimbursable employer.

Registered: the employer has filed an Arizona Joint Tax Application (form JT-1/UC-001) with the Arizona Department of Revenue or with DES (by registering with either agency you have effectively registered with both). If you have not registered, you may do so online at AZTaxes.gov or [learn more about registration](#).

Liable: after registering, the employer has received a written "Determination of Unemployment Insurance Liability" (form UC-016 or UC-015A) ([View Sample UC-016 and UC-015A](#)) [369 KB PDF] and a UI employer account number from DES. If you have met any [UI liability criteria](#) but have not received a liability determination from DES, contact the [Employer Registration Unit](#).

Active: the current status of the employer's UI account is "active," i.e., not temporarily suspended or permanently closed. If you have a UI account that is not in "active" status, contact the [Employer Registration Unit](#).

Rated: the employer has been determined by DES to be liable to pay for UI coverage by means of quarterly UI taxes and, therefore, has been assigned a tax rate for the calendar year.

Reimbursable: the employer has been determined by DES to be liable for UI coverage and to be eligible to pay for it by means of the [Reimbursement Payment Option](#), which the employer has chosen to do. Reimbursable employers complete the TWS Wage Report screen as if they were Rated, except their Tax Rate is 0% and they report all wages as Excess every quarter, so no payment is submitted with the

report. When a Reimbursable account incurs quarterly unemployment claim charges, DES sends the employer a statement of the amount due, which may be paid electronically via TWS.

501.02 Technology Requirements

Operating System: The Tax and Wage System (TWS) is best used on a computer with a Microsoft Windows operating system, preferably version XP or newer. Mac users may encounter problems (TWS is periodically upgraded and this may result in improved Mac compatibility in the future).

Internet Browser: TWS is best viewed using Microsoft Internet Explorer, version 7.0 or newer. Other browsers may encounter problems, especially with adding wages/employee records and making payments.

TWS also requires the use of the following Internet browser technologies:

- Java Script - a means of adding interactivity and error-checking
- Frames - a means of dividing the screen into several panels for display
- Pop-up Blocker – a security measure to prevent most pop-up windows from appearing (“Block Pop-ups” should be disabled)

If your current browser cannot support these technologies, we recommend that you update your browser before using TWS. The following link provides the latest version of [Microsoft Internet Explorer](#) (free of charge).

Text: The text size within the application is pre-set to medium. If you have difficulty reading the text at this size, click "View" on your browser tool bar, move the pointer down to "Text Size," then select/click the size you desire ("Larger" or "Largest").

Printing: To successfully print the PDF Pay Voucher, Payment Receipt and copies of your reports, you must have Adobe Acrobat Reader version 5.5 or newer installed on your computer (available free of charge from [Adobe.com](#)). If clicking the “Print” button(s) does not generate a PDF frame, check the top of the screen for a message indicating pop-ups are blocked. If they are, click where indicated to allow the pop-up from this site, then confirm your selection, and finally, click “Retry.” If you still have trouble printing, please refer to the [Adobe Reader Support web](#).

501.03 Security

Federal and state laws protect the privacy of data reported to UI Tax by employers. The Arizona Department of Economic Security (DES) has taken every precaution to make certain that your information is secure. Between your computer and our server, all data is encrypted using 128-bit Secure Socket Layer technology. To make sure your browser is secure, look for a closed lock or an unbroken key at the bottom of the page.

Note: Your wage and employee information is not stored on any Internet Web server or unsecured network.

In compliance with DES departmental policy concerning the protection of confidential data on the Internet, your account is safeguarded by both a password and security question/answer. Passwords are assigned by DES. They are changed every quarter and printed on the UC-018 form DES mails to the address of record of each active employer. New passwords are activated as soon as the quarter ends, at midnight (Mountain Standard Time), and supersede all previous passwords. Only your activated password may be used to access your Tax and Wage System account and submit any reports or payments via the Internet. Continue to use your current password until the new one is activated.

In order to access your Internet account, the Employer Account Number and Password must match those on our Internet database. If they do not, you will receive an error message. Continued invalid access attempts could result in your account becoming "locked." This is a measure of protection against unauthorized attempts to gain access to sensitive information. A link for password assistance is provided on the Employer Login screen within the application.

To ensure the security of your account, the system will timeout and you will be logged off after 20 minutes of inactivity.

Note: Keying employee wage data alone is not recognized as "activity." If you have a large number of employees, we suggest doing frequent "Saves" to avoid losing data if the system times out.

501.04 Filing Reports Overview

TWS automatically computes your Unemployment Insurance (UI) Tax at the rate assigned to your account for the filing period being reported. It also automatically "knows" whether your account is subject to [Job Training Tax](#) and computes it if it is. If you filed reports for all prior liable quarters in the same calendar year via TWS, the system automatically computes your Excess Wages accurately. (Excess Wages are wages in excess of the taxable wage amount, which is the first \$7,000 paid to each employee each calendar year.) If you did not file such prior quarters via TWS, the system automatically "knows" this and prompts you to provide the [Excess Wage amounts](#) yourself.

The first time you use TWS to report wages you paid, you must enter all the required employee information (Social Security Number, First/Last Name and Total Wages Paid in the quarter) for each employee. You may manually key this information or [upload your own file](#).

When filing subsequent quarters you may import employee data from the most recent quarter for which you previously filed employee data via TWS, or you may manually key your employees' information again. You may also [upload your own file](#) when filing any quarter. Wages filed via TWS are stored by Social Security Number (SSN); Prior Wages from earlier quarters in the same calendar year that were filed via TWS display on matching employee records when Excess Wages are computed. Excess Wages are automatically computed by TWS for each SSN record found, based on Prior Wages and the Quarter Wages keyed. As mentioned above, if you did not file reports for all prior liable quarters in the same calendar year via TWS, the system will prompt you to provide the [Excess Wage amounts](#) yourself.

Have your reporting and/or payment information prepared before you login and follow the step-by-step instructions to input your data and complete your transactions. To help you understand the entry fields on most of the screens, small "tooltips" will display as the mouse pointer hovers over the field. If the information disappears before you have a chance to finish reading it, move the mouse away from the field and then return to it. The message should re-display within a second. A few screens feature a "Help" button; clicking the button will open a window that displays information about that screen.

When you complete the online report filing process for any quarter for which you owe money, you will be given the choice of selecting either "[Electronic Payment](#)" or "Paper Check." Select "Electronic Payment" to make an immediate online payment; select "Paper Check" to generate a printable payment voucher to mail along with your payment by check.

You will receive immediate confirmation when your report has been filed successfully or electronic payment has been accepted. Transactions are recorded in the TWS database immediately when "saved" or "filed." Once they are "filed" they are transmitted to the UI Tax mainframe computer system. All reports and payments are date/time stamped based on date of last access to ensure that they are correctly processed as timely or untimely. Saved reports ("saved" on TWS but not yet "filed") are maintained on the system for at least 30 days.

If you have trouble printing or moving from page to page, please check the browser and other system requirements in our [Technology Requirements](#) section.

501.05 Uploading Wage Files

When filing a quarterly Tax and Wage Report online, you may manually key your employee and wage data or upload it in your own data file. For a successful upload, the file must be in a "comma-delimited format." This means that all data elements on each line must be separated from each other by a comma. The file must also have a .txt (text) or .csv (comma-separated value) extension (for example, wagereport.txt or wagereport.csv).

Both of these file types can be created directly from a Microsoft Excel spreadsheet. If your accounting software is other than Microsoft Excel (e.g., Peachtree or QuickBooks), but will create a .csv or .txt file, that is also acceptable. Another possibility is to "export" or "copy and paste" employee and wage data to Excel and use that to create a .csv or .txt file. If none of these options will work with your software, you will not be able to utilize the upload feature. You may still use the online Tax and Wage System to file your quarterly wage report, but all employee and wage information would have to be entered manually. Manually entering a large number of employees is time-consuming; however, once all the employee and wage data is entered into the Tax and Wage System, the names and Social Security Numbers will be retained. It will not be necessary to re-key this data when filing subsequent reports.

When you are on the Wage Report (UC-018) page select "Browse" to find and attach your file and then click the "Upload From File" button.

501.06 Required File Upload Format

Required Format for Wage File Upload: Social Security Number (required-no spaces or special characters), Last Name (required-up to 30 characters: letters, numbers, hyphens, apostrophes, periods, and spaces only), First Name (required-up to 15 characters: letters, numbers, hyphens, apostrophes, periods, and spaces only), Total Wages (required-format is 9999.99; minimum amount is 0.01; maximum amount is 9999999.99), Excess Wages (optional-format is 9999.99, maximum amount is 9999999.99).

Hint: As you prepare your .txt or .csv file, the commas separating the data elements may not be visible if you view your data in a spreadsheet format. However, if you review your file in a text editor (such as Notepad), the commas will display as in the examples below.

Examples (when viewed in a text editor):

1. 123456789, Doe, Jane, 8000.00, 1000.00 (with Excess Wages)
2. 987654321, Smith, Edward, 15000.00 (without Excess Wages—the system will automatically calculate **Excess Wages** based on wages reported **via the Internet** for previous quarters in the same calendar year.)

Hint: If you must make any changes or corrections to the file, make them in the original document and then resave the file as .csv or .txt over the previous incorrect file.

Note: Excess Wages is an optional "field" for the upload file; HOWEVER, you must either include Excess Wages for ALL employees or leave them off for ALL employees. If you include them, an amount must be entered for each employee in the Excess Wages field, so key 0.00 for any employees who have not been paid Excess Wages.

Select "Browse" on the Wage Report (UC-018) page of the system to find and attach your file, then click the "Upload from File" button.

501.07 Formatting Excel to Retain Data

How to format a column in Excel to accept, display and retain data as text:

All number columns in your file should be formatted as text.

Step 1.

Open or create the wages file using Excel and key data into the four required columns. See Figure 1 below.

The screenshot shows a Microsoft Excel spreadsheet with the following data:

	B	C	D	E	F	G	H	I	J	K	L	M
1	Ahmad	Jalal	2793.78									
2	Alvarez	Louisea	3679.00									
3	Beady	Joe	2631.38									
4	Beady	Zach	5122.95									
5	Chu	Phelp	3434.25									
6	Davidson	Tamara	2185.80									
7	Oldman	Samuel	1501.52									
8	Oegg	Buddy	312.00									
9	Hernandez	Mansel	3120.45									
10	Jenkins	Clarissa	9746.59									
11	Jones	LaKeesha	4120.29									
12	Lawrence	Ivan	5782.97									
13	McInosh	Sarah	542.11									
14	Mendoza	Mary	3006.83									
15	O'Connor	Rory	9985.40									
16	Rolfsted	Eric	8779.98									
17	Sanches	Javier	48099.54									
18	Smith	Laura	1846.75									
19	Vincent	Robin	73125.25									
20	00128019	Yamie	Benjamin	10081.65								

Figure 1.excel

Step 2.

Highlight the desired column by moving your cursor over the header of the cell (A in this example). Doing this will cause the cursor to change to a + sign, click your left mouse button once. The whole column should highlight. See Figure 2 below.

