

Unemployment Tax Statement from DES

IMPORTANT UPDATE



In early August 2020, you received an Unemployment Tax Statement from the Arizona Department of Economic Security (DES). The statement indicated that the full balance on the statement was due on August 31, 2020. You can disregard this statement balance and deadline. Interest will not accrue on these balances until October 31, 2020 as DES works to implement recent federal law changes and federal guidance. If you already paid your full balance, DES will work to provide reimbursement as described below.

Federal and state unemployment laws allow local governments, charitable nonprofits, and federally recognized tribes to elect the “reimbursable method” (also called “self-insuring” and opting to be “reimbursable employers”). This means the employers do not make regular contributions (“contributing or rated employers”) to the state unemployment trust fund, but instead reimburse the state for the full costs of unemployment benefits the state has paid to former employees. The *Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), Title II, Subtitle A – Relief for Workers Affected by Coronavirus Act* provides that the federal government will cover 50 percent of the costs of benefits paid to employees laid off or furloughed due to reasons related to COVID-19.

The U.S. Department of Labor guidance issued on April 27, 2020 interpreted the CARES Act provision to require self-insured employers to pay 100 percent of the benefits costs upfront and receive 50 percent reimbursement at a later date. Subsequently, Congress passed the *Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020 (“Protecting Nonprofits Act”) (P.L. 116-151)*, on August 3, 2020, which removed the full prepayment requirement. You will receive an amended Unemployment Tax Statement that reflects your updated balance owed, less the 50% covered by the federal government and any subsequent relief provided at the federal or state level, in early October 2020.

Consequently, DES is extending the deadline for paying the remaining 50% balance owed until October 31, 2020. There will not be any interest or penalties assessed on balances until the end of this extension. If you already paid your full balance, DES will work to provide reimbursement for the 50% share covered by the federal government.

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