

EMPLOYER'S REFERENCE GUIDE TO UNEMPLOYMENT COMPENSATION



pennsylvania

DEPARTMENT OF LABOR & INDUSTRY
OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES

www.uc.pa.gov

The information in this guide is designed to inform employers of their rights and responsibilities under the Pennsylvania Unemployment Compensation Law. Statements in this guide are intended for general information only and every effort has been made to be accurate. However, the statements contained are not to be construed as legal interpretations of the law or the Unemployment Compensation regulations.

TABLE OF CONTENTS

FREQUENTLY ASKED UC QUESTIONS	1
UC TAX INFORMATION	
DEFINITIONS.....	7
REGISTRATION	
PA EMPLOYER REGISTRATION	9
REPORTING METHODS.....	9
TRANSFER OF EXPERIENCE.....	9
COVERAGE UNDER THE PA UC LAW	10
REPORTS AND CONTRIBUTIONS	
WHEN REPORTS MUST BE FILED	12
FILING REPORTS ONLINE	12
HOW TO MAKE WAGE CORRECTIONS TO A PA UC ACCOUNT	12
THE PENALTY FOR FILING LATE REPORTS OR FILING REPORTS IN PAPER FORM	12
THE INTEREST RATE FOR LATE PAYMENT.....	12
THE PENALTY FOR DISHONORED CHECKS AND FAILED ELECTRONIC PAYMENTS	12
THE PENALTY FOR NON-COMPLIANCE WITH ELECTRONIC PAYMENT FILING	12
THE PENALTY FOR NOT SUBMITTING REQUESTED REGISTRATION REPORTS.....	13
THE EMPLOYEE’S CONTRIBUTION	13
THE EMPLOYER’S CONTRIBUTION.....	13
RATES	
HOW EMPLOYERS ARE NOTIFIED OF THEIR RATE EACH YEAR.....	14
RATES ASSIGNED TO NEW EMPLOYERS.....	14
WHEN STANDARD RATES ARE ASSIGNED	14
EXPERIENCE RATES.....	14
SOLVENCY TRIGGER.....	15
DELINQUENT EMPLOYERS.....	16
HOW TO APPEAL TAX RATES.....	16
DEBIT RESERVE ACCOUNT BALANCE ADJUSTMENT	16
VOLUNTARY CONTRIBUTIONS.....	16
EMPLOYER AUDITS	17
ASSISTANCE AND INFORMATION	18
DISCRIMINATION PROHIBITED	18
APPENDIX A — UNEMPLOYMENT COMPENSATION SERVICE CENTERS	20
APPENDIX B — OFFICE OF UNEMPLOYMENT COMPENSATION BENEFITS	21
APPENDIX C — OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES	21
APPENDIX D — ADDITIONAL CONTACTS	22
APPENDIX E — RESERVE RATIO FACTOR TABLE	23
APPENDIX F — SUMMARY OF SOLVENCY TRIGGER DETERMINATION 2023 THROUGH 2027	24
APPENDIX G — TAXABLE WAGE BASE LIMITS	24

FREQUENTLY ASKED UC QUESTIONS

What is unemployment compensation?

Unemployment compensation (UC) is a type of income support. It provides income to individuals who lose their job through no fault of their own. If qualified, claimants will receive financial assistance for a limited time to help meet expenses while looking for another job. To be covered by the UC program, a claimant must be a worker who performed services covered by the Pennsylvania (PA) UC Law and have worked for an employer that is covered by the UC Law. Under certain conditions, claimants may have also paid into the UC Fund by payroll deductions. To safeguard these funds, all applications for benefits are checked thoroughly. Fraud is prosecuted and may result in fines and/or imprisonment or other penalties.

To protect themselves, claimants and employers must give complete, accurate and factual information when an application for UC benefits is filed. This information includes employers timely returning requests for information as well as filing accurate and timely quarterly tax and wage reports.

Who administers unemployment compensation?

The Department of Labor & Industry is responsible for administering the UC Law. The Office of UC Tax Services provides services to the employer community on UC tax matters, including coverage issues such as:

- Taxability of wages
- Employee vs. Independent contractor
- Agricultural employment
- Domestic employment

The Office of UC Benefits provides services to claimants and employers on issues such as:

- Claimant eligibility to receive UC benefits
- Employer liability for worker benefits
- Employer relief from charges

What is an Employer Account Number?

An individual PA UC employer account number is assigned to each liable employer based on the information provided on the employer's Pennsylvania Online Business Tax Registration. This number facilitates the recording of contributions paid by and benefit payment charges assessed to each individual employer. It also acts as a mechanism to identify the employer in correspondence between the Office of UC Tax Services and the employer.

What are the UC responsibilities of PA employers?

Employers who pay wages for employment covered under the UC Law are required to:

- Register with the Department of Labor & Industry;
- maintain certain employment records;
- file quarterly reports of wages paid and contributions due;
- pay the employer contributions due on such quarterly reports; and
- withhold and remit any employee contributions due on such quarterly reports for quarters during which employee contributions are in effect; (See Summary of Solvency Trigger Determination chart in Appendix F.) and
- respond timely and adequately to the department's request for information regarding an individual's eligibility for compensation.

Integrity and Fraud

The UC Fund is supported mostly through contributions paid by Pennsylvania employers. Therefore, any UC benefits fraudulently claimed is money stolen directly from those employers. Through its fraud detection efforts, PA attempts to prevent and detect benefits paid as a result of error by the department, willful misrepresentation, or error by claimants or others. The program also focuses on the recovery of these benefit overpayments.

How is unemployment insurance fraud detected? UC fraud is detected through various methods such as:

- Daily and weekly computer cross-matches of the State and National Directory of New Hire reports
- Regular computer cross-match of wage record files with weekly benefits paid in UC
- Processing and investigating anonymous tips and reports from various sources, such as employers, fellow employees, and other members of the public

Does the fraud detection program benefit employers? Yes. Better detection and prevention of improper UC benefit payments results in a decrease in benefit payouts which in turn decreases employer taxes.

Who investigates possible unemployment insurance fraud? PA has an internal audits division (IAD) with investigators

located throughout the commonwealth who are responsible for investigating UC fraud.

How can employers help? To assist the investigation of potential UC fraud, employers should:

- Comply with investigators' requests for information
- Provide information promptly including completion of wage cross-match forms
- Make certain the information given is as accurate and complete as possible
- Contribute any other information that can help in the investigation to determine if benefits have been fraudulently paid

How do I report UC FRAUD?

To report unemployment compensation fraud, complete the online fraud form located at www.uc.pa.gov or call the toll-free Pennsylvania UC Fraud Hotline at 800-692-7469.

How does an employer register for a UC tax account?

The Pennsylvania Online Business Tax Registration must be completed to register for most of the taxes, licenses and services administered by the Pennsylvania Department of Labor & Industry and the Pennsylvania Department of Revenue. The employment information supplied during the registration process will provide the basis for determining whether employment is covered under the UC Law.

Complete the Pennsylvania Online Business Tax Registration at <https://mypath.pa.gov>.

For assistance using myPATH please call 717-425-2495 Ext. 72841.

To change your address with the Office of UC Tax Services, you can log into your UCMS account at www.uctax.pa.gov and change your address online. If you do not have Internet access, you can complete [Form UC-2B](#), Employer's Report of Employment and Business Changes. This form should be mailed to: *Department of Labor & Industry, Office of UC Tax Services, P.O. Box 68568, Harrisburg, PA 17106-8568.*

What records must be kept by employers?

Employers subject to the UC Law must maintain the following records:

- Employment and payroll records (for at least six years);
- supporting documentation for employees and independent contractors;
- cash disbursement records;
- journals;
- ledgers;
- written contracts;
- federal and state tax returns; and
- corporate minutes.

Additional records may be subject to review as circumstances warrant. These records must be maintained at the place of employment or at a central location and must be available for inspection or audit by Office of UC Tax Services personnel.

When are workers entitled to benefits?

Workers (also known as claimants) may be entitled to benefits if they meet these eligibility requirements:

- Are able to work and available for suitable work;
- earned enough wages to qualify and have sufficient credit weeks. Please note: A credit week is any calendar week in the base year for which the worker earned \$116 or more;
- performed services covered by the UC Law for an employer that is covered by the UC Law;
- are unemployed through no fault of their own or due to a work stoppage that is the result of a lockout;
- have filed an initial application for UC benefits;
- are unemployed for a waiting period of one week after filing the initial application for benefits;
- file claims for weeks he/she is unemployed and
- register for employment search services offered by the Pennsylvania CareerLink®, apply for positions that offer employment and wages similar to those the individual had prior to becoming unemployed, and keep a weekly record of the efforts made to find work.