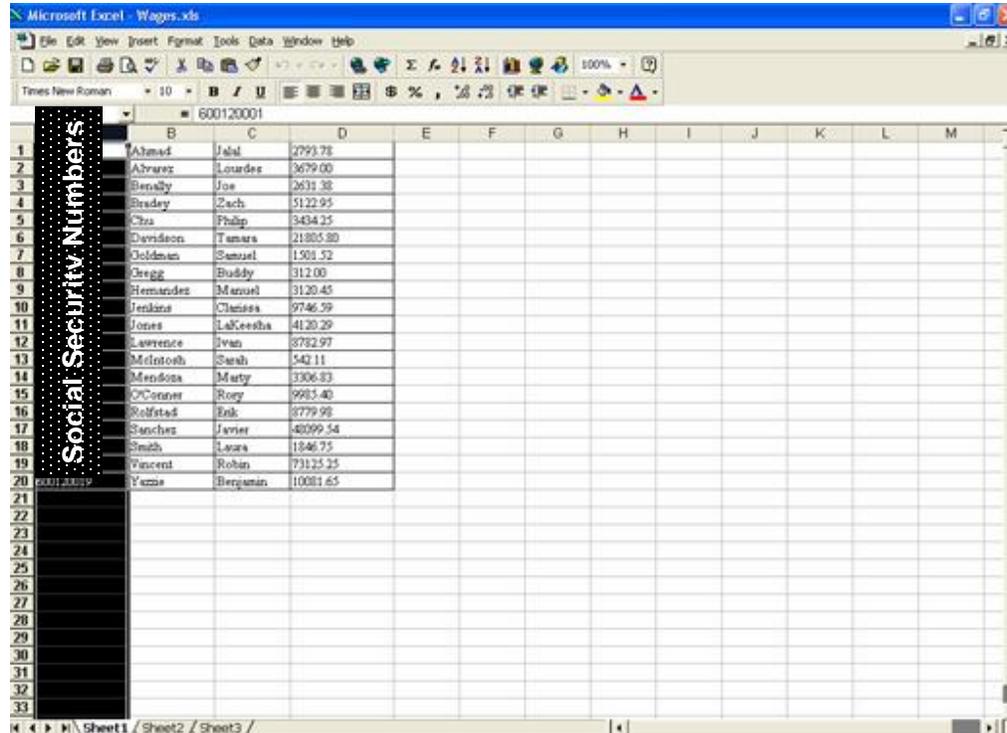


Figure 2.excel

Step 3.

Open the menu item Format-Cells. Select the Number tab. Select "Text" from the Category list. See Figure 3 below. Click Ok. Column A is now formatted for "Text."

It is recommended that the Social Security Number, Total Wages and Excess Wages columns be formatted in this manner. If the Social Security Number column is not in the "Text" format, there is a possibility that any leading zeroes in the Social Security Numbers will be lost during the conversion.

It is also very important to note that the Taxable and Excess Wages columns cannot have dollar signs or commas.

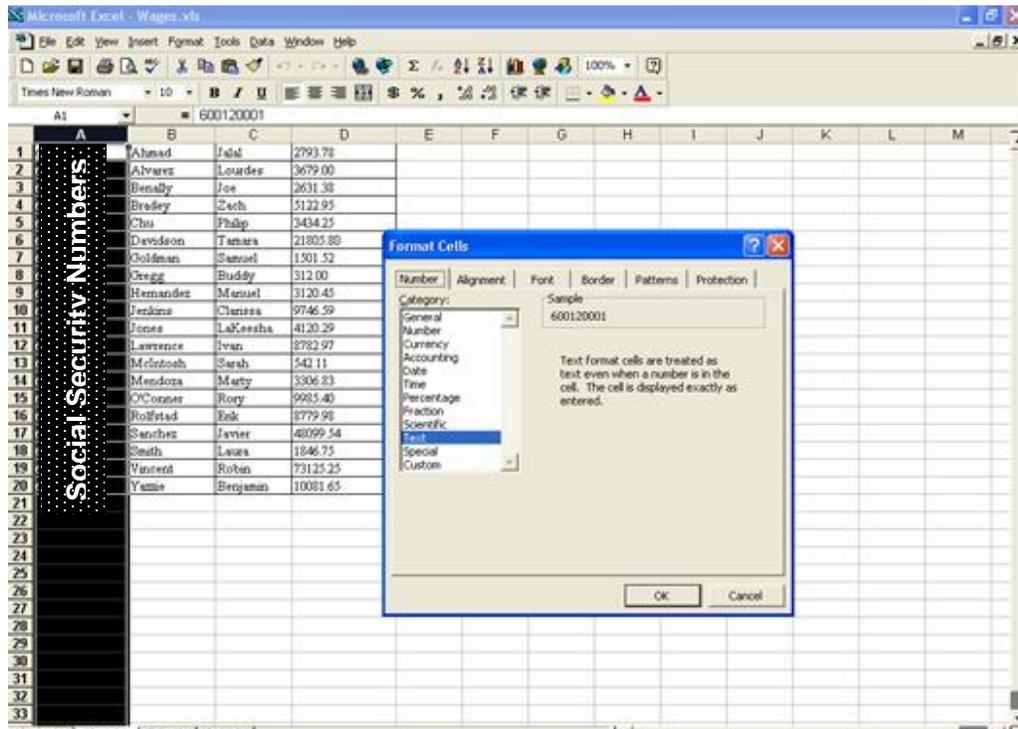


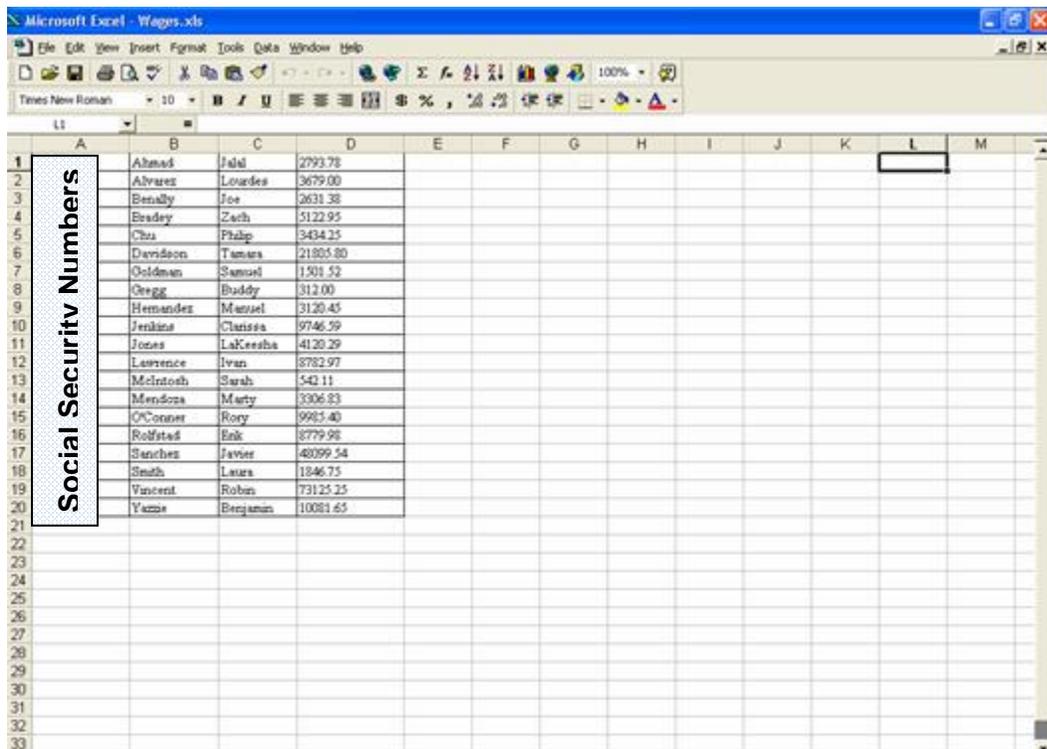
Figure 3.excel

501.08 Creating a .csv File with Excel

How to create a comma-separated file (.csv) using Microsoft Excel:

Step 1. Open or create the wages file using Excel and key data into the four required columns, SSN, Last Name, First Name and Total Wages. Excess Wages are optional. See Figure 1 below.

Tip: Do **not** put any spaces or special characters in the Social Security column; do **not** format the Total Wages or Excess Wages columns with dollar signs or commas; **do** enter a decimal point and cents; **use** text format. Do **not** allow blank lines between employees or after the last employee record. To retain zeros at the beginning of a Social Security Number, key an apostrophe (') before typing the Number or format the column using "Special – Social Security Number."



	A	B	C	D	E	F	G	H	I	J	K	L	M
1		Almad	Jaid	2793.78									
2		Alvarez	Louises	3679.00									
3		Bradley	Joe	2631.38									
4		Bradley	Zach	5122.95									
5		Chua	Philip	3434.25									
6		Davidson	Tamara	21805.80									
7		Goldman	Samuel	1501.52									
8		O'egg	Buddy	312.00									
9		Hernandez	Mmanuel	3120.45									
10		Jenkins	Clara	9746.59									
11		Jones	LaKearaba	4120.29									
12		Lawrence	Ivan	8782.97									
13		McIntosh	Sarah	542.11									
14		Mendoza	Marty	3306.83									
15		O'Connor	Rory	9981.40									
16		Rollstad	Enk	8779.98									
17		Sanches	Favier	48099.54									
18		Smith	Laura	1846.75									
19		Vincent	Robin	73125.25									
20		Yama	Benjamin	10081.65									
21													
22													
23													
24													
25													
26													
27													
28													
29													
30													
31													
32													
33													

Figure 1.csv

Step 2.

Open the menu item File-Save As. See Figure 2 below.

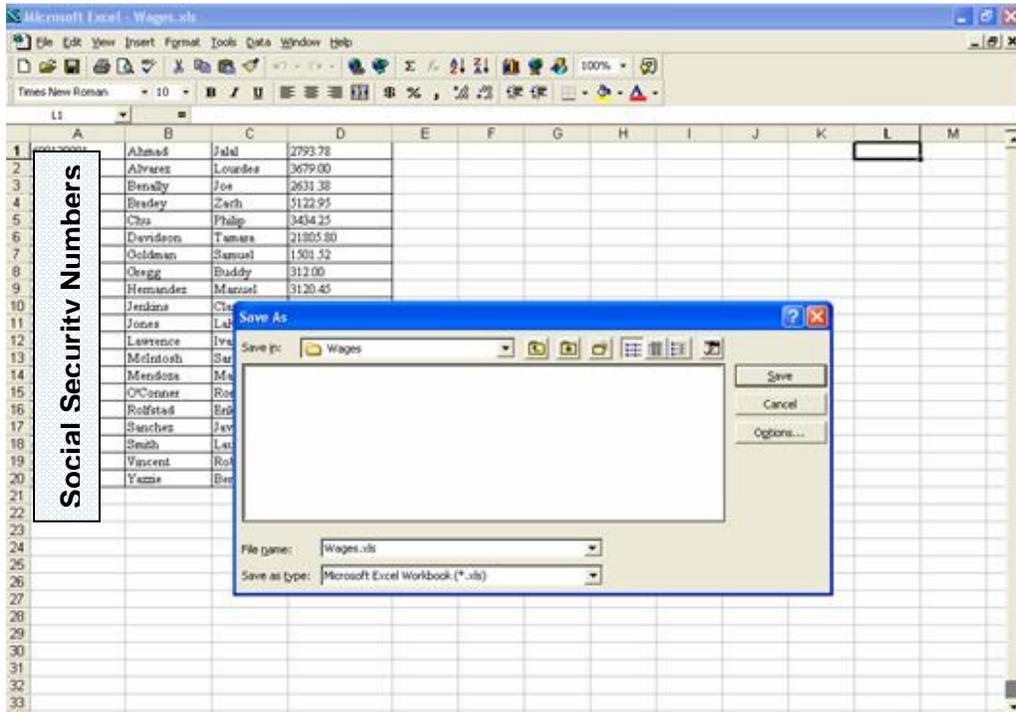


Figure 2.csv

Step 3.

Select CSV from the “Save As Type” list box. You will notice that once this is selected Excel will automatically change your file extension in the “File Name” box from .xls to .csv. See Figure 3 below.

