

Workers' Compensation – Employer Contributions

Employers that are subject to the Illinois Unemployment Insurance Act (IUIA) are required to make quarterly contributions to the Illinois unemployment insurance (UI) fund. Contribution rates are determined by an employer's experience rating and whether or not the employer qualifies as a new employer.

EMPLOYERS SUBJECT TO THE IUIA

Most employers in Illinois are subject to the IUIA and are therefore liable to make contributions to Illinois' UI fund. Generally, employers are liable to make UI fund contributions if they:

- Paid \$1,500 or more in wages in a single calendar quarter; or
- Employed one or more individuals for 20 weeks during a calendar year.

A **nonprofit organization** will become liable for the year when it has employed four or more persons during each of 20 weeks in a given calendar year. A **local governmental organization** is liable if it pays wages. The IUIA also prescribes additional criteria to determine UI fund liability for agricultural and domestic employers.

AGRICULTURAL EMPLOYERS

Agricultural employers are liable to make contributions to the UI fund if they:

- Paid \$20,000 in cash wages in one calendar quarter; or
- Employed 10 or more workers for 20 weeks during a calendar year for agricultural labor.

Agricultural labor is work performed:

- On a farm in connection with cultivating soil or raising or harvesting any agricultural or horticultural commodity;
- In the employ of the owner, tenant or operator of a farm in connection with the operation, management, conservation, improvement or maintenance of the farm and its tools and equipment;
- In connection with the ginning of cotton or the operation or maintenance of ditches, canals, reservoirs or waterways not owned or operated for profit, used exclusively for supplying and storing water for farming purposes; or
- In the employ of a farm operator in handling, planting, drying, packing, packaging, processing, freezing, grading, storing or delivering to storage, to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity.

Even when located on a farm, services are *not* considered agricultural employment if they are performed in connection with:

- Commercial canning or freezing; or
- Any agricultural or horticultural commodity after its delivery to market for distribution for consumption.

DOMESTIC EMPLOYERS

Domestic employers are liable to make contributions to the UI fund if they paid **\$1,000** in cash wages in one calendar quarter for domestic service. Domestic service is work performed in a private home, local college club or local chapter of a college fraternity or sorority.

EMPLOYER CONTRIBUTIONS

An employer’s UI contribution rate is the annual percentage tax that it must pay into the UI fund, and varies based on the employer’s experience rating and whether or not the employer qualifies as a new employer.

NEW EMPLOYERS

A newly established business is assigned a “new employer” rate for the first three years of UI fund liability. The standard new employer contribution rate for 2013 is **4.15 percent**. However, new employers in a North American Industrial Classification System (NAICS) sector will pay higher new employer rates, as follows:

Industry	Sector	Applicable Contribution Rate
Mining	Sector 21	5.25 percent
Construction	Sector 23	5.95 percent
Manufacturing	Sector 31-33	5.15 percent
Transportation & Warehousing	Sector 48-49	4.65 percent
Information	Sector 51	4.25 percent
Management of Companies	Sector 55	4.65 percent
Administration Support & Waste Management & Remediation Services	Sector 56	5.15 percent
Unclassified		4.25 percent

Employers that have at least 13 months of experience as of June 30, 2012, will have the greater of:

- The standard new employer rate of 4.15 percent;
- Their NAICS sector average rate as noted above; or
- A rate based on their experience.

EXPERIENCE RATED EMPLOYERS

For experience-rated employers (those with three or more years of experience), the contribution rate is based on the employer's **benefit ratio**, generally calculated as follows:

$$\frac{\text{Benefit Charges x Benefit Conversion Factor}}{\text{Taxable Wages}}$$

The employer's **total benefit charges** for the benefit year are listed on the BEN-118 Statement of Benefit Charges that the employer will receive. The **benefit conversion factor** is a percentage based on the amount employers pay into the UI fund and the amount the fund is reduced by claims. For 2013, the benefit conversion factor is **138.4 percent**.

The benefit rate is then multiplied by the State Experience Factor (**132 percent** for 2013). A Fund Building Rate, which is **0.55 percent** in 2013, will be added to ensure that the UI fund remains solvent. The minimum contribution rate for 2013 is 0.55 percent. The maximum rate for 2013 is 8.95 percent.

PENALTIES FOR NONCOMPLIANCE

Employers are subject to monetary penalties for failing to file contributions or wage reports quarterly. The penalty is the lesser of:

- **\$5 for each \$10,000** (or fraction thereof) of the total wages for insured work paid by it during the period; or
- **\$2,500** per month.

The maximum penalty is the lesser of:

- **\$10 for each \$10,000** (or fraction thereof) of the total wages for insured work paid during the period or;
- **\$5,000**.

An employer cannot be fined less than \$50 for failure to make contributions or failure to file wage reports on a quarterly basis. Employers that willfully fail to pay contributions or make payments in an attempt to defraud the state may be subject to a penalty of at least \$400, up to 60 percent of the amount due.

The [Illinois Department of Employment Security](#) (IDES) may waive penalties if the employer files an application and establishes good cause for failure to meet the payment and filing requirements.

MORE INFORMATION

For more information on unemployment compensation requirements under the IUJA, visit the [IDES website](#) or contact Heffernan Insurance Brokers.