How do workers file for benefits?

In order to receive UC benefits, a worker is required to file an Application for Benefits. To file an application, workers may file online at www.benefits.pa.gov or by calling the UC Service Center at 888-313-7284.

After an application is filed, a worker must file claims for weeks he or she is unemployed. In most cases, a claimant will be filing for two weeks at one time. This is called a biweekly claim; however, a claimant must certify eligibility for each week separately. A claimant cannot claim benefits for the first week until it is time to claim the second week. Thus, a claimant must file the claim only during the week immediately following the second week. If a claim is not filed in a timely manner, the claimant may not be eligible for benefits for the week or weeks that is being claimed.

Claimants may file their biweekly claims online at www.benefits.pa.gov; or by telephone through Pennsylvania Teleclaims (PAT).

What is Form UC-1609?

It is mandatory that employers provide this form to employees who have permanently or temporarily left employment. This form is designed for the employer's use to provide to their employees being separated so that that employee can have accurate employer information for their reference when filing an application for UC benefits. This can greatly assist in making certain that separating employers receive all of the necessary related mailings from the department after a claim is filed. In turn, having accurate information when the UC claim is filed and an informed employer can help reduce the number of inaccurate claims and, subsequently, incorrect charges to an employer's account. Employers can assist in the UC application process by always providing a copy of this form to their separating workers. This form can be found on our website at www.uc.pa.gov.

What is the Application for Benefits date?

The "Application for Benefits" (AB) date is the date of the Sunday that begins the week in which the application for benefits is filed. The AB date determines the base year and the benefit year.

What is the benefit year?

A "benefit year" is a 52-consecutive-week period beginning with the AB date. Claimants may file claims for their waiting week credit and for UC benefits for weeks of unemployment occurring within their benefit year.

What is the base year?

The "base year" is generally the first four of the last five completed calendar quarters prior to the AB date. The amount of money paid by all employers covered by the UC Law during the "base year" determines whether claimants qualify for benefits and for what amount.

What is the alternate base year?

Individuals who do not meet wage and credit week requirements as a result of being on workers' compensation during their base year may request a redetermination using an "alternate base year." This alternate base year consists of the four completed calendar quarters immediately preceding the original date of the work-related injury. For the alternate base year rules to apply, the work-related injury must be compensable under the Pennsylvania Workers' Compensation Act. If claimants receive a Notice of Financial Determination

indicating that they are ineligible for benefits and they want a calculation using the alternate base year rules, they must file a timely wage protest or request a redetermination.

What is the 'Shared-Work' Program?

This program is an alternative method of unemployment insurance. It became effective upon publication in the Pennsylvania Bulletin during July 2012. Its goal is to reduce complete layoffs by paying partial unemployment benefits to employees who normally would not be eligible for regular UC. If an employer is facing temporary layoffs that would affect at least 10% of the employees in a designated work unit (which could be the employer's overall operation), the employer may seek approval for a shared-work plan. For more detailed information in regards to this program, please visit our website at www.uc.pa.gov.

When may workers be ineligible to collect benefits?

It is the responsibility of the claimant to be eligible and remain eligible for benefits. Workers may not be entitled to receive UC benefits or they may lose their eligibility to receive benefits if they fail to meet all the requirements of the UC Law and regulations. The following are some of the disqualifying provisions of the UC Law.

Voluntarily Quit Work — Workers may be ineligible for benefits if they voluntarily leave work without cause of a necessitous and compelling nature. The UC Law contains exceptions to this requirement. Among the exceptions are the following:

- A claimant is permitted to exercise the option of accepting a temporary layoff from an available position under a labor-management contract agreement, or under an established employer plan, program or policy.
- If a claimant is covered by a Trade Adjustment Assistance (TAA) Program Certification, he/she may leave work to participate in training approved under the Trade Act of 1974, but only if that work is determined to be "not suitable," as defined by the Trade Act.

Fail to Submit to and/or Pass a Drug or Alcohol Test — Claimants may be ineligible for benefits if they fail to submit to and/or pass a drug or alcohol test conducted pursuant to the employer's established substance abuse policy, provided that the requested test is lawful and not in violation of an existing collective bargaining agreement.

Loss of Job Due to Willful Misconduct —

Claimants may be ineligible for benefits if they lose their job because they willfully or negligently disregarded the employer's interests, violated rules, or disregarded appropriate standards of behavior.

Become Unemployed Due to Their Own Fault

— Claimants may also be ineligible for benefits if they lose their job because of non-work-related misconduct that was contrary to acceptable standards of behavior and which directly affected their ability to do their assigned duties.

Strike — Claimants will be ineligible for benefits if they participate in a work stoppage that is determined by the department to be a strike.

Unable to Work or Unavailable for Work —

Claimants may be ineligible for benefits if they are not able to work due to an illness or disability or due to not being available to work. However, claimants will not be ineligible if they are attending a training course approved by the Secretary of the Department of Labor & Industry and are otherwise eligible.

Active Search for Work — Failure to register for employment search services, and complete the active search for employment requirements.

Fail to Apply for or Accept Suitable Work —

Claimants may be ineligible for benefits if they fail, without good cause, to accept an offer of suitable work or refuse a referral to a job opportunity. Offers of suitable work may be written or verbal. Employers must notify the department, in writing, **within seven days of the offer of work** regardless of how the offer was communicated, with the following information (1) rate of pay and period of time which such rate represents; (2) the scheduled working hours during each day of the week; (3) the location of work; (4) a description of the duties; and (5) any unusual requirements or conditions of work. However, they will not be ineligible if they are not required to accept the offer under the terms of a labor-management contract or agreement, or an established employer plan, program or policy. Also, claimants will not be ineligible for any week that they are in training approved by the Secretary of Labor & Industry, including training under the Trade Act of 1974.

In deciding whether a job is suitable under the UC Law, the Department of Labor & Industry considers the claimants' past training, experience, earnings, the rate of pay of the job offer, how long they have been unemployed, chances of finding a job in the same line of work, distance of the job from home, any risks to health and safety, whether full-time work was available instead of part-time or seasonal, and other factors.

Failure to Participate in Reemployment Services

— Claimants may be ineligible for benefits if they fail to participate in reemployment services to which they have been referred through the claimant profiling system. The claimant profiling system has been designed to identify claimants who may benefit the most from reemployment services. If selected, the individual must participate in this mandatory program of reemployment services, unless:

- The individual is already participating in or has already completed such services; or
- there is a justifiable reason for the failure to participate in such services.

Withhold Facts or Give False Information

— Claimants must file their claims timely and in the proper manner; that is, according to the instructions given by the UC Service Center. When filing claims, claimants must answer all questions completely and truthfully.

Claimants may be ineligible for benefits if they withhold facts or give false information to illegally receive or increase benefits. This includes, but is not limited to, the failure to report:

- The gross earnings during the week for which benefits are being claimed even if paid later; or
- hours absent when work was available.
- A claimant who makes a false statement knowing it to be false or knowingly fails to disclose a material fact to obtain or increase benefit payments may be subject to a 15% surcharge of the amount of the benefits received.

Self Employment — Individuals may be ineligible for benefits if they are self-employed, setting up a business, or have ownership interest in a business. However, claimants may be entitled to benefits if they:

- Are engaged in a sideline business that existed prior to becoming unemployed from their regular employer;
- report that they operate a business to the UC Service Center when filing the initial Application for Benefits;
- do not substantially change their participation in the sideline business while unemployed; and
- do not derive a primary source of livelihood from the sideline business.

Limit the Number of Hours Per Week

— Claimants may be ineligible for benefits if they are working part-time and limit the number of hours they are working per week when there is additional work available.

Commit Fraud — If claimants are prosecuted and convicted of UC fraud, they may be ineligible to receive benefits for one year. If it is determined that they attempted to defraud the Pennsylvania Department of Labor & Industry, the employment security system of another state, or the federal government, they may be ineligible for benefits for a penalty period related to the number of benefit payments.

Incarceration — Individuals are ineligible for benefits for weeks in which they are incarcerated following their conviction for a crime.

Do I have the right to appeal benefit determinations?

Claimants and employers may appeal a determination of eligibility issued by the Department of Labor & Industry by requesting a hearing before a UC appeals referee no later than 21 calendar days after the determination date provided on the notice of the determination. A contributing employer may appeal a relief from charges determination. The determination becomes final 21 days after the mailing date of the determination. When the 21st day of the appeal period falls on a day on which the Department of Labor & Industry is closed (i.e., Saturday, Sunday, or holiday), the appeal period is extended to the next business day. If an appeal is filed no later than 21 calendar days after the determination date provided on the notice has elapsed, the UC Referee will rule on the timeliness of the appeal.