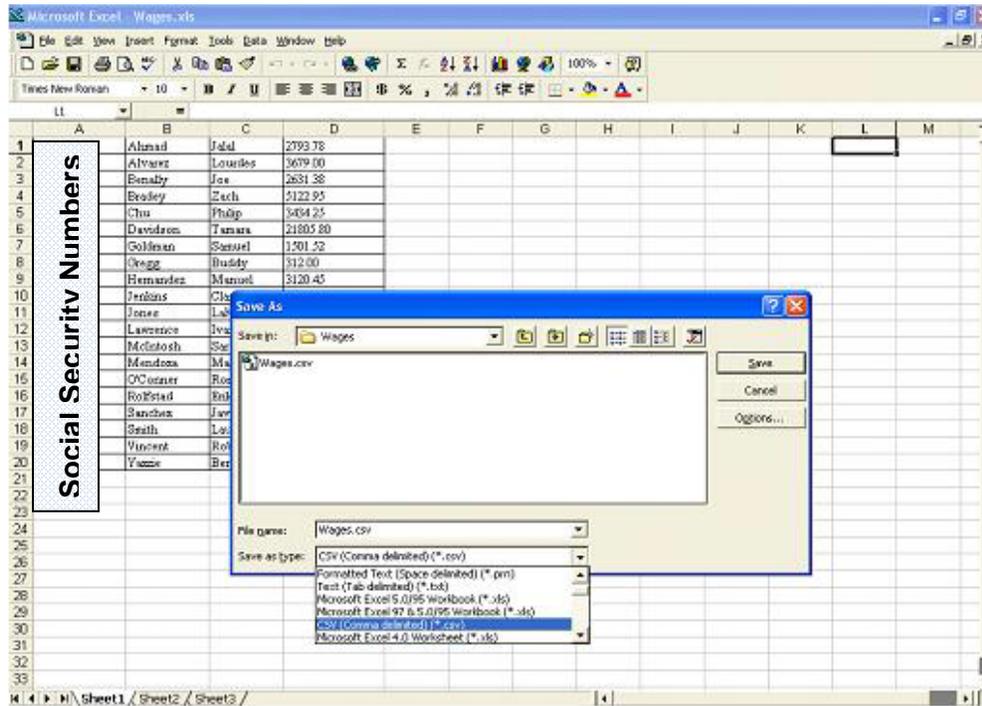


Figure 3.csv

Step 4.

After you click Save, Excel may prompt you with a message box stating, "The selected File type does not support workbooks that contain multiple sheets. To save only the active sheet, click OK." You only want to save the active sheet, so click OK to continue.

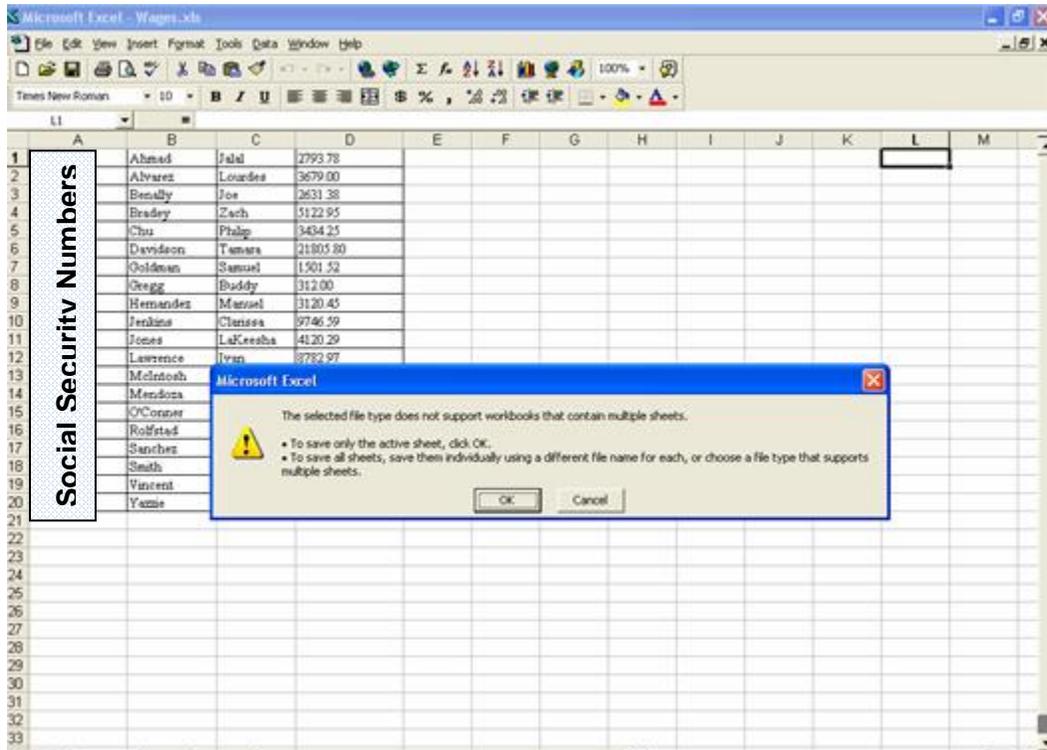


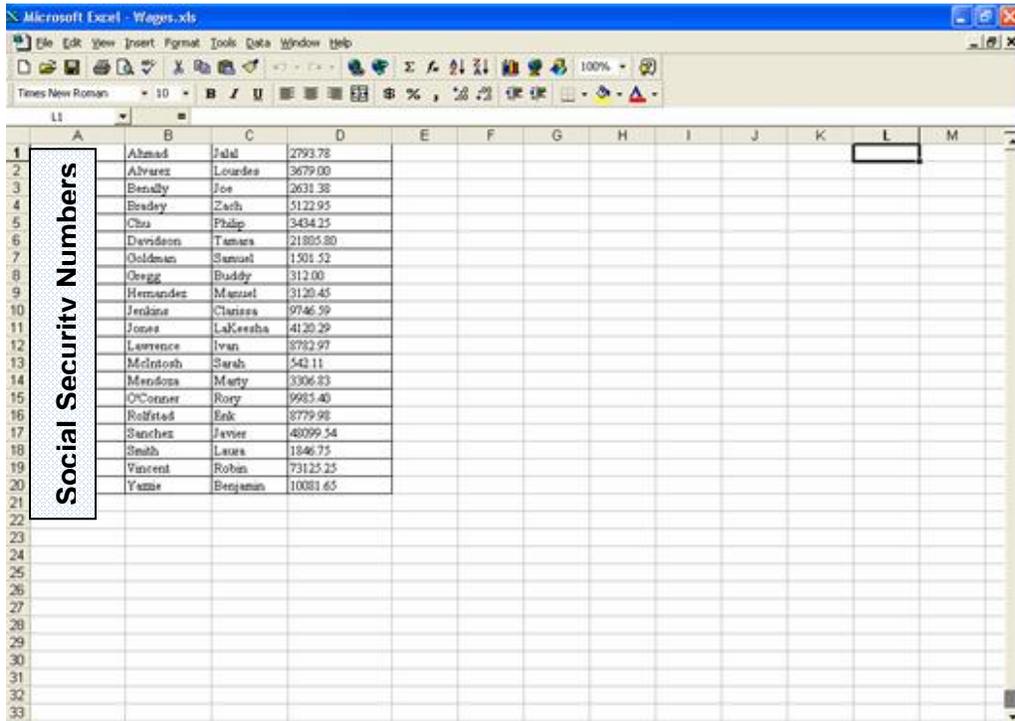
Figure 4.csv

The Wages file should now be saved as a .csv file. Your quarterly wages are ready to be uploaded into the Arizona Unemployment Tax and Wage System.

501.09 Creating a .txt. File with Excel

Step 1. Open or create the wages file using Excel and key data into the four required columns, SSN, Last Name, First Name and Total Wages. Excess Wages is optional. See Figure 1 below.

Tip: Do **not** put any spaces or special characters in the Social Security column; do **not** format the Total Wages or Excess Wages columns with dollar signs or commas; **do** enter a decimal point and cents; **use** text format. Do **not** allow blank lines between employees or after the last employee record.



	A	B	C	D	E	F	G	H	I	J	K	L	M
1		Ahmad	Jalal	2793.78									
2		Alvarez	Louise	3679.00									
3		Beadly	Joe	2631.38									
4		Beady	Zach	5122.95									
5		Chu	Philip	3434.25									
6		Davidson	Tamara	21805.80									
7		Oldman	Samuel	1501.52									
8		Gegg	Buddy	312.00									
9		Hernandez	Mansel	3120.45									
10		Jenkins	Clarissa	9746.59									
11		Jones	LaKeesha	4120.29									
12		Lawrence	Ivan	3732.97									
13		McIntosh	Sarah	542.11									
14		Mendoza	Marty	3306.83									
15		O'Connor	Rory	9983.40									
16		Rolfstad	Eric	3779.98									
17		Sanchez	Javier	48099.54									
18		Smith	Laura	1846.75									
19		Vincent	Robin	73125.25									
20		Yama	Benjamin	10081.65									
21													
22													
23													
24													
25													
26													
27													
28													
29													
30													
31													
32													
33													

Figure 1.txt

Step 2. Open the menu item File-Save As. See Figure 2 below.

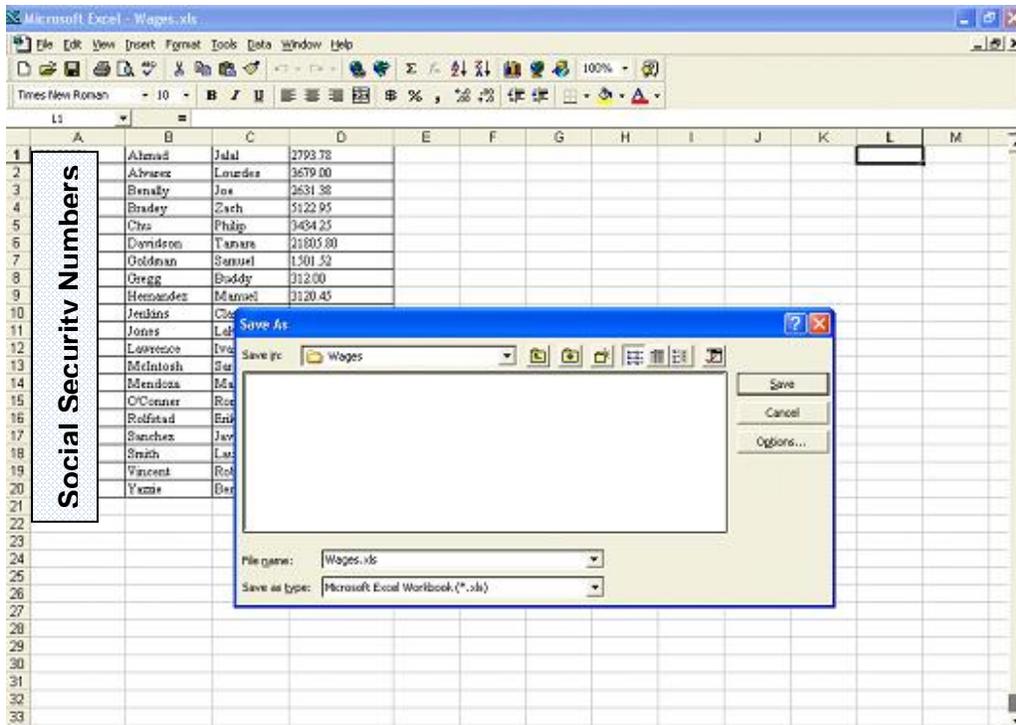


Figure 2.txt

Step 3. Select Text from the “Save As Type” list box. You will notice that once this is selected Excel will automatically change your file extension in the “File Name” box from .xls to .txt. See Figure 3 below.

