

EMPLOYMENT LAW SUMMARY

Florida: Unemployment Compensation - Employer Contributions



Because You're Different

In the United States, unemployment insurance is financed through a combination of federal and state payroll taxes. The Federal Unemployment Tax Act (FUTA) authorizes the Internal Revenue Service (IRS) to collect annual federal taxes from employers. These taxes are used, in part, to fund unemployment insurance programs in all 50 states, the District of Columbia and Puerto Rico.

In addition, the Florida Unemployment Compensation Law (UCL) requires employers in the state to make contributions to the Florida Unemployment Compensation Fund (UC Fund). The [Florida Department of Economic Opportunity](#) (DEO) administers the collection of employer contributions to the UC Fund.

CONTRIBUTION RATES

An employer's initial contribution rate is 2.7 percent of the employer's taxable payroll, which includes only the first \$7,000 of each employee's wages per calendar year. Employers are subject to this contribution rate until they report 10 quarters worth of unemployment compensation data to the DEO. The maximum rate allowed under the UCL is 5.4 percent, except for employers that participate in the DEO's [Short Time Compensation Program](#).

Each year, the DEO determines and notifies employers of their contribution rates. The DEO generally uses data from an employer's first seven quarters of the last nine reported quarters to calculate the rate. This determination is conclusive and binding unless an employer submits an appeal within 20 days of when the notice was mailed to it. The DEO has until March 31 of each year to correct and send a redetermination of contribution rates if it discovers a mistake.

ADJUSTED CONTRIBUTIONS AND EXPERIENCE RATING

Employers may apply for an adjusted contribution rate based on their experience rating only if they have been participating in Florida's unemployment compensation system for the last 12 consecutive calendar quarters ending on June 30 of the year before they apply for a rate adjustment.

Typically, contribution rates are not adjusted below the standard rate. However, an employer may qualify for a reduction if it:

- Is up to date with all UC Fund contributions (including interest and penalty fees);
- Has reported at least one annual taxable payroll to the DEO; and
- Is eligible for additional credit under the FUTA.

The DEO uses experience ratings to adjust employer contribution rates. Employers with low experience ratings may see reductions in their contribution rates, while employers with a high experience ratings may see increases. An experience rating is a number created by the DEO to determine whether employers frequently and substantially lay off employees and create heavy expenses to the UC Fund. The DEO considers an employer's benefit ratios when determining its experience rating.

BUSINESS SUCCESSION AND TRANSFER OF CONTRIBUTION RATES

Employers transferring personnel to successors (by merger, consolidation, sale, descent or any other manner) must also transfer all records and contribution obligations to the successors. Successors are responsible for paying unemployment contributions for all personnel transferred and at the same contribution rate as the original employer. Upon transfer, the DEO will recalculate the contribution rates for both employers. The new rates then become effective on the first day of the following calendar quarter.

OPTION FOR NONPROFIT EMPLOYERS

Nonprofit employers have the option to make reimbursement payments in lieu of contributions. Under this option, nonprofit employers are not liable for regular contributions, but must compensate the UC Fund for the actual cost of benefits paid to individuals who file claims against the nonprofit employer. Nonprofit employers wishing to use this option must file an application with the DEO by Dec. 1. Approved reimbursement plans become effective on Jan. 1 after an application is received.

The DEO will determine and notify nonprofit employers of any reimbursements due to the UC Fund. Nonprofit employers wishing to contest a reimbursement notice may file an appeal with the DEO within 20 days of when the notice was sent to them. DEO notifications become conclusive and binding after the 20-day period.

Under the reimbursement program, nonprofit employers must reimburse the UC Fund 100 percent of any regular benefits or short-time benefits paid to former employees, and for 50 percent of any extended benefits offered to claimants. Nonprofit employers may not deduct the cost of UC Fund reimbursements from their employee's wages.

If a nonprofit employer violates the terms of the reimbursement program or becomes delinquent on the payment of UC Fund reimbursements, the DEO can revoke the nonprofit's right to participate in the program.

PAYMENTS

In general, employers must make contributions for each calendar quarter in which they paid wages to their employees. However, domestic service employers may report and pay contributions annually by Jan. 1 each year.

Unless they obtain the DEO's approval for an alternative means, all employers must use the Florida Department of Revenue's [electronic filing system](#) to file their reports and pay their UC Fund contributions.

PROHIBITED PRACTICES

Employers may not seek to lower their contribution rates by merger, consolidation, sale, descent or any other manner. A successor employer assumes all liability for all unpaid and future contributions and charges at the rates determined by the DEO. An employer that knowingly violates or attempts to violate this prohibition will be assigned the highest rate of contribution for the year and may be subject to a fine of up to \$5,000.

In addition, employers may not:

- Avoid their contribution obligations through employee agreements; or
- Require or enter into an agreement to have their employees pay any portion of their required contributions, interest payments, penalties, fines or other fees imposed by the DEO.

PENALTIES

The DEO periodically investigates employer compliance with the UCL. Employers that violate UCL requirements, fail to cooperate with a DEO inspection or willfully refuse to pay any contributions due may be charged with a second-degree felony, punishable by imprisonment for up to 15 years and a fine of up to \$10,000. These penalties may increase for habitual offenders.

The DEO may also file criminal charges against individuals who knowingly provide incorrect statements, make false representations or fail to disclose a material fact to obtain, increase, decrease or prevent others from collecting unemployment benefits. Individuals found guilty of these charges commit a third degree felony punishable by up to five years of imprisonment (10 years for habitual or violent offenders) and a fine of up to \$5,000. Each incorrect statement, false representation or failure to disclose is considered a separate offense.

Unpaid contributions and reimbursements are also subject to a one percent interest charge per month until paid. The DEO may seek liens, injunctions, attachments and garnishments against an employer's real and personal property to enforce payment.

STATE RESOURCES

Florida Department of Economic Opportunity

[Website.](#)

Florida Department of Revenue Reemployment

[Website.](#)

FAQs

The Florida Department of Economic Opportunity provides answers to frequently asked questions about unemployment [here](#).

MORE INFORMATION

For more information on unemployment compensation laws in Florida, contact your Heffernan Insurance Brokers representative.

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