Filing an appeal may be done on-line via the Pennsylvania Unemployment Compensation system and completing the Petition for Appeal form, mail, fax, or email, or in person at a PA CareerLink. If an appeal is filed, an impartial UC Referee will conduct a hearing.

Should the employer/claimant disagree with the UC Referee's decision, the employer/claimant can file a further appeal with the UC Board of Review. The appeal must be filed no later than 21 calendar days after the determination date provided on the notice of the UC Referee's decision. Reconsideration of the UC Board of Review's decision may be requested within 15 days of that decision. In addition, the decision of the UC Board of Review may be appealed to Commonwealth Court. The appeal must be filed with the Prothonotary of the Commonwealth Court within 30 days of the mailing date of the board's decision.

Failure to file an appeal within these time frames will result in the determination becoming final. It is extremely important that the employer/claimant act promptly if they wish to challenge an individual's receipt of benefits or a denial of a request for relief from charges. An appeal of the determination on a claimant's eligibility is different from an employer's request for relief from charges and such appeals must be filed separately. An employer who does not appeal an eligible determination may not later dispute that determination in relief from charges proceedings or in a rate appeal.

An appeal to both a claimant's eligibility determination and an employer denial of a request for relief from charges should be filed through the dashboard of the Pennsylvania Unemployment Compensation system.

When does an employer not receive a benefit charge credit?

An employer's account shall be charged with compensation paid to an individual when an overpayment under Section 804 of the PA UC Law is established against the individual if the compensation paid is due to the employer or employer's agent failure to respond timely or adequately to the department's request for information regarding an individual's eligibility for compensation.

UC TAX INFORMATION

The Pennsylvania Unemployment Compensation (UC) Law requires covered employers to make contributions into a pooled reserve known as the UC Fund. These contributions are used to pay benefits to jobless individuals who meet the claimant eligibility requirements of the UC Law.

In Pennsylvania, covered employers are required to report wages paid and remit contributions on a quarterly basis. The amount of contributions an employer owes is determined by multiplying the assigned contribution rate by the taxable wage base (see Appendix G) paid to each employee for each calendar year. In addition, the employer is most likely required to withhold employee contributions from each employee's gross wages. The employee contribution rate is determined annually. Note: The annual contributory taxable wage limit and employee contribution rate may be found by visiting our website at www.uc.pa.gov.

DEFINITIONS

Employer — According to Section 4(j)(1) of the UC Law, an “employer” is defined as “the Commonwealth of Pennsylvania, its political subdivisions, and their instrumentalities and every individual, copartnership, association, corporation (domestic or foreign), or other entity, the legal representative, trustee in bankruptcy, receiver or trustee of any individual, copartnership, association, corporation, or other entity, or the legal representative of a deceased person, who or which employed or employs any employee in employment subject to this act for some portion of a day during a calendar year, or who or which has elected to become fully subject to this act, and whose election remains in force.”

Section 4(j)(3) specifies, “Where an employer maintains more than one place of employment within this commonwealth, all of the employees at the several places of employment shall be treated, for the purposes of this act, as if employed by a single employer.”

Employment — Employment is defined in Section 4(l)(1) of the UC Law as “all personal service performed for remuneration by an individual under any contract of hire, express or implied, written or oral, including service in interstate commerce, and service as an officer of a corporation.”

Further classification regarding employment appears under Section 4(l)(2)(B) which states in part that “Services performed by an individual for wages shall

be deemed to be employment subject to this act unless and until it is shown to the satisfaction of the department that —(a) such individual has been and will continue to be free from control or direction over the performance of such services both under his contract of service and in fact; and (b) as to such services such individual is customarily engaged in an independently established trade, occupation, profession or business.”

Uniform Definition of Employment (Employment in Multiple States) — All states have similar provisions regarding multi-state employment, in order to cover under one state law all the service performed for one employer by an individual, wherever it is performed.

It is necessary to determine whether the service is localized in any state. If the service is not localized, it then becomes necessary to determine in what state the individual's base for operations is and whether the individual performs any service in that state. If the individual has no base for operations or if no service is performed in the state in which the base for operations is located, then it is necessary to look to the state from which the individual's service is directed and controlled. It is only when coverage is not determined by any of the tests above that residence becomes a factor.

In short, it may be necessary to apply four tests to determine the state of coverage:

- Localization of service;
- base for operations;
- place of direction or control; and
- residence.

A downloadable UCP-7 pamphlet, The Problem of “Localized” and “Nonlocalized” Employment, is available on the department website at www.uc.pa.gov.

Wages — Wages means all remuneration, (including the cash value of mediums of payment other than cash) paid by an employer to an individual with respect to his/her employment unless specifically excluded under Section 4(x) of the UC Law.

Agricultural Employment — An agricultural enterprise is liable for payment of contributions on wages paid to employees if the entity:

- Employs at least 10 full or part-time employees for any part of a day in 20 or more calendar weeks during the current or preceding calendar year; or
- pays \$20,000 in cash wages during any calendar quarter of the current or preceding calendar year.

Any questions regarding coverage of agricultural employment should be directed to the Employer Tax Services.

Domestic Employment — Individual homeowners, local college clubs, fraternities or sororities paying \$1,000 or more in cash wages during any quarter of the current or preceding calendar year will be subject to the provisions of the UC Law.

Any questions regarding domestic employment should be directed to the Employer Tax Services.

Predecessor — An enterprise that transfers all or part of its organization, trade, business, or workforce to another enterprise.

Successor - An enterprise that acquires by transfer all or part of the organization, trade, business, or workforce from another enterprise.

Reserve Account Balance — An employer's reserve account is a record of contributions paid by an employer on taxable wages of employees and benefits paid to any former employees. Its sole use is in the computation of the contribution rate. The reserve account balance is the difference, positive or negative, between contributions paid by the employer and UC benefits paid to the employer's former workers. A credit (positive) reserve balance does not represent an amount that would be refunded to an employer at any time.

An employer with a "negative" or "debit" reserve account balance (where the UC benefit charges assessed to the account exceed the contribution credits for amounts paid into the UC Fund) is not obligated to pay back such "excess" benefit costs.

If an employer terminates all or some of the business and then transfers it to a successor, the reserve account balance, whether positive or negative, may be transferred to that successor. This can be the result of either the successor's submitting a voluntary application for such a transfer or on a mandatory basis, in accordance with a bureau determination.

If an employer ceases to give employment, any reserve account balance that was not transferred to a successor remains on the employer's account until the account is inactive for four completed fiscal years. (For UC purposes, a fiscal year is July 1 to June 30 in any given year.)

Common Paymaster — One employer within a group of employers that pays the wages of its own employees as well as the wages of the employees of the other members of the group.

Under certain circumstances, a common paymaster is treated as the employer for the employees of all members of the group for purposes of the Federal Insurance Contributions Act (FICA) and the Federal Unemployment Tax Act (FUTA). The common paymaster files FICA and FUTA returns and pays the corresponding taxes for all the employees to whom it pays remuneration, including employees of the other group members.

While FICA and FUTA may allow a common paymaster to include in its tax returns the employees of other employers, common paymaster reporting is not permitted under the Pennsylvania Unemployment Compensation Law (UC Law). Section 302 of the UC Law provides that the "department shall establish and maintain for each employer a separate employer's reserve account ..." Section 302 clearly requires each legal entity providing employment to have its own, separate UC account. Distinct reporting for each employer is necessary to implement experience rating.

Professional Employer Arrangement — A professional employer arrangement is an arrangement between a business, called the client, and a "Professional Employer Organization" or "PEO," whereby the client leases some or all of its workforce from the PEO. Typically, the leased workers were employees of the client prior to the arrangement. At the beginning of the arrangement, the client transfers its workers to the PEO and then leases them back from the PEO. In the past, professional employer arrangements were known by other terms such as "employee leasing" and "staff leasing."

Professional employer arrangements should not be confused with temporary help arrangements. Under a professional employer arrangement, a client leases workers from a PEO for the long term. In a temporary help arrangement, a temp agency provides workers to a business on a short-term basis, such as the duration of a special project or to meet a seasonal need for additional workers.

Section 4(j)(2.1) of the Pa UC Law specifies that the client in a professional employer arrangement is considered to be the UC employer of leased workers, rather than the PEO. This provision does not include temporary help agency arrangements. Wages must be reported on the client's UC tax account, and contributions on those wages must be paid at the client's tax rate.