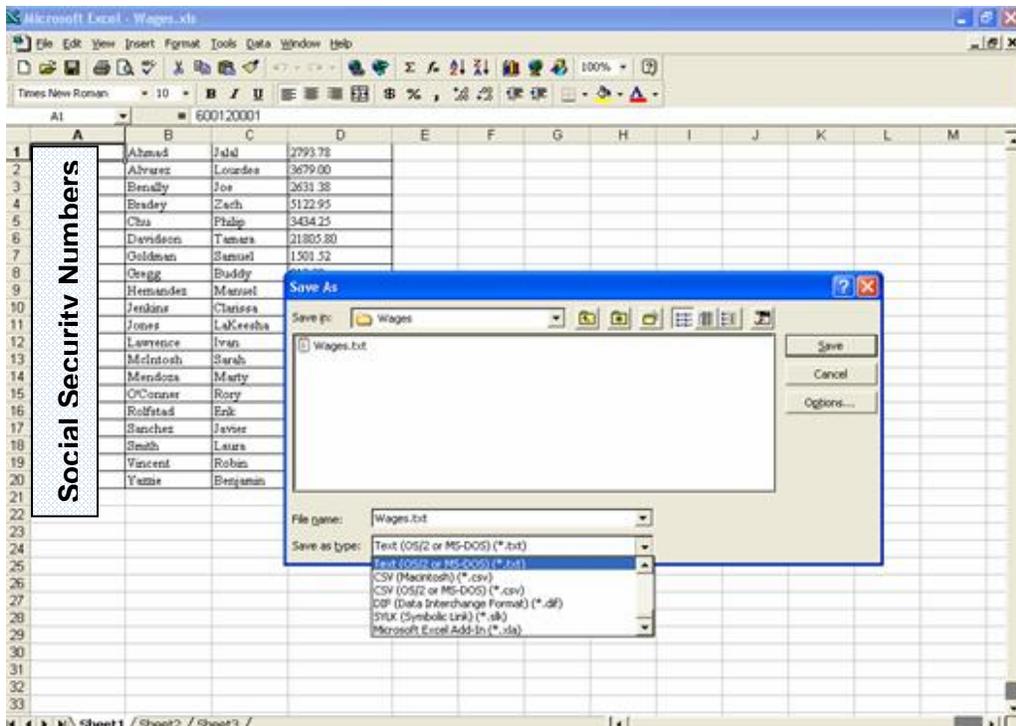


Figure 3.txt

Step 4. After you click Save, Excel may prompt you with a message box stating, "The selected File type does not support workbooks that contain multiple sheets. To save only the active sheet, click OK." You only want to save the active sheet, so click OK to continue.

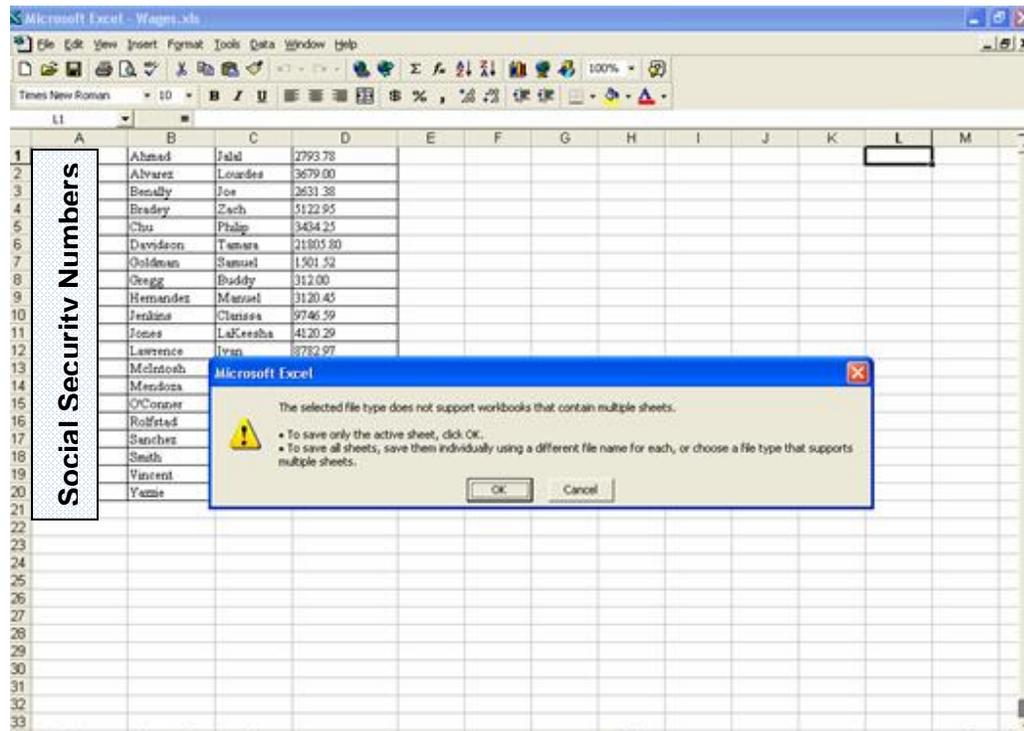


Figure 4.txt

The Wages file should now be saved as a .txt file.

Step 5. Next, it is necessary to open the Wages.txt file you just created. See Figure 5 below.

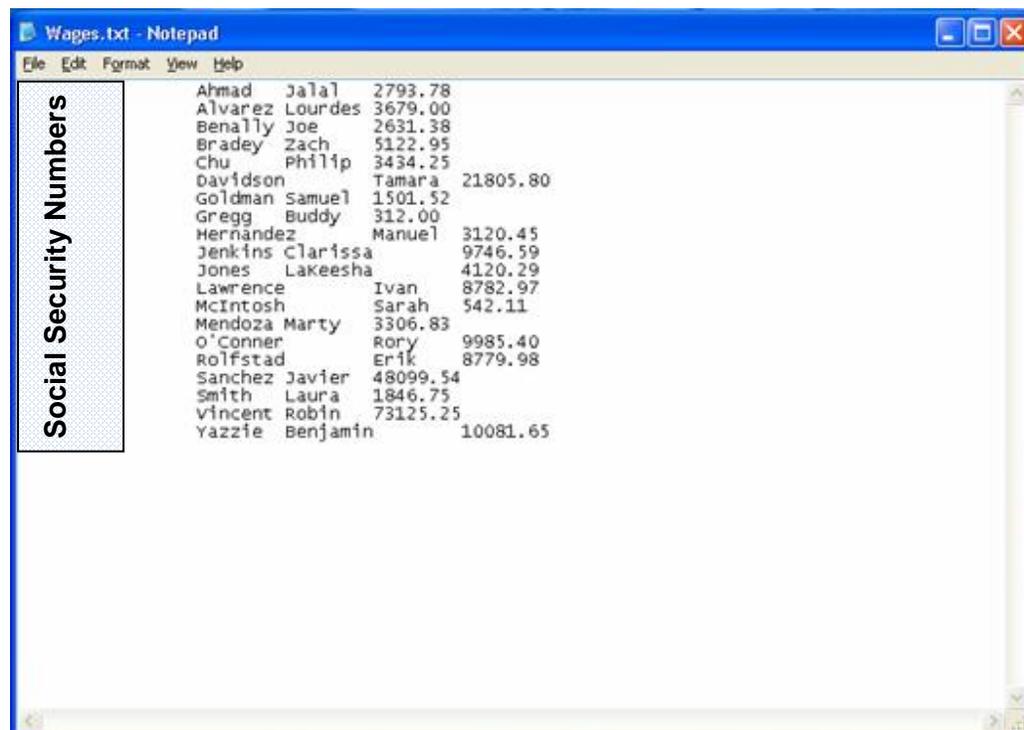


Figure 5.txt

Step 6. Commas must be entered between each field EXCEPT after the last item on the line on every line in the quarterly wage file. Be sure there are no blank lines after the last record. See figure 6 below.

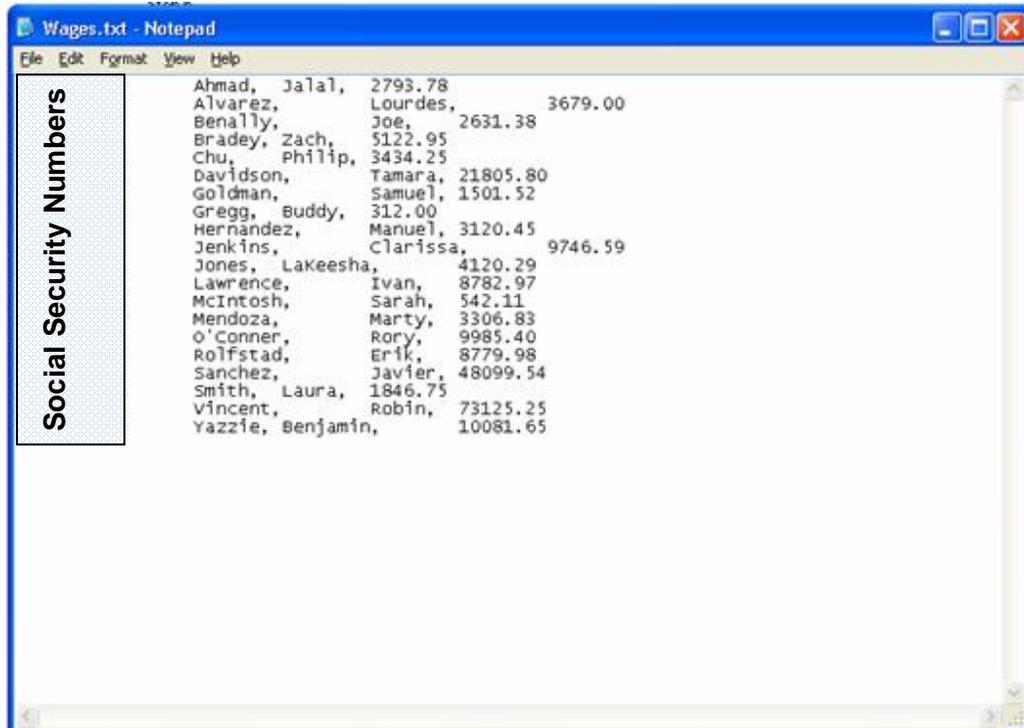


Figure 6.txt

Once you are finished, save and close the text file. Your file is now ready to be uploaded into the Arizona Unemployment Tax and Wage System.

502 MAKING PAYMENTS USING TWS

The Arizona Unemployment Insurance Tax [Electronic Funds Transfer \(EFT\)](#) process allows you to submit your payments to the UI Tax Section electronically in any amount at any time. It is a safe and timesaving means of making payments by utilizing electronic technology that banks and many businesses have used for years. Payments made online process almost instantaneously from your business or personal bank account to the [Automated Clearing House \(ACH\)](#) and are immediately recorded in our database. All payments are date/time stamped upon successful completion so that when they are posted to your UI Tax account they can be evaluated correctly for timeliness if related to a particular quarter.

502.01 Payments Definitions

Automated Clearing House (AHC) a central distribution and settlement point for the electronic clearing of debits and credits between financial institutions. An automated clearing house may be a Federal Reserve Bank or any organization with an operating agreement with the North American Clearing House Association that functions as a processing agent for each ACH transaction between financial institutions.

Electronic Funds Transfer (EFT) a standard ACH funds transfer to credit or debit a bank account. Electronic Funds Transfer does not include payments made by check, draft or similar paper instrument.

North American Clearing House Association (NACHA) the national regulatory body that establishes the standards, rules and procedures which govern the ACH network.

