



Choice of Tax Payment Method for Unemployment Insurance

Name: _____ ESD number: _____
 Mailing address: _____ UBI number: _____
 _____ Business phone: _____

Please note that corporate officers are reportable, regardless of the payment method you choose.

Nonprofit organizations

Please attach a copy of the Certificate of Exemption under Internal Revenue Code Section 501(c)(3).

How would you like to pay for unemployment insurance?

- Normal method: File quarterly wage reports and make quarterly tax payments.
- Reimbursable method: File quarterly wage reports and pay for the benefits that your former employees received during the preceding quarter. *Agency may require a surety bond*

Political subdivisions

Is the political subdivision or instrumentality a city, county, or town?

- Yes. Complete section A. No. Complete section B.

A. Cities, counties, and towns

How would you like to pay for unemployment insurance?

- Local government tax: File quarterly wage reports and make quarterly tax payments
- Reimbursable method: File quarterly wage reports and pay for the benefits that your former employees received during the preceding quarter.

B. All other political subdivisions or instrumentalities of the state.

How would you like to pay for unemployment insurance?

- Normal method: File quarterly wage reports and make quarterly tax payments.
- Reimbursable method: File quarterly wage reports and pay for the benefits that your former employees received during the preceding quarter.

I certify that the statements above are correct to the best of my knowledge.

 Signature Title Date

To file tax reports and pay taxes electronically, please visit esd.wa.gov/file-taxes



You have options

Political subdivisions and most nonprofit organizations that are exempt from federal unemployment taxes under Section 501(c)(3) of the Internal Revenue Code have more than one option for unemployment insurance payments. You can make a choice by completing this form. Here are three options:

Normal method: File quarterly wage reports and make quarterly tax payments

All private sector employers use this method. This option is also available to nonprofit employers and political subdivisions *except* cities, counties and towns. Taxes are paid quarterly, based on the tax rate and tax ceiling in effect for a particular year.

Washington's tax rate is a variable rate determined by the cost of unemployment claims that were paid to an employer's former employees. An employer that has only operated in Washington for a short time is assigned the previous owner's tax rate or the average industry tax rate until enough time has passed to qualify for a rate based on experience. Employers also pay amounts for social tax and the Employment Administration Fund (EAF).

Reimbursable method: Pay for actual benefits of former employees

This option is available to political subdivisions and most nonprofit organizations. A reimbursable employer is billed every three months for its share of unemployment-insurance benefits received by former employees during the preceding calendar quarter. The bill must be paid within 30 days.

Local Government Tax

This method is available only to cities, counties, and towns. Employers who elect this option are assigned a tax rate of 1.25% of total gross wages for the first eight quarters. After that, the tax rate is computed using an experience rating system based on benefits paid to former employees. These rates vary from 0.2% to 3.0%. An employer's local-government tax rate can never increase by more than 1% a year.

If you have questions, please contact the Status Unit at status@esd.wa.gov or 360-902-9360.
Please sign this form and fax to 800-794-7657 or mail to:

Employment Security Department, Status Unit, P.O. Box 9046, Olympia WA 98507-9046

Reimbursable employers at a glance

Who are reimbursable employers?

Only employers who are exempt from Federal Unemployment Tax Act (FUTA) may choose the reimbursable method of paying for unemployment insurance. That includes governmental entities (federal, state, and local), their political subdivisions, and 501(c)(3) nonprofit agencies (religious, educational, charitable, and scientific organizations).

State, federal, and military employers must be reimbursable; while local governmental accounts, subdivisions, and 501(c)(3) nonprofit agencies may choose to be either taxable or reimbursable.

How do reimbursable employers differ from taxable employers?

Taxable employers pay a percentage of their taxable wages each quarter to the Employment Security Department as insurance for unemployment benefits. Reimbursable employers are billed for their share of benefits that were paid to former employees.

How else are reimbursable employers different?

They submit quarterly reports the same as taxable employers. However, they make no payments with their reports. Instead, Employment Security bills them quarterly if there are any benefit charges to their accounts. Payment is due 30 days after the billing date.

How does an employer switch payment methods?

An account remains reimbursable until an employer asks to change to the taxable method or the department converts the account due to delinquent payments. Any request to switch payment methods must be received by November 30 for the following year.

An employer that chooses reimbursable status must remain with that payment method for two years. (The first year the account is registered, the employer can request a change in November.) If the reimbursable method is chosen, ESD may require a surety bond before the method request is processed. A nonprofit organization that becomes taxable must remain taxable for one year, while local government agencies and political subdivisions must remain taxable for two years.

What happens if an employer switches from reimbursable to taxable?

Upon switching from the reimbursable to taxable method, an employer gets a new account number and is treated like a new business. Wages reported are subject to Unemployment Insurance tax. No longer billed for benefits paid to former employees, the employer pays a tax rate that is based on benefits paid in previous years. These benefits determine an experience rating. *If you switch from reimbursable to taxable payment method, you still have to pay for outstanding reimbursable benefit charges.* In other words, you cannot avoid paying for benefits that were paid to your former employees while you were under the reimbursable method.

What else should I know about being a reimbursable employer?

A reimbursable employer is charged whenever benefits are paid to former employees, even if the last employer was different. Furthermore, a reimbursable employer is not eligible for relief of charges. If Employment Security determines that it overpaid a former employee, the reimbursable employer is issued a credit when the money is recovered.