PA EMPLOYER REGISTRATION

The commonwealth uses the Pennsylvania Online Business Tax Registration to register an enterprise for certain services and taxes administered by the Pennsylvania Department of Labor & Industry and the Pennsylvania Department of Revenue. An enterprise is defined as any individual or organization, which is subject to the laws of the Commonwealth of Pennsylvania. An enterprise may be a sole-proprietorship, partnership, corporation, association, etc. All enterprises that register with the commonwealth will be assigned an enterprise number.

Complete the Pennsylvania Online Business Tax Registration at www.mypath.pa.gov. Also, register for a variety of services, find information for your business, and download forms at www.business.pa.gov.

FINANCING METHODS

Contributory Method — Liability is determined by multiplying taxable payroll by a contribution rate. Contributing employers pay on the first \$10,000 of covered wages paid to each employee. (See Appendix G) Wages include not only salaries, commissions, bonuses, and tips, but also the cash value of payment made in a medium other than cash, such as lodgings, meals, etc.

Reimbursable Method — Political subdivisions and Internal Revenue Code (IRC) Section 501(c)(3) nonprofit employers have a choice between the contributory and the reimbursable methods. For further information refer to UCP-16, UC Information for Reimbursable Eligible Employers, available at www.uc.pa.gov.

TRANSFER OF EXPERIENCE

If a predecessor transfers its organization, trade or business to a successor who is continuing essentially the same business activity as the predecessor, the successor may apply for a transfer in whole or in part of the predecessor's UC experience record and reserve account balance, provided that:

- The successor is continuing essentially the same business activity as the predecessor; and
- the successor's risk of unemployment is related to the employment experience of the predecessor based upon the following factors:
 - nature of the business activity of each enterprise;
 - number of individuals employed by each enterprise; and
 - wages paid to the employees by each enterprise.

Types of Transfer

Acquisition of an Existing Enterprise: Occurs when operations are continued by a new owner; for example, a purchase of all or part of the enterprise.

Change in Legal Structure: Occurs when the form of an organization changes; for example, when a sole proprietorship incorporates, or forms a partnership.

Consolidation: Occurs when a new business entity is formed by combining two or more business entities which then cease to exist.

Gift: Occurs when the title to the property is transferred without consideration.

Merger: Occurs when one business entity is absorbed by another. One business entity preserves its original charter or identity and continues to exist and the other business entity existence terminates.

IRC Section 338 Election: Occurs when a stock purchase is treated as an asset purchase under the Internal Revenue Code Section 338.

Applying for a Predecessor's Experience Record

To determine if it is advantageous to apply for a predecessor's UC experience record and reserve account balance, the enterprise should consider the following:

- Comparison of the predecessor's rate for the year the transfer occurred to the applicable newly liable rate; and
- any adverse effect that the transfer of the predecessor's experience record and reserve account balance, and any potential benefit charges attributable to the predecessor, would have on future years' rate calculations.

An application for a transfer of experience record will be denied if the department finds that the business transfer was done primarily to obtain a lower UC tax rate. And a continuation of the same business did not occur.

When a Transfer Is Mandatory

The Office of UC Tax Services may determine that a transfer of experience from a predecessor to the successor will be mandatory if one of the following two conditions exists:

- There is common ownership, control, and/or management, either directly or indirectly, between the predecessor and the successor by legally enforceable means or otherwise; or

- an outside source controls both the predecessor and successor, either directly or indirectly, by legally enforceable means or otherwise.

Per Section 315 (2) of the PA UC Law, all business transfers are to be reported within 30 days of the transfer. Civil penalties may be imposed if the department finds that an employer willfully failed to report a transfer of experience from a predecessor to a successor account.

COVERAGE UNDER THE PA UC LAW

The employment information furnished by the enterprise on the Pennsylvania Online Business Tax Registration will provide the basis for determining whether such employment is covered under the UC Law.

If employment is covered under the UC Law, the employer is liable for payment of contributions on wages paid to employees. If an employer is determined to be liable under the UC Law, a PA UC employer account number is assigned in addition to the enterprise number. The employer account number facilitates the recording of contributions paid by and benefit payment charges assessed to each individual employer. It also acts as a mechanism to identify the employer in correspondence between the Office of UC Tax Services and the employer.

Who Is Not Covered

Certain types of employment are specifically excluded from coverage under the UC Law. Some examples of excluded employment are for services performed by:

- An individual in the employment of a son, daughter or spouse; or
- a child under the age of 18 in the employ of a parent;
- a student in the employ of an organized camp where the camp does not operate more than seven months in the preceding calendar year.

Any questions regarding excluded employment should be directed to the Employer Tax Services.

Federal Unemployment Tax Act (FUTA) Coverage

Section 4(x)(6) and Section 4(l)(6) of the UC Law have been termed the “catch-all clauses.” These provisions state that regardless of the exclusions in the UC Law, services and remuneration for services performed which are covered by the Federal Unemployment Tax Act will also be considered subject to coverage under the UC Law.

Who May Voluntarily Elect Coverage

Any employer not covered by the UC Law has the option of

voluntarily requesting coverage, although the Office of UC Tax Services must approve the request before coverage is extended. Upon approval, the elected coverage is binding on the employer for not less than two years. To request coverage, an employer must file an application with the Office of UC Tax Services. Forms for requesting coverage can be obtained by visiting the department website at www.uc.pa.gov.

Employee or Independent Contractor

All businesses in Pennsylvania must understand that under the Pennsylvania Unemployment Compensation Law, or UC Law, for benefit and tax purposes, the term “employee” is presumed to apply to every individual who performs services for which the worker is paid. Unless specifically excluded from coverage under the UC Law, all such work under any contract of hire, express or implied, written or verbal, including work performed in interstate commerce or as an officer of a corporation is covered by the UC Law. One exception to the general rule is for independent contractors.

Services performed by a worker will be excluded under the benefit and taxing provisions of the UC Law if the individual is an “independent contractor.” To be excluded from coverage, the individual who performs the services must meet two conditions pursuant to Section 4(l)(2)(B) of the UC Law

1. The individual has been and will continue to be free from control or direction over the performance of the services involved, both under his or her contract of service and in fact, and
2. As to these services, the individual is customarily engaged in an independently established trade, occupation, profession or business.

Only if both of these conditions are met to the satisfaction of the department will the individual be regarded as an “independent contractor.” Unless and until those criteria are met, the services will be “employment” subject to the coverage of UC law. Additionally, a written agreement between a worker and the business does not control the worker’s status.

Moreover, the Office of UC Tax Services also enforces the Construction Workplace Misclassification Act (Act 72 of 2011), which provides additional requirements if a worker performs services in the construction industry. In these cases, a worker will be designated as an independent contractor only if the worker (1) has a written contract to perform such services, (2) is free from direction or control over performance of the services both under the contract of service and in fact, and (3) is customarily engaged in an independently established trade, occupation, profession or business.

To provide that a worker is customarily engaged in an independently established trade, occupation, profession or business, the employer must substantiate workers:

- possess the essential tools, equipment and other assets necessary to perform the services independent of the person for whom the services are performed
- realize a profit or suffer a loss as a result of performing the services
- perform the services through a business in which the individual has a proprietary interest
- maintain a business location that is separate from the location of the person for whom the services are being performed
- have previously performed the same or similar services for another person while free from direction or control over performance of the services both under the contract of service and in fact, or the individual must hold themselves out to another person as available and able, and in fact is available and able, to perform the same or similar services while free from direction or control over performance of the services
- maintain liability insurance during the contract term of at least \$50,000
- The following factors are not considered in determining “independent contractor” status:
 - the failure to withhold Federal or State income taxes; or
 - pay unemployment compensation contributions or workers’ compensation premiums with respect to an individual’s remuneration

Furthermore, misclassification of employees as independent contractors is illegal for all commercial and residential construction in Pennsylvania.

The following is also prohibited:

1. An employer may not retaliate against any person who exercises rights under the law, including the filing of a complaint or informing another about an employer’s noncompliance with the Act.
2. An employer may not require or demand that an individual enter into an agreement or sign a document which results in the improper classification of that individual as an independent contractor.
3. An employer may not intentionally contract with another employer knowing that the employer intends to misclassify employees.

Pennsylvania’s UC Law requires an examination of the facts to determine if the worker is a legitimate independent contractor. Whether the services are performed on a full-time or part-time basis is immaterial to an individual’s employment status.