502.02 Payments Instructions

When you complete the online filing process for any quarter for which you owe money, you will be given the choice of selecting either "Paper Check" or "Electronic Payment." Select "Electronic Payment" to use the EFT option and make an immediate online payment; select "Paper Check" to generate a printable payment voucher to mail along with your check or money order. (Enclosing a voucher is recommended but not required.)

Electronic Payment

To process an electronic payment, you will need the following information (see the sample check below):

- A. Bank Routing Number for the account from which the payment is being drawn. This nine-digit number is printed on the bottom left side of your check. Do not use a deposit slip to verify the Bank Routing Number.
- B. Bank Account Number, which is printed to the right of the Bank Routing Number.
- C. Name (business or personal) listed on the account. This entry must match the name that is printed on the checks attached to this account.

Sample Check

The image shows a sample check form with the following fields and callouts:

- Callout C:** Points to the name and address: Jane Doe, 123 Wealth Avenue, Anywhere.
- Callout G:** Points to the check number: 845.
- Callout A:** Points to the Bank Routing Number: 031313562.
- Callout B:** Points to the Bank Account Number: 1236547890.
- Other fields include: Date, Pay To The Order Of, \$ Dollars, and Memo.

When you select "Electronic Payment," you authorize the Department of Economic Security (DES) to initiate a debit entry to your checking or savings account, thus transferring the amount designated to the bank utilized by DES. You also acknowledge that the origination of ACH transactions to your account must comply with the provisions of U.S. law.

Check or Money Order Payment

DES recommends electronic payment, but if you pay by check or money order, make it payable to DES - Unemployment Tax, and write your Arizona Unemployment Tax Account Number and the filing period for which the payment is intended on it. If you printed a payment voucher, enclose it with your payment, but if you do not have a voucher, it is not required. Mail your payment to:

DES - Unemployment Tax
PO Box 52027
Phoenix, AZ 85072-2027

- The maximum amount allowed on a single electronic payment (EFT) is \$20,999,999.99. If the amount you owe for any quarter is more than this, you must select the "Paper Check" payment option.
- An EFT payment may be made to your account in any amount (up to the above-specified limit) either when filing a quarterly Wage Report online or as a payment only, separate from report filing. If filing a Wage Report results in payment due, EFT is automatically offered as an option.
- The EFT program is designed to accept payments made when filing a Wage Report only for the particular quarter being filed. If you are filing reports for multiple quarters, in order to ensure that payments are properly credited to each quarter filed, it is best to make separate payments for each quarter. However, it is not required that you do so.
- In order to ensure that an EFT payment is applied to a particular quarter, you must file that quarter's Wage Report online and make the EFT immediately after receiving confirmation that the report was successfully filed. Otherwise, electronic payments are subject to being applied to any prior amounts due on your account that are still unpaid.
- The amount of an electronic payment made when filing a Wage Report defaults to the full exact amount due as automatically calculated by the system. Any applicable interest, penalty and/or Job Training Tax amount is included in this calculation. However, you may change (edit) the amount if you wish to pay more or less than the amount due. The UI Tax mainframe computer accounting system will apply any additional funds or establish payables or receivables for your tax account in the same way it does when you mail in a payment.
- Key your "Routing Number" and "Bank Account Number" carefully. Incorrect entries may result in ACH returns.
- Your account will be charged \$25.00 for any ACH returned item, plus any fees charged by your bank or financial institution.
- To complete an EFT transaction, an electronic connection must be made with our bank. Due to the great volume of EFT activity among entities worldwide, this may require several attempts. When all required information is entered and the "Pay Now" button is clicked, a successful transmission displays a message that includes a "Payment Confirmation." If connection cannot be established or some other problem occurs, an error message will appear. If the payment is for a Wage Report just filed and the transaction cannot be completed after several tries, an EFT payment will not be possible and the system will redirect you to a pay voucher you can print for submission with your payment by paper check.
- To avoid the possibility of making a duplicate payment, be careful to click the "Pay Now" button only once—do not double-click; also, do not use your browser "Back" button after you receive a "Payment Confirmation" message.
- The EFT processing used by UI Tax allows only debit transactions. Payments by ACH credit or credit card are not available options.

503 ARIZONA UI TAX REPORTING FOR EMPLOYERS (AZURE) SYSTEM

The AZURE System allows employer account representatives, accounting firms, large employers (greater than 999 employees) and do-it-yourself filers using third party vendors (all referred to as Bulk Filers) to electronically transmit quarterly Unemployment Tax & Wage Reports and payments for taxes due.

Filers who want to use the AZURE system must register to obtain approval as a Bulk Filer with the Department by completing the [Bulk Filer Application form](#) and returning it to the Employer Registration Unit via any of the following methods:

Fax: (602) 532-5539
E-mail: uitstatus@azdes.gov
Mail: Arizona Department of Economic Security
Employer Registration Unit
PO Box 6028
Phoenix, AZ 85005-6028

Once your application has been processed, you will receive a transmitter number, a temporary password, and the technical requirements.

Note: The Bulk Filer Application does not grant Power of Attorney or allow you to act as an agent of the Department of Economic Security. Third-party filers may elect to have an [Arizona Power of Attorney form](#) on file with the Department for their clients.

If you have any questions *regarding completing this application*, please contact the Employer Registration Unit at (602) 771-6602 or by email at uitstatus@azdes.gov

If you have any questions *regarding using bulk filing*, please contact the Employer Accounting Unit at (602) 771-6601 or by email at uitaccounting@azdes.gov

600 ADDITIONAL EMPLOYER REQUIREMENTS

601 RECORD KEEPING

Arizona law requires all employers, whether or not they have been determined liable to pay unemployment taxes, to keep the following records for the most recent four calendar years.

1. Check stubs and canceled checks for all payments.
2. Cash receipts and disbursement records.
3. Payroll journal.
4. General journal and general ledger.
5. Copies of tax reports filed with all federal and state agencies.
6. Copies of W-2(s) and W-3(s).
7. Other accounting records as may be required.
8. For each payroll period, the:
 - o beginning and ending dates of each pay period,
 - o total amount of remuneration paid for all services, whether paid in cash, by check, or in any other manner, and the date of each such payment, and
 - o date in each week on which the largest number of individuals worked and the number of individuals who worked on that day.
9. For each worker, the:
 - o first and last name,
 - o Social Security number,

- date hired, rehired, or returned to work,
- date employment ended and the reason(s) for separation from work,
- amount of remuneration paid in each calendar quarter,
- amount of remuneration paid each pay period, including the value of any remuneration in a form other than cash,
- amount and date of any special payment, such as a bonus, gift, or prize, and
- place in which services were performed.

602 REPORTING BUSINESS CHANGES

When any change in your business occurs, it is your responsibility to notify the department promptly. A delay could result in additional costs to you later. Be sure to report changes such as:

1. Selling your business,
2. Discontinuing your business,
3. Acquiring another business,
4. Changing ownership of your business,
5. Changing legal form of your business (incorporating, etc.),
6. Changing your business name, and
7. Changing your address.

A Report of Changes form (UC-514) is mailed with your quarterly Unemployment Tax and Wage Report (UC-018) for your convenience in reporting changes. You may also report a change by contacting the [Employer Registration Unit](#) or by completing and submitting the [UC-514 form](#) (164 KB DOC). Telephone contact should be followed up with a written confirmation to the Employer Registration Unit.

603 PROVIDING INFORMATION TO YOUR EMPLOYEES

Arizona law requires that you post in your place of business a Notice to Employees (POU-003) that provides information about the Unemployment Insurance program to your employees.

- [English](#) (72 KB PDF)
- [Spanish](#) (72 KB PDF)

You are also required to provide a printed statement containing information about filing for unemployment benefits when one of your employees becomes unemployed. A pamphlet entitled “Take Care of Unemployment Business by the Internet or Telephone” (UIB-1015A) fulfills this requirement when printed out and provided to the employee. **Please note** that the AZ Unemployment Insurance Call Center (ARRA) hours have changed to 7:00 a.m. until 5:00 p.m. (applications for Unemployment Insurance benefits are taken during these hours on Monday through Thursday; on Friday, applications are accepted until 4:30 p.m.).

- [English](#) (83 KB PDF)
- [Spanish](#) (86 KB PDF)

A more detailed booklet entitled “A Guide to Arizona Unemployment Insurance Benefits” (PAU-007) is also available online.

- [English](#) (274 KB PDF)
- [Spanish](#) (295 KB PDF)

Additional information about workplace posters may be found at:

- [Workplace Posters Required by Arizona](#)[🔗]
- [Workplace Posters Required by the U.S. Department of Labor](#)[🔗]

604 REPORTING NEW HIRES

604.01 Reporting New Hires to the Arizona New Hire Reporting Center

Federal and state law require all employers to report newly hired and re-hired employees in Arizona to the Arizona New Hire Reporting Center within 20 days of their hire date.

New hire reporting accelerates the child support income withholding order process, expedites collection of child support from parents who frequently change jobs, and promptly locates alleged non-custodial parents to help establish paternity and child support orders. It also helps to detect and prevent improper payments of unemployment insurance, workers compensation, and welfare benefits to undeserving recipients.

The use of this information provides financial support for Arizona's deserving families and helps to reduce the costs of unemployment insurance, workers compensation, and welfare.

For detailed information regarding requirements and guidelines for the Arizona New Hire Reporting Program, visit the [Arizona New Hire Reporting Center](#). 

604.02 Employers Can Make a Big Difference for Employees Who Pay Child Support

Three simple steps are all it takes for employers to make sure that the support payments they withhold from a check help their employees. Your employees depend on you to deduct the court-ordered amount and send that payment so that they get credit for it. Here are three easy steps to help you make a big difference in their lives:

1. Include your employee's name and ATLAS case number on your remittance. Without this information, your employees may not get credit for payments you made on their behalf.
2. Include the pay period from which you deducted the payment. We don't need to know when the check was issued or when the payment to the Support Payment Clearinghouse was issued. We need to know what pay period this payment came from. The employees receive credit for the pay period, not the date of the check.
3. Pay the court-ordered monthly amount. If you pay your employees on a weekly or every-other-week basis, this does not satisfy the monthly court-ordered amount. Just like the insurance premiums that you deduct, support is based on a monthly amount. If you divide the annual support by 52 weeks or 26 weeks, your payments may put your employees in an "arrears" status. This could cause interest to accrue on their record, make their pay record appear to be delinquent, and adversely affect their credit rating.

Support Payment Clearinghouse - Effective October 1, 1998, each state was required by the federal Personal Responsibility and work Opportunity Reconciliation Act of 1996 to establish a centralized State Collections and Disbursement Unit for the collection and disbursement of all child-support payments. In Arizona, payment for all income withholding orders must be remitted to:

Support Payment Clearinghouse
P.O. Box 52107
Phoenix, Arizona 85072-2107

The above address is to be used only for cases where employers receive an income withholding order or court order with this address. Visit the [Payment Gateway](#) for other options.

This centralized, privatized approach provides enhanced customer service to parents and especially to employers by mandating one point of receipt for all support payments.

Your employees work hard for you. Help us help your employees. If you have any questions, please do not hesitate to contact the [Division of Child Support Enforcement](#), Customer Service.

700 AUDITS

The Department of Economic Security conducts routine audits of Arizona employers on a random basis and investigates issues regarding the status of individuals as employees and the designation of payments as wages to ensure proper payment of taxes. You may be contacted by a DES unemployment insurance tax auditor to schedule an appointment to examine your financial records. All DES tax auditors carry state-issued, picture ID cards for official identification.

Audits are usually conducted at the employer's business; however, at your request, the audit may be conducted at an accountant's office, provided that all necessary records are available there. Out-of-state records must be made available to the tax auditor at the Arizona business headquarters.

