

Protect Your Business From Higher Taxes

Help Prevent Improper Payment of Unemployment Compensation (UC) Benefits



How Does Unemployment Compensation (UC) Impact Employers?

In most states, UC benefits are funded by employer taxes.

Improper payment of UC benefits may result in higher taxes to all employers

UC benefits allow unemployed workers to continue to buy goods and services.

What exactly is an “improper” payment? What causes an “improper” UC payment?

An improper payment of UC benefits means that a claim for benefits was paid in error. An improper payment of benefits can result when **inaccurate information** is provided by the claimant or employer, or when information is not received by the state UC office in a timely manner. Once an improper payment is detected, the claimant is notified of an “overpayment”.

Did you know . . .

- UC benefits to qualified unemployed workers are funded by employer UC taxes.
- The U.S. Department of Labor estimates that in Fiscal Year 2010 more than 11% of UC benefits were paid improperly, usually because of inaccurate or missing information.
- Improper payment of benefits is a serious problem that has a financial impact on employers and can result in higher UC taxes to all employers.

What can you do to help prevent improper UC payments?

Be an active partner to help improve payment accuracy. Help reduce employer costs by taking four critical steps to provide important information to the Unemployment Compensation program.

1. Report all new and rehired employees to the State Directory of New Hires by the due date, as required by federal law.

Timely reporting of all new hires and rehires helps prevent payment of ineligible UC claims after an individual has returned to work. [Click here for more information about New Hire Reporting!](#)

2. Respond promptly to any “Request for Verification of Weekly Earnings” from UC.

A prompt response to a request for verification of employee weekly earnings will help prevent improper payment of UC benefits. (An employee may be eligible for a partial UC payment, based on part-time work.)

3. Provide complete and accurate Employee Separation Information.

Avoid the need for costly appeals or overpayment of benefits. Provide separation information to help determine claimant eligibility for benefits, and as a result, accurate benefit charges to employers. [You can respond to requests for Employee Separation Information electronically.](#)

4. File and pay your tax returns timely.

Avoid unnecessary interest and/or penalties. Timely filed wages and taxes are used to calculate your benefit ratio. Without full credit for taxes and wages, your rate could increase. [Click here to access employer services through eGov!](#)

The Costs and Consequences of Non-Compliance

Companies that do not comply with state and federal UC requirements for providing employee information face a number of preventable costs and consequences, including:

- ✓ Improper account charges for benefits paid to ineligible claimants
- ✓ Increases in employer UC taxes
- ✓ Possible fines and penalties

In addition to following the UC requirements for reporting employee information, employer partnership with the UC program is just good business.

For more information, please visit <http://labor.alabama.gov/business/>