An investigation into an individual’s employment status may occur in connection with a UC claim filed by an individual who asserts that they were an employee rather than an “independent contractor.” Also, the Office of Unemployment Compensation Tax Services randomly selects businesses for audit to verify compliance with the UC Law.

Businesses must maintain sufficient documentation to support the reasons for classifying any individual as an “independent contractor.”

Examples of relevant documentation include copies of the individual’s preprinted invoices, copies of signed contracts, bid forms, certificates of insurance, business forms and stationery, federal and state tax ID numbers, business telephone directory listings, business website, public advertisements soliciting business, articles of incorporation and leases on business properties.

The department will use all available information to determine a worker’s status.

REPORTS AND CONTRIBUTIONS

WHEN REPORTS MUST BE FILED

Employers covered by the UC Law are required to file reports and remit contributions on a quarterly basis. The reports and payment are due at the end of the month following the calendar quarter.

QUARTER COVERING	DUE ON OR BEFORE
Jan., Feb., March	April 30
April, May, June	July 31
July, Aug., Sep.	October 31
Oct., Nov., Dec.	January 31

If a due date falls on a Saturday, Sunday or legal holiday, the report will become due on the next business day. Employers are required to report wages for the quarter in which the wages are **paid**. Conversely, credit weeks are reported for the quarter in which they are **earned**. Please note: A credit week is any calendar week in which the employee earned \$116 or more in covered employment, regardless of when that week was paid.

FILING REPORTS ONLINE

All filers are required to report UC wage and tax data electronically via the Unemployment Compensation Management System (UCMS) employer portal at www.uctax.pa.gov. The electronic reporting requirement is for both current and past due reports. Physical media such as tapes, diskettes, cds, etc. are not accepted.

For information on the available electronic filing methods (online reporting, file upload, or File Transfer Protocol (FTP)) go to www.uc.pa.gov.

HOW TO MAKE WAGE CORRECTIONS TO A PA UC TAX REPORT

Changes to previously filed tax and wage information can be made by accessing "Quarterly Reporting" in UCMS and selecting "Amend Quarterly Report."

For information on the file layouts and formats that are necessary for the electronic reporting or amending of UC tax and wage data by file upload or FTP, please review the [UC-2010 handbook](#), located at www.uc.pa.gov.

THE PENALTY FOR FILING LATE REPORTS OR FILING REPORTS IN PAPER FORM

A penalty will be assessed against any employer who fails to submit a quarterly contribution report when it is due or files any report in paper form. The penalty is 15 percent of the total contribution due for a quarter, not less than \$125 or more than \$450 per quarter or infraction.

Electronic Filing Waivers

Employers unable to comply with the electronic filing requirement may complete a waiver request form stating the reason for non-compliance and the anticipated date electronic payment will begin. The department will review each request and issue a determination. The waiver request form is available at www.uc.pa.gov.

THE INTEREST RATE FOR LATE PAYMENT

Delinquent contributions are subject to an interest charge as provided under Section 308 of the UC Law (43 P.S. §788) per month, or fraction of a month, from the date that they become due until paid. This includes any portion of the month in which payment is made. The rate of interest is determined annually under Section 806 of the fiscal code (72 P.S. §806). The current interest rate is 12 percent.

THE PENALTY FOR DISHONORED CHECKS AND FAILED ELECTRONIC PAYMENTS

Any check that is subsequently dishonored by the bank upon which it is drawn or any payment by electronic transfer that is not credited upon transmission is subject to penalty. The dishonored remittance penalty of 10 percent of the remittance amount with a minimum charge of \$25 and a maximum charge of \$1,000 per occurrence.

THE PENALTY FOR NON-COMPLIANCE WITH ELECTRONIC PAYMENT FILING

Employers are required to pay UC contributions and reimbursable amounts due electronically if the total liability owed equals or exceeds \$5,000 for a payment period. Once the threshold is met, all subsequent payments must also be submitted electronically, even if amounts due for subsequent periods are less than \$5,000.

The liability owed for a payment period includes contributions, reimbursement of benefit charges, interest, and penalties for that payment period. Employers whose liability reaches the \$5,000 threshold are required to make all payments of contributions, reimbursement of benefit charges, interest, penalty, and/or fees electronically through UCMS.

Failure to comply can result in a penalty of 10% of the payment, up to a maximum of \$500 with a minimum of \$25 per occurrence.

UCMS Payment Methods

- Automated Clearing House debit (ACH debit)
- Automated Clearing House credit (ACH credit)
- Credit Card
- Print a voucher and mail a payment

Electronic Payment Waivers

Employers unable to comply with the electronic payment requirement may complete a waiver request form stating the reason for non-compliance and the anticipated date electronic payment will begin. The department will review each request and issue a determination. The waiver request form is available at www.uc.pa.gov.

THE PENALTY FOR NOT SUBMITTING REQUESTED REGISTRATION DOCUMENTS

A 3 percent "Increase for UC Delinquency" will be added to the tax rate that would normally be assigned to any employer who fails to submit any part of a registration document when it is requested. Willful failure to provide this information could result in civil fines and criminal prosecution under section 802 of the PA UC Law.

THE EMPLOYEE'S CONTRIBUTION

Regardless of whether an employer pays contributions or elects to reimburse the UC Fund for benefit payments, all employers are required to withhold employee contributions, for applicable years, at the time wages are paid. Whether or not employee contributions are payable, the employee contribution rate is determined annually according to a formula contained in the trigger mechanism of the UC Law.

These monies are a trust fund obligation and must be remitted to the Office of UC Tax Services with quarterly contribution reports. Failure to withhold employee contributions and to promptly remit such contributions withheld in trust to the UC Fund can result in criminal prosecution of the employer and/or personal liability, including the filing of liens against the employer and officers and agents of the employer.

Employee contributions are based on an individual's **total (gross) wages**. The employer's annual contributory wage tax limit ceiling does not apply to employee contributions.

THE EMPLOYER'S CONTRIBUTION

The amount of employer contribution due is based on a specified percentage of taxable wages. Pennsylvania employers pay unemployment contributions on the

annual contributory wage tax limit for wages paid to each employee in a calendar year. Wages include not only salary, commissions, bonuses and tips, but also sick or accident disability payments (except workers' compensation payments) made by an employer or third party (insurance company) and certain fringe benefits. The cash value of payment made in a medium other than cash, such as lodgings, meals, etc., is also considered wages.

Nonprofit organizations exempt under Section 501(c)(3) of the Internal Revenue Code (but not exempt under the UC Law) that elect to reimburse the UC Fund for benefits paid to former employees are billed monthly by invoice for the benefits allocated to their account. Political subdivisions are billed quarterly.

Delinquency Resolution

Employers who are or may fall behind in filing their UC tax and wage reports and/or in paying their UC obligations should promptly contact the Office of UC Tax Services (UCTS) to address the delinquency or potential for a delinquency.

The UCTS Collections Support staff can assist employers in filing outstanding quarterly tax and wage reports and advise of payment options. If an employer cannot pay the balance due in full, a payment plan and/or application for agreement to compromise of interest/penalty may be submitted for consideration. Addressing delinquencies can save an employer money on future tax liabilities and reduce the likelihood of the adverse consequences mentioned below.

Employers having difficulty meeting their UC tax obligations should immediately contact the UCTS Collections Support staff at 412-565-5121. The phone message will be returned within 2 business days.

Failure to address the delinquencies will have adverse consequences such as:

1. Increase of 3% in UC Contribution Tax Rates
2. Interest and Penalties
3. Delay of UC Benefits for Employees
4. Loss of Federal Unemployment Tax (FUTA) Credit
5. Assessments
6. Liens
7. Banking/Asset Attachment and Sheriff Sales
8. Criminal Prosecution
9. Treasury Offset (seizure of federal tax refunds)
10. Injunctions
11. Possible delay in receiving money from State contracts or licensing renewals

RATES

HOW EMPLOYERS ARE NOTIFIED OF THEIR RATE EACH YEAR

Each year, all factors are examined and analyzed to determine each individual employer's contribution rate. A Contribution Rate Notice (Form UC-657) showing the rate effective for the following year is sent to each employer by Dec. 31. This percentage is to be applied to taxable wages paid (for each employee's annual contributory wage tax limit) to determine the amount of employer contributions due.

This rate notice serves to notify employers of their contribution rate and explains each of the factors comprising the total rate. An employer may appeal a contribution rate (except for the State Adjustment Factor, Interest Factor, Surcharge Adjustment and Additional Contributions components).

RATES ASSIGNED TO NEW EMPLOYERS

Unless subject to a delinquent contribution rate, newly liable employers are assigned a new employer contribution rate. The rate new employers are assigned is effective for approximately two years. After two years, the employer may have sufficient experience to be entitled to a calculated rate.