Before examining the records, the auditor will interview the owner or representative of the business. The purpose of the interview is to determine the nature of the business, the type of services being performed and to verify the ownership of the business. This pre-audit interview also helps the tax auditor to better understand the financial records which he or she will be examining.

Financial records are generally examined for the most recently completed calendar year. For instance, if the current date is June 15, 2011, the audit will cover calendar year 2010. Records beyond the audit year may be required if discrepancies in reporting are found. Records for the previous three calendar years as well as the current year may be needed and should be available. More information about [how to prepare for an Unemployment Tax audit](#).

800 EMPLOYER APPEALS

Whenever a determination is made that affects your tax liability, a written notice is sent to you or personally delivered. Each determination provides separate appeal rights; in all cases, an appeal must be made in writing and within the time period specified in the notice.

It is extremely important to submit any appeal within the time frame indicated.

After an original determination, the levels of appeal usually are:

- Level 1. Reconsidered Determination (tax cases). Appeals Tribunal Hearing (benefit cases)
- Level 2. Appeals Board Hearing
- Level 3. Appeals Board Review
- Level 4. Arizona Tax Court
- Level 5. Arizona Court of Appeals

Read each determination carefully. It will provide you with information on how to appeal and your deadline for appealing.

The following sections contain brief synopses of the types of notices you may receive and what to expect after you appeal.

801 I WOULD LIKE INFORMATION ABOUT THE EMPLOYER APPEAL PROCESS / I HAVE RECEIVED THE FOLLOWING NOTICE

801.01 Liability for Unemployment Insurance / Determination of Unemployment Insurance Liability (UC-016 or UC-015A)

A. First Contact – Receipt of Determination

A "Determination of Unemployment Insurance Liability" (UC-016 or UC-015A) will be sent to you or personally delivered when the department determines that you are an [employer liable for unemployment taxes](#). The determination contains:

- the determination date (date of the letter),
- your employer account number,
- the date your liability begins,
- your tax rate,
- the legal basis for your liability, and
- your appeal rights.

[View Determination of Unemployment Insurance Liability UC-016 and UC-015A Samples](#) (117 KB PDF)

B. Appealing the Determination

The determination becomes FINAL unless a written request for reconsideration is **filed within 60 days** after the date on the UC-016 or UC-015A form as provided by Arizona Revised Statutes § 23-724. If the 60th day falls on a Saturday, Sunday, or legal holiday, the filing period will be extended to the next business day. Your written request for reconsideration should contain:

- a statement of the reasons you consider this decision incorrect, and
- your Arizona UI employer account number.

If an appeal is filed by mail, the postmark date is considered the date of the appeal. To avoid additional charges, reports and payments required under this determination should be filed when due. If this determination is reversed, payment will be refunded.

C. Contact Information

Arizona Department of Economic Security
Unemployment Insurance Tax
4000 N. Central Ave., Suite 500
P.O. Box 6028
Phoenix AZ 85005

Telephone: (602) 771-3711
FAX: (602) 532-5538

801.02 [Liability for Specific Services or Remuneration / Determination of Liability for Employment or Wages \(UC-016A\)](#)

A. First Contact – Receipt of Determination

A "Determination of Liability for Employment or Wages" (UC-016A) will be sent to you or personally delivered if the department determines that individuals performing services on your behalf are employees or that remuneration you pay them is wages subject to Arizona unemployment taxes. The determination contains:

- the determination date (date of the letter);
- your employer account number;
- the legal basis for your liability;
- a description of the services or remuneration; and
- your appeal rights.

[Sample Determination of Liability for Employment or Wages \(UC-016A\)](#) (118 KB PDF)

Often an assessment of taxes due on the remuneration determined to be wages is issued in conjunction with the UC-016A. If you appeal the UC-016A your appeal will be considered an appeal of the assessment as well.

B. Appealing the Determination

The determination becomes FINAL unless a written request for reconsideration is **filed within 60 days** after the date on the UC-016A as provided by Arizona Revised Statutes § 23-724. If the 60th day falls on a Saturday, Sunday, or legal holiday, the filing period will be extended to the next business day. Your written request for reconsideration should contain:

- a statement of the reasons you consider this decision incorrect, and
- your Arizona UI employer account number.

If an appeal is filed by mail, the postmark date is considered the date of the appeal. To avoid additional charges, reports and payments required under this determination should be filed when due. If this determination is reversed, payment will be refunded.

C. Contact Information

Arizona Department of Economic Security
Unemployment Insurance Tax
4000 N. Central Ave., Suite 500
P.O. Box 6028
Phoenix AZ 85005

Telephone: (602) 771-3711
FAX: (602) 532-5538

801.03 [Assessment of Unemployment Taxes Due / Notice of Assessment \(UC-018A\)](#)

A "Notice of Assessment" (UC-018A) (view [sample UC-018A](#) 241 KB PDF) will be sent or personally delivered to you when the department determines the amount of taxes due for a

particular calendar quarter or quarters. The department will issue a notice of assessment when it is determined that reports are delinquent (due, but have not been received) or are deficient (incomplete) in some way. You may file a written request for reassessment within 15 days of the date of the assessment if you disagree with the amount assessed.

801.04 Charges if Benefits are Paid to Former Employee(s) / Notice to Employer (UB-110) or Determination of Deputy (UB-100)

A. First Contact – Receipt of the Notice to Employer (UB-110)

If a former employee files a claim for Unemployment Insurance benefits and you are determined a base period employer or the claimant's last employer, the Unemployment Benefit Claims Office will send you a "Notice to Employer" (UB-110) (view [sample UB110 105 KB PDF](#)). **You have 10 working days to respond to the notice**, identifying/explaining the reasons for the claimant's separation from your employ. A telephone call to the Benefit Claims Office is not a substitute for completing and returning the UB-110.

Your response to the Notice to Employer is handled by the Unemployment Insurance Benefit Claims Office that sent you the notice, not the Unemployment Insurance Tax Office.

B. Second Contact – Receipt of Determination of Deputy (UB-100)

If you respond within the allotted timeframe and your response indicates that you protest payment of benefits, the Unemployment Benefit Claims Office will send you a "Determination of Deputy" (UB-100) (view [sample UB-100 243 KB PDF](#)). The determination states whether your former employee is eligible for unemployment benefits, the applicable section of law under which the determination is made and whether your experience rating account will be charged.

If you disagree with the determination you may file a written appeal **within 15 days** of the date of the determination. If the appeal is filed timely, you will have the opportunity for a hearing before an appeals tribunal. This hearing may be conducted either in person or by telephone. You will receive a written decision after the hearing. If you still disagree with the decision you may appeal it to the Appeals Board, which has two levels of appeals. If you still disagree after the Appeals Board, you may appeal to the Arizona Court of Appeals.

The appeals process for the Determination of Deputy is handled by the [Unemployment Insurance Benefits appeals](#), not the Unemployment Insurance Tax Appeals.

801.05 Account Has Been Charged for Benefits Paid to Former Employee(s) / Benefit Charge Notice (UC-602)

The "Benefit Charge Notice" (UC-602) is mailed to you quarterly if unemployment benefits have been paid to former employees in the previous quarter and charged to your employer account, or if prior charges have been reversed and credited back to your account. Tax-rated employers will receive a UC-602-A (view [sample UC-602-A 298 KB PDF](#)) and reimbursement employers will receive a UC-602-B (view [sample UC-602-B 297 KB PDF](#)). A detailed explanation of the information that appears on the notice is printed on its reverse side.

You may appeal any mathematical or clerical errors you discover by filing a written request for redetermination **within 15 days** of the date of the notice. You may not appeal any issues which have previously become final, such as a claimant's eligibility for benefits, since separate appeal processes were provided for these issues (see [Charges if Benefits are Paid to Former Employee](#)). You will usually receive a letter of explanation about the issues you are appealing. If you disagree with the information in the letter, appeal rights are provided. A written Reconsidered Determination will be sent to you if you appeal the letter of explanation. This in turn may be appealed within 15 days to the Appeals Board for two levels of appeal. Thereafter, you may appeal to the Arizona Tax Court, which is a division of the Maricopa County Superior Court system.

801.06 Tax Rate Assigned for Calendar Year / Determination of Unemployment Tax Rate (UC-603)

The "Determination of Unemployment Tax Rate" (UC-603) (view [sample UC-603](#) 360 KB PDF) may be appealed **within 15 days** of the date of the notice with a written request for review. You will usually receive a letter of explanation about the issues you are appealing. If you disagree with the information in the letter, appeal rights are provided. A Reconsidered Determination will be written if you appeal the letter of explanation. This in turn may be appealed within 15 days to the Appeals Board for two levels of appeal. Thereafter, you may appeal to the Arizona Tax Court, which is a division of the Maricopa County Superior Court system.

900 TAX EVASION

901 STATE UNEMPLOYMENT TAX ACT (SUTA) DUMPING

State Unemployment Tax Act (SUTA) dumping, one of the biggest issues facing the Unemployment Insurance (UI) program, is a tax evasion scheme where shell companies are formed and creatively manipulated to obtain low UI tax rates. When a low rate is obtained, payroll from another entity with a high UI tax rate is shifted to the account with the lower rate. The entity with the higher rate is then "dumped." Such abusive schemes leave other employers making up for the unpaid tax. SUTA dumping is also referred to as state unemployment tax avoidance and tax rate manipulation.

902 WHAT HARM DOES SUTA DUMPING CAUSE?

Under the experience rating system, employers pay unemployment taxes at rates commensurate with claims activities by their employees. Employers with high unemployment activity pay higher unemployment tax rates, and employers with lower activity pay less. Employers who engage in SUTA dumping (or other tax manipulation schemes) to avoid paying their fair share unfairly shift their costs to other employers. According to the U.S. Department of Labor, SUTA dumping is harmful because it:

- compromises the integrity of the UI system;
- results in an uneven playing field;
- eliminates the incentive for employers to avoid layoffs;
- adversely affects tax rates for all employers; and
- costs the UI trust fund millions of dollars each year.

SUTA dumping hurts everyone – employers, employees, and taxpayers make up the difference in higher taxes, lost jobs, lost profits, lower wages, and higher costs for goods and services.

903 SUTA DUMPING SCHEMES

There are several variations on the schemes some businesses use to inappropriately lower their UI tax rate. Employers should become aware of these schemes and their potential legal ramifications. Examples of SUTA dumping schemes:

1. **Purchased Shell Transaction** - A business with a large payroll and a high UI rate purchases a corporate shell with a low UI rate and transfers its payroll to the purchased entity.
2. **Affiliated Shell Transaction** - A new corporation is registered, and a small payroll is reported each year until a low or minimum UI rate is achieved. Once the low rate is achieved, large payroll amounts from another related corporation are transferred into this account.
3. **New Employer Rate** - An employer with a high UI rate files a registration form requesting a new employer account number, which has a lower rate (new employers pay 2.0% in Arizona), then the payroll is transferred to the new account.
4. **Reporting under a client's Employer Account Number** - An employee leasing company or professional employer organization (PEO) with a high UI rate shifts its payroll to the account number of one of its clients with a lower UI rate.
5. **High Plus High Equals Low** - A high UI rate account with a large payroll is transferred into another high UI rate account with a small payroll at the beginning of the year. Since the calculation of the average base payroll is on a calendar year basis, only the small payroll is considered. However, the taxes from the large payroll are added to the reserve account balance as of June 30, resulting in a very low UI rate being established for the next year.
6. **Partial Reserve Account Acquisition** - A newly registered business applies for a partial reserve account balance of another company. When the small reserve balance is acquired, a correspondingly small average base payroll is also acquired. A related entity then shifts hundreds of millions of payroll into the small account. Because the average base payroll is tallied on a calendar-year basis and reserve accounts accumulate quarterly, the result is to flood the reserve balance in relation to the small average base payroll. A minimum rate is attained in the succeeding year.
7. **Buffering Potential Negative Reserve Account Charges** - A company that hires temporary workers forms a new entity and obtains a separate account number. The temporary workers are paid through this account. When they are laid off and file UI claims, the newly formed company goes out of business and the negative reserve account charges get distributed to other businesses in the state. This typically occurs when a labor action is contemplated and temporary workers are hired knowing they will be laid off after the labor action. Another variation on this scheme is when a company is planning to downsize. Employees to be laid off are transferred to a subsidiary account. This buffers the reserve account of the initial company from UI charges.

