

EMPLOYMENT LAW SUMMARY

Wisconsin: Unemployment Compensation – Employer Contributions



Because You're Different

Employers subject to Wisconsin's Unemployment Compensation Law (WUCL) must contribute to the state's unemployment insurance fund every year. Contribution rates are generally determined by an employer's experience rating or, for employers that have been subject to the WUCL for less than three years, by a certain percentage of their payroll. Compliance with the WUCL is monitored and enforced by the Wisconsin Department of Workforce Development (DWD).

COVERED EMPLOYERS

In general, the WUCL applies to employers that:

- Pay, or have an obligation to pay, at least \$1,500 in wages (as defined by IRS) during any quarter in either that year or the preceding calendar year;
- Employ at least one individual in some employment in each of 20 or more calendar weeks in either that year or the preceding calendar year, regardless of whether the weeks were consecutive;
- Pays any wages to employees in Wisconsin and is subject to the requirements of the Federal Unemployment Tax Act (FUTA);
- Acquires all or part of a business that was already subject to Wisconsin's unemployment compensation law; or
- Elects to be covered under the law.

However, the criteria listed above do not apply to governmental employers. In addition, special criteria apply for certain types of employers. Specifically:

- A **nonprofit** employer is liable to make unemployment contributions if it:
 - Qualifies as a nonprofit organization under the Internal Revenue Code; and
 - Employed four or more individuals in 20 or more weeks in any calendar year;
- An **agricultural** employer is liable to make unemployment contributions if it:
 - Paid cash wages of \$20,000 or more in a quarter in any calendar year; or
 - Employed 10 or more individuals for some part of a working day in 20 or more weeks of any calendar year; and
- An employer of **domestic** workers is liable to make unemployment contributions if it paid cash wages of \$1,000 or more in a quarter for domestic service in any calendar year.

EXCEPTIONS

The WUCL not apply to county departments, aging units or private agencies that serve as a fiscal agent or contracts with a fiscal intermediary to serve as a fiscal agent regarding any individual performing services for person that is receiving long-term support or personal assistance services.

EMPLOYER CONTRIBUTIONS

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

NEW EMPLOYERS

During the first three calendar years of being subject to the WUCL, employers must contribute a fixed percentage of their payroll to the Wisconsin Unemployment Reserve Fund (WURF). The percentage each employer pays varies based on payroll amounts. During this initial three-year period, the DWD evaluates unemployment claims related to each employer's business, and each employer is assigned an experience rating. The experience rating is used to determine each employer's contribution rate after the initial three-year period of eligibility has expired.

New employers in the construction industry are assigned a higher rate based on the nature of the industry. The maximum amount of wages subject to unemployment insurance taxation for each employer, otherwise known as the taxable wage base, is fixed at a certain dollar amount for each employee paid during a calendar year. The taxable wage base for 2018 is the first **\$14,000** paid to each employee during the year.

EMPLOYER EXPERIENCE RATING

After the initial three-year contribution period, the DWD determines an employer's experience rating based on the employer's account balance in the unemployment insurance system, its taxable payroll and its solvency rate. After the experience rating is determined, the employer will receive a notice of its contribution rate. After this determination, the contribution rate may vary from year to year and will differ between employers based on whether their payroll is above or below \$500,000.

EMPLOYER PENALTIES

An employer may be **finned between \$100 and \$1,000** and possibly imprisoned for **up to 90 days** if it:

- Deducts any amount from an employee's wages to offset its contributions to the WURF or an employee's potential right to benefits;
- Intentionally refuses or fails to furnish any required notice, report or information to an employee;
- Promises to employ, reemploy or threatens to terminate an employee as a means to prevent the employee from claiming or accepting benefits; or
- Discriminates or retaliates against an individual because he or she claims benefits or complies with any other right or requirement under the WUCL.

MORE INFORMATION

Please contact Heffernan Insurance Brokers for more information on Wisconsin's unemployment compensation requirements.

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