WHEN STANDARD RATES ARE ASSIGNED

Contributory employers who have a sporadic employment history may be assigned a standard contribution rate. Examples:

- A standard rate would be assigned to an employer who files "none" reports (no covered wages) during each quarter of one of the last four 12-month periods ending June 30 of the preceding year, because the employer would not have sufficient employment experience upon which to base a calculated rate.
- A standard rate would be assigned to an employer whose account is deleted and less than five years later the employer provided employment again. The employer would be assigned a standard rate based on the balance in the reserve account at the time the account was deleted.

One standard rate is assigned to employers with zero or positive reserve account balances, while a higher standard rate is assigned to employers with negative reserve account balances. The additional contributions component and interest factor are added to the standard rates in accordance with the UC Law.

EXPERIENCE RATES

After an employer has provided covered employment and paid wages for approximately two years, the employer may then be eligible for an experience based calculated rate. An experience rating system allows for variations in the contribution rates assigned to individual employers through the assessment of each employer's unemployment risk. The Office of UC Tax Services reviews an employer's history of unemployment and calculates a rate each calendar year based on the employment experience through June 30 of the preceding year. Employers with high rates of unemployment can expect higher contribution rates, while employers showing a stable employment history can expect to receive reduced rates.

An employer's experience-based contribution rate has six components:

- Reserve Ratio Factor
- Benefit Ratio Factor
- State Adjustment Factor
- Surcharge Adjustment
- Additional Contributions
- Interest Factor

The Contribution Rate Notice (Form UC-657) is issued to all active employers prior to the first of each calendar year and shows the rate effective for the upcoming year.

Reserve Ratio Factor

An employer's reserve ratio is a lifetime measure of the employer's risk with unemployment. The ratio is determined by dividing the balance in the employer's reserve account (i.e., the lifetime UC contributions paid by the employer, including voluntary contributions, minus the lifetime benefits charged against the employer's account) by the employer's average taxable payroll for the three 12-month periods ending on the computation date. (The computation date is June 30 preceding the year for which the rate is being calculated.) This ratio (percentage) is then cross-referenced to the applicable table in the UC Law, which indicates the employer's Reserve Ratio Factor (see Reserve Ratio Factor Table in Appendix E). The Reserve Ratio Factor is part of the experience rate for covered employers. This factor ranges from 0 percent to 3.2 percent. The employer's Reserve Ratio Factor is identified on the Contribution Rate Notice (Form UC-657). In determining experience rates, the UC Law places employers into particular groups. These groups are based on the length of time that an employer paid contributions.

Group 1: An employer who paid contributions for at least one quarter during each of the two 12-month periods ending on the computation date (June 30) qualifies as a Group 1 employer. A Group 1 employer's Reserve Ratio Factor is equal to one-third of the Group 3 rate (see Appendix E).

Group 2: If an employer paid contributions for at least one quarter in each of the three 12-month periods ending on the computation date (June 30), the employer will be assigned to Group 2. An employer assigned to Group 2 has a Reserve Ratio Factor equal to two-thirds of the Group 3 rate (see Appendix E).

Group 3: An employer who paid contributions for one or more quarters in each of the four 12-month periods ending on the computation date (June 30) is classified as a Group 3 employer. (A Group 3 employer's Reserve Ratio Factor is shown in Appendix E).

Note: An employer who has sufficient employer experience to be classified in Group 3 cannot be classified in either Group 1 or Group 2, nor can an employer who has sufficient employer experience to be classified in Group 2 be classified in Group 1.

Benefit Ratio Factor

The Benefit Ratio Factor is a short-term comparison of the employer's taxable payroll and UC benefit charges. This factor is determined by dividing the employer's average benefit costs for the two or three 12-month periods ending on the computation date by the employer's average payroll for the same two or three periods. The divisor is determined based upon the employer's Group Number. The Benefit Ratio Factor ranges from 0 percent to 5 percent.

Note: Compute to a tenth of a percentage, with fractional parts rounded to the nearest tenth. If the computed factor is greater than 5 percent (.05), then decrease the factor to 5 percent.

State Adjustment Factor

The State Adjustment Factor finances benefit costs that are paid out of the UC Fund, but which are not charged to any specific employer account. Historically, this factor ranged from 0 percent to 1.5 percent. Since 2018, the State Adjustment Factor has been .0075. The State Adjustment Factor is the same for all experience rated contributory employers and is not subject to appeal. The State Adjustment Factor is identified on the Contribution Rate Notice (Form UC-657).

Surcharge Adjustment*

This component of the experience rate is the same for all employers and is not subject to appeal. The surcharge is factored into the contribution rate on contributions payable by multiplying the basic rate on the Contribution Rate Notice

(Form UC-657) by the surcharge. The result of the computation is the Surcharge Adjustment.

Additional Contributions*

The Additional Contributions rate is the same for all (except those subject to newly liable contribution rates, unless the employer is also subject to an increase for UC delinquency) contributory employers. The Additional Contributions rate component is identified on the Contribution Rate Notice (Form UC-657).

Interest Factor

If the UC Fund balance is depleted, the Commonwealth can borrow money from the federal government or issue bonds to enable it to continue to pay benefits to unemployed workers. The monies borrowed are subject to an annual interest charge. Federal law prohibits the use of state UC Fund monies to pay the annual interest charge; therefore, a separate contribution (Interest Factor) was created to generate the necessary revenues to satisfy interest payments on outstanding loans.

The Interest Factor is the same for all (except those employers subject to newly liable contribution rates, unless the employer is also subject to an increase for UC delinquency) contributory employers and is not subject to appeal. The Interest Factor is not applicable for all years. Payments attributable to this Interest Factor, like employee contributions, are not credited to an employer's reserve account. Such amounts are not credited to the experience record or used for future rate computation purposes. In addition, the Interest Factor is not considered to be a "contribution" for federal certification purposes under the provisions of the Federal Unemployment Tax Act (FUTA).

SOLVENCY TRIGGER

As part of the 1988 Amendments, various solvency provisions were added to the UC Law. These provisions increase contribution revenues, decrease benefit payments, or both, to ensure that sufficient monies are available to meet benefit costs.

These solvency measures trigger on and off, depending on the "trigger percentage." This percentage is determined by dividing the UC Fund balance as of the computation date (June 30) by the average benefit costs for the three 12-month periods ending on that date.

On July 1 of every year, the Department of Labor & Industry will calculate the trigger percentage. This percentage will determine the adjustment to be made to contribution rates and benefits applicable for the following calendar year.

The trigger determination is a solvency measure that does not affect the employer's contribution rate. The two solvency

measures that affect an employer's contribution rate are the surcharge adjustment and additional contributions (see Appendix F).

*Refer to the following section "Solvency Trigger" and Appendix E for further explanation.

DELINQUENT EMPLOYERS

Employers who, as of the rate computation date, fail to complete a PA Online Business Tax Registration or any other required registration documents, file quarterly tax reports or pay contributions, interest or penalties due through the second quarter of the prior year, will have a 3% increase for UC delinquency included in their rate calculation. The increase for UC delinquency is added in before the surcharge adjustment calculation.

HOW TO APPEAL TAX RATES

Each employer is issued an annual Contribution Rate Notice (Form UC-657) by the Office of UC Tax Services. This rate notice provides an employer with the UC tax rate for the calendar year. The rate notice includes information on how the rate was determined. If an employer disagrees with their rate notice, they must first appeal that notice to the Office of UC Tax Services by filing a rate appeal within 90 days from the date of the rate notice.

The Office of UC Tax Services will review the appeal and send the employer a letter either granting or denying the appeal. If the employer disagrees with the bureau's decision, they have 30 days to appeal to the UC Tax Review Office. The appeal letter must contain specific factual statements showing the nature of the appeal and the basis for disagreement. The employer's appeal letter should also include the business name, address, PA UC employer account number and the signature of an employer's authorized representative.

If a hearing is scheduled, the UC Tax Review Office will send a "Notice of Hearing" to the employer and the Office of UC Tax Services approximately six weeks before the hearing date. The purpose of the hearing, where testimony is taken under oath, is to gather all facts related to the appeal. This hearing is very important because this will be the only opportunity for the employer to present evidence for the record.

At the hearing, an employer has the right to:

- Be represented at their own expense by an attorney, accountant or other advisor;
- present testimony and other relevant evidence; and
- question opposing parties and witnesses.

Witnesses should have firsthand knowledge about the facts that will be the subject of their testimony.