904 ILLEGALITY AND PENALTIES

Is It Illegal?

Employers who engage in SUTA dumping or other rate manipulation schemes knowingly misrepresent facts about their business. It is illegal under Arizona statutes to knowingly make false statements and omit material facts on UI tax documents in order to reduce UI taxes. In addition, new laws have recently been passed to combat SUTA dumping:

- **SUTA Dumping Prevention Act of 2004** - Signed by President Bush in August 2004, this law requires each state to enact laws to prevent employers from inappropriately lowering their UI contribution (tax) rates. The law not only bans SUTA dumping but also levies heavy penalties on those who engage in or promote such abusive practices.

- Arizona House Bill 2093 - With the passage of HB 2093, which added section 23-733.01 to the Arizona Revised Statutes, Arizona enacted legislation as a result of the federal SUTA Dumping Prevention Act. Effective August 12, 2005, this law requires employers who are caught illegally lowering their UI rates to pay at the highest rate provided by law or at their current rate plus an additional two percent, whichever is greater. The new law also provides for a \$5,000 penalty for anyone who is not an employer who knowingly advises another person or business to violate Arizona's UI rate and reporting laws. It also makes changes in the law regarding the application and transfer of UI reserve account balances. It specifies that whenever an employer transfers its business to another employer, the reserve account will be transferred if they are under common ownership, management, or control. The new law also provides that if the acquisition was for the purpose of getting a lower UI rate, the transfer will be denied.

What is DES doing to fight SUTA dumping?

The Department of Economic Security actively pursues and prosecutes employers who participate in SUTA dumping and other tax manipulation schemes and has the authority to subpoena records and individuals in its investigations. In addition, DES regularly conducts outreach with employers and tax advisors to ensure they are aware of these schemes and to help them avoid future legal trouble.

905 HOW DO I REPORT IT?

If you think someone is committing fraud or engaging in SUTA dumping, please report it to us immediately. All allegations of fraud are taken seriously. Please provide as much of the following information as you can:

- Employer name, address, and telephone number
- Employer account number
- What they are doing
- When they started doing it
- Your name, address, and telephone number (optional)

REMEMBER: You are a very important source of information and a critical component in the Department's efforts to combat SUTA dumping fraud!

TO REPORT FRAUD

Call: (602) 771-3713 or Email: KWhaley@azdes.gov

INTRODUCTION - ARIZONA UNEMPLOYMENT INSURANCE BENEFITS

Unemployment benefit payments are made to workers (*claimants*) who are temporarily unemployed through no fault of their own and attempting to re-enter the labor force. As an employer, your Arizona unemployment taxes pay the entire cost of unemployment benefits paid. By law, unemployment taxes cannot be withheld from the wages you pay workers.

Since it is your taxes that are used to pay benefits to your former workers, it is to your advantage to become familiar with the benefit provisions of the Unemployment Insurance program.

Before an individual can receive unemployment benefit payments, several basic requirements must be met:

1. The worker must show a prior attachment to the labor force.
Individuals who have recently entered the labor force will not qualify.
2. The worker must not have caused his/her unemployment.
Benefits are paid only to workers who are unemployed through no fault of their own.
3. The worker must maintain an attachment to the labor force while he/she is collecting benefits.
4. Benefits are payable only to individuals who are actively seeking work.

100 DETERMINING ELIGIBILITY FOR BENEFITS

100.01 Monetary Eligibility Factors

First, the benefit claims office determines whether the claimant is “monetarily eligible” for benefits, as follows.

- The worker's base period is determined - Only wages paid for services in employment covered by UI during a 12-month period, called the base period, are used in establishing unemployment benefit amounts. The base period is the first four of the last five completed calendar quarters prior to the date the claimant files for benefits. All wages reported by employers in the base period under the claimant's Social Security Number are included in determining the amount of benefits potentially payable.
- A weekly benefit amount is determined - The highest amount of wages paid in a quarter of the worker's base period determines the weekly benefit amount. The minimum weekly amount is \$119, the maximum is \$240. To be monetarily eligible for benefits, the claimant must have been paid covered wages in the base period of:
 - **For new UI claims that were made effective August 5, 2012 or later:**
 - At least 390 times the Arizona minimum wage in the highest-paid quarter of the base period and a combined total in the other three quarters equal to at least one half the amount of wages in the highest-paid quarter, **or**
 - A combined total of at least \$7,000 in wages in at least two quarters of the base period, with wages in one quarter equal to \$5987.50 or more.

- **For new UI claims that were made effective prior to August 5, 2012:**
 - At least \$1,500 in wages in one quarter of the base period and total base period wages equal to at least one and one half times the wages paid in the highest-paid quarter, **or**
 - A combined total of at least \$7,000 in wages in at least two quarters of the base period, with wages in one quarter equal to \$5,987.50 or more.

If the claimant is determined to be monetarily **ineligible**, benefits will be denied on that basis.

If the claimant is determined to be monetarily **eligible**, a benefit year, weekly benefit amount and a total award of benefits are determined. The claimant may collect up to 26 weeks of benefits, or 1/3 of his/her total base period wages, whichever is less, during a benefit year (a 52-week period). If a claimant qualifies for the maximum weekly benefit amount of \$240, the maximum total amount that may be collected on a given claim is \$6240. (During a period of high unemployment when extended benefits are paid, the maximum amount may increase. See [Extended Unemployment Benefits](#).)

100.02 Non-Monetary Eligibility Factors

After the claimant is determined monetarily eligible, several other major factors determine whether benefit payments will be made:

1. The reason for the claimant's separation from his/her last employment;
2. Whether all other eligibility requirements have been met and continue to be met during the time in which benefits are claimed.

Let's look at each of those factors individually:

The Reason for Separation from Last Employment

Each application for benefits requires the claimant to explain the reason for being out of work from his most recent employer. A "Notice to Employer" (UB-110) ([view sample UB-110](#) 105 KB PDF) is mailed to the claimant's most recent employer to request verification of the reason for unemployment. This notice indicates the reason the claimant has given for the unemployment and the last day of work. It provides the employer an opportunity to respond to that information and give any additional relevant information and documentation.

If you receive a "Notice to Employer" (UB-110) indicating you are the Last Employer, you should complete and return the notice within 10 working days if any of the following apply:

1. The claimant was not your employee;
2. The claimant worked somewhere else after working for you;
3. The claimant resigned, retired, or abandoned the employment;
4. You dismissed the claimant for a reason other than lack of work or reduction in force;
5. The claimant is one of the workers involved in a strike, lockout, or labor dispute at your business location;

6. You paid the claimant severance; or monies for unused leave, such as vacation pay, sick pay, or holiday pay when the employment terminated;
7. You are making retirement or pension payments to the claimant;
8. You have information that the claimant is not willing or able to seek and accept suitable work;
9. You have work available and want to offer the claimant employment.

An investigation is initiated based on the information you and the claimant provide. You may be contacted for additional information or clarification during the investigation. If the claims office determines that the last employer justifiably discharged the claimant for misconduct, or that the claimant quit the last employer without good cause in connection with the work, benefits will be denied for as long as he/she is currently unemployed. If such determinations are made regarding employment with a base period employer (i.e., other than the last employer), this will not affect the claimant's eligibility for benefits, but the employer's account will be relieved of charges for any benefits paid on the claim.

The Employment Security Law of Arizona defines misconduct as "any act or omission by an employee which constitutes a material or substantial breach of the employee's duties or obligations pursuant to the employment or contract of employment or which adversely affects a material or substantial interest of the employer." (Arizona Revised Statutes § 23-619.01(A)).

If you discharge a worker for what you consider "misconduct" and believe the worker should not be eligible for benefits, you must establish that there was misconduct. Merely alleging misconduct is insufficient. If the claimant denies misconduct, you must present evidence to refute the denial. Accurate records of dates and descriptions of incidents or infractions leading to the dismissal, warnings, and disciplinary actions can be used as evidence of misconduct. A history of employer tolerance of misconduct prior to discharging a worker substantially decreases the likelihood that the claims office will determine that the discharge was justifiable. Generally, a worker who is discharged solely due to inability to meet job requirements is not considered to have been discharged for misconduct.

On the other hand, when a worker quits a job and believes he/she should be eligible for benefits, the worker must present evidence to establish that he/she had no other alternative but to end the employment relationship.

Keep accurate records of employment agreements and employee performance. Record dates of warnings and descriptions of incidents leading to the dismissal of an employee.

After the investigation is completed, the claimant receives a written determination of eligibility. You will receive a copy of the determination if you protested the claim and returned the "Notice to Employer" (UB-110) within the 10-day time limit. If you do not reply to the "Notice to Employer" timely, you are not entitled to receive a copy of the determination of the claimant's eligibility, and you lose your right to further protest the payment of benefits if the claimant is determined eligible.

The table below shows the most common types of unemployment benefit determinations that affect the worker's eligibility for benefits and the employer's chargeability for these benefits:

Common Types of Unemployment Benefit Determinations		
A Determination that the Worker:	Effect on Worker (based on reason for separation from last employer)	Effect on Base Period Employer*
Voluntarily quit without good cause in connection with the work	Disqualified from receiving benefits until the worker has had subsequent employment and is again	No charges to the employer's account

Common Types of Unemployment Benefit Determinations		
A Determination that the Worker:	Effect on Worker (based on reason for separation from last employer)	Effect on Base Period Employer*
-or- Was discharged for misconduct	unemployed, through no fault of his/her own.	
**The employer was called to active duty in the military - or- A former employee of the employer returned to work for the employer after being called into active military duty, thus displacing the claimant	Eligible for benefits if other eligibility conditions are also met.	No charges to the employer's account
Was laid off due to a lack of work -or- Was discharged for reasons other than misconduct -or- Voluntarily quit with good cause in connection with the work	Eligible for benefits if other eligibility conditions are also met.	Charges to the employer's account
Left work for a compelling personal reason not attributable to the employer -or- Was separated due to mandatory retirement under a nongovernmental retirement plan	Eligible for benefits if other eligibility conditions are also met.	No charges to the employer's account
While filing claims for benefits, is provided part-time employment by the employer to the same extent as provided by that employer during the worker's base period	Eligible for partial benefits if other eligibility conditions are also met.	No charges to the employer's account

*By law, relief of charges does not apply to reimbursement employers, i.e., those employers that have elected the [Reimbursement Payment Option](#). (Arizona Revised Statutes § 23-750(B)(4) and Arizona Administrative Code § R6-3-1717(A))

**Applies to separations occurring on or after July 29, 2010 only.

Other Eligibility Requirements

In addition to being involuntarily unemployed, the claimant must also meet several other conditions before receiving a payment of unemployment benefits. The claimant:

1. Must be able to work - A claimant must be considered physically able to perform suitable work.
2. Must be available for and actively seeking work - A claimant must be seeking employment he/she is suited to by training or experience in a manner which will provide him/her a reasonable opportunity of obtaining work. A claimant who restricts his/her availability to seek and accept work because of retirement, school attendance, dependents' care or other family responsibilities,

transportation problems, or unrealistic work hours or wage demands may be denied benefits.

