

EMPLOYMENT LAW SUMMARY

Indiana: Unemployment Compensation - Employer Contributions



Because You're Different

Most employers in Indiana are subject to Indiana's unemployment compensation law and are therefore liable to make quarterly contributions to Indiana's unemployment insurance fund (UI Fund). This Employment Law Summary provides a general overview of the UI Fund contribution requirements for employers under Indiana law.

COVERED EMPLOYERS

In general, employers are liable to make UI Fund contributions if they:

- Pay \$1,500 or more in wages for employment during any calendar quarter; or
- Employ one or more individuals for some portion of a day for at least 20 weeks during a calendar year.

However, Indiana law 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:

- Pay \$20,000 or more in wages for employment during any calendar quarter; and
- Employ 10 or more individuals to perform agricultural labor for some portion of a day for at least 20 weeks during a calendar year.

Agricultural labor is defined as work performed on or in connection with a farm, including:

- Cultivating soil or raising or harvesting any agricultural or horticultural commodity;
- The operation, management, conservation, improvement or maintenance of the farm and its tools and equipment;
- Salvaging timber or clearing land after a hurricane; or
- Handling, planting, drying, packing, packaging, processing, freezing, grading, storing or delivering any agricultural or horticultural commodity.

However, even when located on a farm, services are not considered agricultural employment if they are performed in connection with a retail operation, commercial canning or freezing, or converting a product to a derivative (such as grapes to wine).

DOMESTIC EMPLOYERS

Domestic employers are liable to make contributions to the UI Fund if they:

- Pay \$1,000 or more in wages for employment during any calendar quarter in a calendar year; and
- Employ individuals to perform domestic service in a private home, college club, fraternity or sorority.

EMPLOYER CONTRIBUTIONS

An employer's UI contribution rate is the annual percentage tax that it must pay into the UI Fund. The amount varies based on the employer's experience rating and whether the employer qualifies as a new employer.

NEW EMPLOYERS

New employers are assigned a "new employer" rate of 2.5 percent for the first 36 months of being subject to premiums and chargeable with benefits. Thereafter, an employer's UI contribution rate is determined by its experience rating.

EXPERIENCE-RATED EMPLOYERS

Experience-rated employers' contribution rates are based on the status of an employer's DWD employer experience account. The experience account compares all contributions paid into the account to all benefits charged against the account, which creates the employer's reserve ratio. An employer's reserve ratio is calculated by dividing the employer's experience account balance as of Jun. 30 of the current year by the employer's total taxable payroll for the previous three years. The reserve ratio is then compared to the applicable rate schedule. All experience-rated employers are also subject to a solvency surcharge to fund the annual interest payment due to the federal government on Indiana's UI Fund loan. To determine the solvency surcharge applicable for the current year, visit the DWD website.

PENALTY CONTRIBUTION RATE

Any employer, whether new or experience-rated, may be assessed a penalty rate if it:

- Fails to timely file any required quarterly report; or
- Fails to timely pay the premiums, interest and penalty charges owed for past quarters.

The penalty rate is the employer's calculated rate for the calendar year plus 2 percent. In addition, all violations of the UI law are class C misdemeanors, punishable by imprisonment for up to 60 days, a fine of up to \$500 or both. Violations include, but are not limited to:

- Willfully making a false statement, representation or concealment relating to UI Fund liability;
- Failing to appear, testify or produce records for any required hearing or inspection;
- Willfully failing or refusing to make contributions which are due; or
- Recklessly encouraging or inducing any person to waive or forego any UI benefit rights.

MORE INFORMATION

Visit the Indiana DWD website or contact Heffernan Insurance Brokers for more information on unemployment compensation laws in Indiana.

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