DEBIT RESERVE ACCOUNT BALANCE ADJUSTMENT

An employer with a debit reserve account balance may submit a letter requesting that the reserve account balance be adjusted to a negative balance equal to 20 percent of the average annual taxable payroll. If an employer elects to do this and the election is approved by the Office of UC Tax Services, the maximum experience rate will be assigned for the current and the following two calendar years. The employer letter must be submitted between Jan. 1 and April 30 and shall not be revocable for any cause after 10 days from the date of the letter. The reserve account balance will be adjusted as of June 30 of the preceding year.

You may exercise this election by accessing your PA UC employer tax account at www.uctax.pa.gov or mail a letter requesting a debit reserve account balance adjustment to the address in Appendix C for the Office of UC Tax Services, Employer Tax Services.

VOLUNTARY CONTRIBUTIONS

For an experience rated employer, a Voluntary Contribution can be made to the UC Fund in order to improve the Reserve Account Balance, and thereby reduce the Reserve Ratio Factor component of an employer's tax rate. The Voluntary Contribution is applied directly to an employer's Reserve Account Balance and cannot be applied towards contributions due. It is up to the employer to determine the amount of a Voluntary Contribution to make, if desired. A relatively small Voluntary Contribution may cause the overall UC tax bill to go down significantly. A Voluntary Contribution calculator tool is available in UCMS.

A Voluntary Contribution must be made within 30 days from the date of the Contribution Rate Notice (Form UC-657), but in no case later than 120 calendar days from the beginning of the calendar year, whichever is sooner. The Voluntary Contribution shall not be revocable for any cause and is not subject to refund.

To make a Voluntary Contribution, access your PA UC employer tax account at www.uctax.pa.gov or submit a letter and accompanying Voluntary Contribution to the address in Appendix C for the Office of UC Tax Services, Employer Tax Services.

PA UC TAX AUDITS

Employer Audits

Each year, several thousand employers are selected for audit to ensure compliance with the reporting and taxation provisions of the Pennsylvania UC Law. Some employers are selected randomly from the entire population of employers covered under the Pennsylvania UC Law. Additionally, businesses that do not report employees may be audited to verify that their workers are properly excluded from Pennsylvania UC Law coverage. Finally, an employer may be audited if a reporting error is suspected or known to exist, or the employer is in an industry with a high rate of reporting errors.

Remote Audits (E-Audit)

Employer records can be provided using the UC Tax Services E-Audit Document Upload Site at:

- <https://uctax.eaudits.uc.pa.gov/>

Please refer to the Audit Document Upload Site for External Users guide and your Audit Appointment (UC-928) notification for instructions and login information.

Audit Period

The audit appointment letter indicates the period for which records will be reviewed. Usually, an audit will cover one calendar year. However, an audit may be scheduled to cover a larger time period or an audit may be expanded if the auditor discovers issues that could affect additional years.

Audit Requirement

Section 206 of the Pennsylvania UC Law requires employers to keep accurate employment records. Section 63.64 of the Pennsylvania UC regulations specifies the information that must be contained in employment records, and provides that employment records and other business records, such as ledgers and corporate minutes, are subject to review by a department auditor.

The forms Records To Be Kept By Employers (UC-746) and Employer Records To Be Examined (UC-926) are attached to the audit appointment letters sent to employers.

If you refuse to allow access to your records, the department may subpoena your records and enforce the subpoena in court.

Additionally, the department may assess a civil penalty of \$1,500 for each day the records are withheld, and you may be subject to criminal fines or imprisonment for up to 30 days for failure to produce your records.

Audit Assessments and Appeals

If the audit findings indicate that you owe Pennsylvania UC taxes and you disagree with the auditor's findings, a tax assessment may be filed. An assessment is a determination by the Office of UC Tax Services that an entity is liable for UC taxes, interest and penalties due for employment and wages covered under the PA UC Law. When an employer and the bureau are unable to agree on a UC tax liability issue, the bureau will issue a "Notice of Assessment" along with a "Petition for Reassessment" form.

The assessment contained in this notice is final, unless within 15 days of the mailing date on the notice the employer completes and files a "Petition for Reassessment" form with the UC Tax Review Office. This petition is the method of appealing an assessment. The employer's petition must contain specific and detailed factual statements showing the reason(s) the employer feels the assessment is erroneous and must be signed by the employer or their authorized representative.

After the UC Tax Review Office receives a "Petition for Reassessment", the employer should receive an acknowledgement letter. When a hearing is scheduled, the Presiding Officer will send a "Notice of Hearing" to the employer and the Office of UC Tax Services approximately six weeks before the hearing date. The purpose of the hearing, where testimony is taken under oath, is to gather all facts related to the appeal. This hearing is very important because this will be the only opportunity for both sides to present evidence for the record.

At the hearing an employer has the right to:

- Be represented at their own expense by an attorney, accountant or other advisor;
- present testimony and other relevant evidence; and
- question opposing parties and witnesses.

Witnesses should have firsthand knowledge about the facts that will be the subject of their testimony.

ASSISTANCE AND INFORMATION

Information regarding the contribution or coverage provisions of the Pennsylvania Unemployment Compensation Law can be obtained by writing to:

Office of UC Tax Services
Labor & Industry Building
P.O. Box 68568
Harrisburg, PA 17106-8568

Employers can also call Employer Tax Services at 866-403-6163 weekdays from 7:30 a.m. to 4:00 p.m. Eastern Time.

Inquiries regarding benefit claims or benefit appeals should be directed to a UC Service Center at 833-728-2367 or, for established claims, the office handling the claim.

RELIEF FROM CHARGES

How to Request Relief from Charges

To request relief from charges the employer must:

- Complete and submit Form UC-44FR, Request for Relief from Charges; or
- if you do not have a UC-44FR Request for Relief from Charges, you may request relief from charges by mailing a letter using your company letterhead.

Please make sure that you include the following information:

- Claimant's name and social security number
- Employer name and account number
- Last day of work
- Reason for separation from employment
- Authorized signature

All requests for relief from charges should be directed to:

Employer Services
651 Boas Street
Room 500
Harrisburg, PA 17121
Email: LI-FAX7177246952@pa.gov
or uiempcharge@pa.gov

Employer Requests for Information:

Employers requesting information regarding the following topics should visit our website at www.uc.pa.gov, call the UC Contact Unit

at 833-728-2367 or Email UCEmployerHelp@pa.gov

- Circumstances under which relief from charges may be granted;
- determinations, decisions and/or appeals relating to relief from charges,

- benefit charges/credits to the reserve account contained on Form UC-640, Monthly Notice of Compensation Charged;
- protests to benefit charges filed with the Bureau via Form UC-44FR, Request for Relief from Charges. Please note: LACK OF WORK separations DO NOT QUALIFY for relief. Your company may request relief from charges for separations other than "LACK OF WORK".
- credits to their reserve account due to 1) a subsequent approval or relief from charges or 2) a claimant's ineligibility for UC and subsequent overpayment.
- how to request relief from charges; and
- time limits for filing a request for relief from charges.

CAREERLINK

Employers interested in Pennsylvania CareerLink programs and services should contact the nearest Pennsylvania CareerLink listed in a local telephone directory or visit www.pacareerlink.pa.gov.

REPORT UC FRAUD

To report unemployment compensation fraud, complete the online fraud form located at www.uc.pa.gov or call the toll-free Pennsylvania UC Fraud Hotline at 800-692-7469.

DISCRIMINATION PROHIBITED

Equal Opportunity is the Law: It is against the law for this recipient of federal financial assistance to discriminate on the following bases:

- Against any individual in the United States, on the basis of race, color, religion, sex, national origin, age, disability, political affiliation or belief; and
- against any beneficiary of programs financially assisted under Title I of the Workforce Investment Act of 1998 (WIA), on the basis of the beneficiary's citizenship/status as a lawfully admitted immigrant authorized to work in the United States, or his or her participation in any WIA Title I-financially assisted program or activity.

The recipient must not discriminate in any of the following areas:

- Deciding who will be admitted, or have access, to any WIA Title I-financially assisted program or activity;
- providing opportunities in, or treating any person with regard to, such a program or activity; or
- making employment decisions in the administration of, or in connection with, such a program or activity.

ASSISTANCE AND INFORMATION (cont.)