3. Must not refuse an offer of suitable work - A claimant who refuses a bona fide offer of suitable work without good cause will be denied unemployment benefits.
4. Must have filed a "waiting week" claim - the first week of a claim during which the claimant meets all eligibility requirements. By law, benefits are not payable for that period.
5. Must have Severance Pay, Vacation Pay, Holiday Pay, or Sick Pay deducted from benefits for any week for which he/she is paid. A claimant is not eligible to receive benefits for any week in which severance pay, vacation pay, holiday pay, or sick pay that exceeds the weekly benefit is allocated. If payments are less than the weekly benefit amount, the amount of the payment, less \$30, will be deducted from the weekly benefit amount.

Any time you provide us with information or evidence that a former worker does not meet one or more of these continuing eligibility requirements, we will investigate the claimant's eligibility.

200 NOTICE TO EMPLOYER OF BENEFIT CLAIM FILING

When a claim for benefits is filed, each base period employer (an employer who paid wages to the claimant during the base period of the claim) and the claimant's last employer are mailed a "Notice to Employer" (UB-110) (view [sample UB-110](#) 105 KB PDF). These notices are mailed to your address of record. If you wish to receive the notices at another address, see below.

You may receive notices of claims filed at an address other than your official business address for other types of Unemployment Insurance correspondence by submitting a written request. [The Report of Changes](#) (80KB PDF) form is convenient for this purpose.

You also have the option of receiving UB-110 notices electronically rather than by paper mail, via the UI State Information Data Exchange System (UI SIDES) and SIDES E-Response system. [Learn more about these free services.](#)

The "Notice to Employer" is an extremely important notice, and must be completed and returned within 10 working days after the date of the notice if you wish to protest a claim.

300 PROTESTING A BENEFIT CLAIM

You may protest a claim by completing and returning the "Notice to Employer" (UB-110) (view [sample UB-110](#) 105 KB PDF) within 10 working days after the date of the notice. This notice indicates whether the claimant identified you as the last employer prior to filing the claim or you are considered a base period employer. A telephone call to the benefit claims office does not constitute a valid protest; it does not exempt you from the necessity of completing and returning the "Notice to Employer."

[To protect your rights, return the "Notice to Employer" \(UB-110\) within 10 working days after the date on the notice.](#)

Any Employer (including reimbursement employers) should return the "Notice to Employer" if:

1. The claimant named on the notice was not your employee, or
2. You have information that the claimant is not willing or able to seek and accept suitable work, or
3. You have work available and want to offer the claimant employment.

Last Employer

If you are a Last Employer and wish to protest a claim, see [Determining Eligibility for Unemployment Benefits](#).

Base Period Employers

If you are a Base Period Employer, you should complete and return the "Notice to Employer" within 10 working days if the claimant voluntarily left your employment or was dismissed for a reason other than lack of work. *(Reimbursement base period employers need not return the notice under these circumstances. This is because by law, the relief of charges discussed below does not apply to them. Arizona Revised Statutes § 23-750(B)(4) and Arizona Administrative Code § R6-3-1717(A)).*

As a Base Period Employer, the claimant's reason for separation from your employment determines whether your account will be charged for its proportionate share of any benefits paid to the claimant. It does not affect the claimant's current entitlement to benefits. If your account is to be charged, the amount of taxes you have paid on your unemployment tax account will be reduced by your share of the benefits paid to the claimant. If your account is not charged, no reduction in the balance of taxes in your unemployment account will be made. (Benefit charges are one of several factors that can potentially increase your tax rate in future calendar years.)

Specific information concerning the claimant's current availability for work or ability to work (e.g., the claimant is currently a full-time student) may postpone the claimant's receipt of benefits but will not relieve you of charges to your unemployment account if the claimant later qualifies for benefits.

400 HOW YOUR UI TAXES FUND BENEFIT PAYMENTS

The cost of any benefits paid to a claimant is met by that claimant's former employers. Employers who paid wages to a claimant in the base period of the claim share the cost of the benefits paid to the claimant through "charges" made to their experience rating accounts. Charging your account for the payment of benefits to a former worker means that the total amount of taxes you have paid on your account is reduced by the total amount of benefits charged to your account when your tax rate for the next calendar year is calculated.

Benefits are charged in proportion to the percentage of wages you paid to the claimant in the base period compared to those paid to the claimant by other employers in the base period. For example, if you paid 100% of the wages during the worker's base period, your share of the charges is 100% of the benefits paid. If you paid 25% of the wages, your share of the charges is 25%. The maximum amount charged for regular benefits cannot be more than one-third of the amount of the wages you paid in the claimant's base period. *(During a period of high unemployment when extended benefits are paid, the maximum amount may increase. See [Extended Unemployment Benefits](#).)*

Quarterly Notice of Benefit Charges - A "Benefit Charge Notice" (UC-602-A for tax-rated employers; UC-602-B for reimbursement employers) (view [sample UC-602-A](#) 298 KB PDF and [sample UC-602-B](#) 297 KB PDF) is mailed to you quarterly if unemployment benefits have been paid to former employees in the previous quarter and charged to your unemployment tax account. The notice lists the names and Social Security Numbers of your former employees who were paid benefits during the quarter. It also lists the amount of wages you paid the claimant in the base period of the claim, and your share of the cost of those benefits (the amount you are charged). If a previous charge was reversed during the quarter, the notice also lists a corresponding credit to your account.

The quarterly charge notice is not a bill, but simply an accounting of charges made during the quarter. (Benefit charges are one of several factors that can cause your tax rate to increase in subsequent years.) Before your account is charged for these benefits you will have been sent a "Notice to Employer" (UB-110) ([view sample UB-110](#) 105 KB PDF), which gave you the opportunity to protest payment of the benefits. You are also provided the opportunity to appeal any determination you received as a result of a timely protest.

You should carefully review each Benefit Charge Notice for any clerical or mathematical errors, and submit information in writing within 15 days of the date of the notice if:

1. An individual on the list was not your employee;
2. You have not received a response to your reply to a "Notice to Employer" (UB-110);
3. Your account is being charged for payment of benefits although you received a non-charge determination;
4. Work is available and you wish to offer employment to a former worker;
5. An individual listed has refused an offer of work from you;
6. You believe an individual is currently working or otherwise not entitled to benefits.

Information you provide will result in a review of our records. You will receive a reply advising you of any corrections made or explaining the reason for the charge.

Reimbursement Employer Billings - If you qualified for and elected the [Reimbursement Payment Option](#), you will be mailed a "Statement of Account" (UC-145) in addition to the "Benefit Charge Notice" (UC-602-B) (view [sample UC-602-B](#) 297 KB PDF). This statement shows the amount owed for your proportionate share of benefits paid. Your payment is due on or before the last day of the second month following the end of the quarter in which the claims were paid.

You are responsible to pay the actual dollar amount of your share of benefits paid. Unlike tax-rated employers, you do not pay quarterly taxes on the wages you pay your workers. The process of charging or non-charging benefits paid does not apply to a reimbursement employer (See [Determining Eligibility for Unemployment Benefits](#).)

500 DETECTION AND PREVENTION OF IMPROPER BENEFIT PAYMENTS

To ensure proper payment of unemployment benefits, the department utilizes three types of audit programs:

501 QUALITY CONTROL

Each week unemployment claims are randomly selected for a thorough investigation to determine whether the claim was properly established and whether benefits were properly paid. This investigation requires department representatives to personally contact the claimant's previous employers to review pertinent wage and separation information.

If you were not a previous employer of the claimant, but the claimant listed your firm as a contact in an effort to secure employment, department representatives may also verify such contact with you.

502 POST AUDIT

This program is used to detect individuals who may be working and receiving wages while collecting unemployment benefits. A "Wage/Earnings" audit form may be mailed to you when you have reported wages in the same calendar quarter in which benefits have been paid. By completing and returning this

report, you provide information which can assist the department in detecting unemployment overpayments. Detection and recovery of overpaid benefits can result in credits to your experience rating account.

503 "NEW HIRE" DIRECTORY AUDIT

The "New Hire" directory is a database of information on all newly hired and rehired employees. A "New Hire" audit form may be mailed to you when you have reported the claimant as a new hire or rehire. This audit is similar to the Post Audit, but is conducted weekly as opposed to quarterly.

600 INTERSTATE UNEMPLOYMENT BENEFIT PAYMENTS

A former worker who no longer resides in Arizona may file a claim for unemployment benefits based on wages earned from your firm. This is referred to as an "interstate" claim. The worker's eligibility for benefits and charges to your unemployment account are determined in the same manner as if the worker had filed the claim in Arizona.

In other instances, a worker may have last worked in Arizona but the claim is based on wages earned in another state. You may receive a notice that the claim was filed, along with a request for information concerning the worker's reason for separation from your employment. When you return the form within the specified time period (the time varies among states), you are assisting in determining the claimant's eligibility to receive unemployment benefits. In most cases, however, payment of benefits will not affect your unemployment account.

700 EXTENDED UNEMPLOYMENT BENEFITS

During periods of high unemployment in Arizona, state law provides for the payment of up to 13 weeks of additional benefits. To qualify for this extension of benefits, a worker must have exhausted the total amount payable in his/her regular award and must meet special work search and other eligibility requirements. Experience-rated and nonprofit reimbursement employers will be charged for 50% of any extended benefits paid. Governmental employers are required to reimburse the department for the total amount of extended benefits paid. (See information for claimants about [Extended Benefits](#).)

800 LABOR DISPUTES

When a strike, lockout, or other labor dispute occurs at your business, you must notify the nearest department office within three days of the start of the labor dispute and furnish a list showing the name and Social Security Number of and type of work performed by each person who is unemployed due to the labor dispute. The Department of Economic Security is a neutral party in such disputes. Unemployment insurance benefits will not be paid to those employees or class of employees financing, participating, or directly involved in the action. Due to federal regulations, the department's Employment Service will not refer workers to the business while there is an ongoing dispute.

900 HOW TO KEEP YOUR UI COSTS DOWN

901 STABILIZE EMPLOYMENT

1. Screen prospective employees carefully before hiring, to select the "right" employee for the job.
2. Hire versatile employees who can be shifted to another job if necessary.
3. Transfer employees to other job sites when feasible.
4. Use regular employees for repairs and maintenance during slack periods.
5. Instead of layoffs, consider reducing the work week under the [Shared Work Program](#).

902 MINIMIZE CHARGES TO YOUR ACCOUNT

1. Keep accurate records of employment agreements, employee performance, dates and details of warnings, and other disciplinary measures.
2. Return the "[Notice to Employer](#)" within ten working days of the date of the notice with specific information about the reason for separation from your employment if it was for a reason other than lack of work.
3. Take the time to [appeal](#) if you believe a determination is wrong.
4. Notify the department promptly if you have information that a claimant is not available for work, not able to work, has refused work, or is employed.
5. Complete wage audit forms when they are sent to you, and respond in a timely manner.
6. Report newly hired and rehired employees to the [Arizona New Hire Reporting Center](#) within 20 days of the hire date, as required by federal and state law.

903 MAINTAIN A GOOD TAX RATE

1. Submit quarterly wage reports timely to avoid penalties.
2. Pay taxes promptly to obtain maximum Federal Unemployment Tax (FUTA) credit.
3. Report all changes to your business promptly.
4. Do not report non-taxable payments or employees in exempt employment.
5. Compute all tax payments carefully—if you file your reports via Arizona's online [Tax and Wage System](#) (TWS), it accurately and automatically computes this for you.
6. Consider making a [voluntary payment](#) to lower your tax rate.