WHAT TO DO IF YOU BELIEVE YOU HAVE EXPERIENCED DISCRIMINATION:

If you think that you have been subjected to discrimination under a WIA Title I-financially assisted program or activity, you may file a complaint within 180 days from the date of the alleged violation with either:

- The recipient's Equal Opportunity Officer (or the person whom the recipient has designated for this purpose); or
- the Director, Civil Rights Center (CRC), U.S. Department of Labor, 200 Constitution Avenue NW, Room N-4123, Washington, DC 20210

If you file your complaint with the recipient, you must wait either until the recipient issues a written Notice of Final Action, or until 90 days have passed (whichever is sooner), before filing with the Civil Rights Center (see address above). If the recipient does not give you a written Notice of Final Action within 90 days of the day on which you filed your complaint, you do not have to wait for the recipient to issue that Notice before filing a complaint with CRC. You must file your CRC complaint within 30 days of the 90-day deadline (in other words, within 120 days after the day on which you filed your complaint with the recipient).

If the recipient does give you a written Notice of Final Action on your complaint, but you are dissatisfied with the decision or resolution, you may file a complaint with CRC. You must file your CRC complaint within 30 days of the date on which you received the Notice of Final Action.

For information or to file a complaint, contact:

Department of Labor & Industry
Office of Equal Opportunity
651Boas Street, Room 1402
Harrisburg, Pennsylvania 17121
Telephone: 717-787-1182 or 800-622-5422
TDD/TTY: 800-654-5984
Fax: 717-772-2321

APPENDIX A

UNEMPLOYMENT COMPENSATION SERVICE CENTERS

UC Service Centers listed below have been established to serve all Pennsylvanians. Claimant services are provided through the Internet at www.uc.pa.gov or by UC Service Centers through a toll-free number at 888-313-7284.

Information on UC separation and eligibility issues is provided through a special employer services telephone number 833-728-2367.

OFFICE	ADDRESS	FAX NUMBER
Altoona UC Service Center	1101 Green Avenue Altoona, PA 16601-3483	814-941-6801
Duquesne UC Service Center	14 N. Linden Street Duquesne, PA 15110-1067	412-267-1475
Erie UC Service Center	1316 State Street Erie, PA 16501-1916	814-871-4863
Harrisburg UC Service Center	651 Boas Street, 15th Floor Harrisburg, PA 17121-0751	717-214-5463
Indiana UC Service Center	4221 Route 286 Hwy W Indiana, PA 15701-5728	724-599-1068
Scranton UC Service Center	30 Stauffer Industrial Park Taylor, PA 18517-9601	570-562-4385
UC Service Center TTY services (Deaf and Hard-of-Hearing)		888-334-4046

PENNSYLVANIA TELECLAIMS (PAT)

Toll Free Number: 888-255-4728

PAT en Espanol: 877-888-8104

APPENDIX B**OFFICE OF UNEMPLOYMENT COMPENSATION BENEFITS**

OFFICE	ADDRESS	CONTACT
UC Employer Contact Unit	651 Boas Street Room 525 Harrisburg, PA 17121-0750	833-728-2367
Employer Services	651 Boas Street, Room 500, Harrisburg, PA 17121-0751	
Claimant Services	651 Boas Street Room 500 Harrisburg, PA 17121-0750	

APPENDIX C**OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES**

OFFICE	ADDRESS	CONTACT
Employer Tax Services	Labor & Industry Building 651 Boas Street, 9th Floor P.O. Box 68568 Harrisburg, PA 17106-8568	866-403-6163

APPENDIX D

ADDITIONAL CONTACTS

OFFICE	ADDRESS	CONTACT
Commonwealth of PA website		www.pa.gov
Pennsylvania Business One-Stop Shop		www.business.pa.gov
Department of Labor & Industry website		www.dli.pa.gov
PA CareerLink® website		www.pacareerlink.pa.gov
PA UC Fraud Hotline		800-692-7469

APPENDIX E

RESERVE RATIO FACTOR TABLE

EMPLOYER'S RESERVE ACCOUNT AS A PERCENTAGE OF TAXABLE WAGES	RESERVE RATIO FACTOR		
	GROUP 1 (1/3 OF GROUP 3 RATE)*	GROUP 2 (2/3 OF GROUP 3 RATE)*	GROUP 3
Greater than 25%	0.0% (.000)	0.0% (.000)	0.0% (.000)
Greater than or equal to 21% but less than 25%	0.1% (.001)	0.2% (.002)	0.3% (.003)
Greater than or equal to 18% but less than 21%	0.2% (.002)	0.3% (.003)	0.4% (.004)
Greater than or equal to 15% but less than 18%	0.2% (.002)	0.4% (.004)	0.5% (.005)
Greater than or equal to 12% but less than 15%	0.2% (.002)	0.4% (.004)	0.6% (.006)
Greater than or equal to 9% but less than 12%	0.3% (.003)	0.5% (.005)	0.7% (.007)
Greater than or equal to 7% but less than 9%	0.3% (.003)	0.6% (.006)	0.8% (.008)
Greater than or equal to 5% but less than 7%	0.3% (.003)	0.6% (.006)	0.9% (.009)
Greater than or equal to 3% but less than 5%	0.4% (.004)	0.7% (.007)	1.0% (.010)
Greater than or equal to 1% but less than 3%	0.4% (.004)	0.8% (.008)	1.1% (.011)
Greater than or equal to 0% but less than 1%	0.4% (.004)	0.8% (.008)	1.2% (.012)
Less than 0% but greater than -1%	0.5% (.005)	0.9% (.009)	1.3% (.013)
Less than or equal to -1% but greater than -2%	0.5% (.005)	1.0% (.010)	1.4% (.014)
Less than or equal to -2% but greater than -3%	0.5% (.005)	1.0% (.010)	1.5% (.015)
Less than or equal to -3% but greater than -4%	0.6% (.006)	1.1% (.011)	1.6% (.016)
Less than or equal to -4% but greater than -5%	0.6% (.006)	1.2% (.012)	1.7% (.017)
Less than or equal to -5% but greater than -6%	0.6% (.006)	1.2% (.012)	1.8% (.018)
Less than or equal to -6% but greater than -7%	0.7% (.007)	1.3% (.013)	1.9% (.019)
Less than or equal to -7% but greater than -8%	0.7% (.007)	1.4% (.014)	2.0% (.020)
Less than or equal to -8% but greater than -9%	0.7% (.007)	1.4% (.014)	2.1% (.021)
Less than or equal to -9% but greater than -10%	0.8% (.008)	1.5% (.015)	2.2% (.022)
Less than or equal to -10% but greater than -11%	0.8% (.008)	1.6% (.016)	2.3% (.023)
Less than or equal to -11% but greater than -12%	0.8% (.008)	1.6% (.016)	2.4% (.024)
Less than or equal to -12% but greater than -16%	0.9% (.009)	1.7% (.017)	2.5% (.025)
Less than or equal to -16% but greater than -20%	0.9% (.009)	1.8% (.018)	2.6% (.026)
Less than or equal to -20% but greater than -28%	0.9% (.009)	1.8% (.018)	2.7% (.027)
Less than or equal to -28% but greater than -100%	1.0% (.010)	2.0% (.020)	3.0% (.030)
Less than or equal to -100% or lower	1.1% (.011)	2.2% (.022)	3.2% (.032)

*If the reduced reserve ratio for group 1 and 2 employers was not a multiple of one-tenth of one per centum (0.1%), it has been rounded to the next higher multiple of one-tenth of one per centum (0.1%), as required by UC Law.

APPENDIX F

Solvency measures will be assessed if the solvency percentage on June 30 of the year preceding the year of calculation is less than 250 percent. The following table shows solvency measure rates for 2023 through 2027.

SOLVENCY MEASURES 2023-2027¹

TRIGGER LEVEL	EMPLOYER ADDITIONAL CONTRIBUTIONS ³	EMPLOYER SURCHARGE ²	EMPLOYEE CONTRIBUTION ⁴	BENEFIT REDUCTION
250% or more	None	None	None	None
Less than 250%	0.60%	9.2%	0.07%	3.2%

¹ Solvency measures for 2023-2027 are based on contribution and benefit activity for calendar year 2021.

² Assessed on employer contributions due and excludes reimbursable employers. The surcharge is not assessed on solvency additional contributions.

³ Added on to an employer’s assigned rate and excludes new (unless the employer is also subject to an increase for UC delinquency) and reimbursable employers. The measure is not subject to the solvency surcharge on contributions due.

⁴ Assessed on all employee gross wages for a calendar year.

APPENDIX G

TAXABLE WAGE BASE LIMITS

YEARS	TAXABLE WAGE BASE
Prior to 1/1/2013	\$8,000
1/1/2013	\$8,500
1/1/2014	\$8,750
1/1/2015	\$9,000
1/1/2016	\$9,500
1/1/2017	\$9,750
1/1/2018 and thereafter	\$10,000



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