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Eligibility Questions

1. Do I need a Virginia Employment Commission account number? If I do, how do I get One?

- Employers are liable for unemployment tax in Virginia if they are currently liable for Federal Unemployment Tax. General employers are liable if they have had a quarterly payroll of \$1,500 or more or have had an employee for 20 weeks or more during a calendar year. Agricultural, Domestic, and 501C3 Non-Profit employers have different thresholds for liability. Additionally, if you acquire a business that is liable at the time of the acquisition, you are liable. To register and immediately receive a VEC Account Number, go to iReg (<https://www.vec.virginia.gov/employers/tax-registration-massclaims>) [2], our new online registration process. You can also contact a VEC Local Office (<https://www.vec.virginia.gov/vec-local-offices>) [3] or download the form VEC-FC-27 from the Employer Services page (<https://www.vec.virginia.gov/employers>) [4] on this website.

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2. I have a domestic employee in my home. Do I need to pay unemployment tax on these wages?

- This will depend on the amount of wages that you pay during a calendar quarter. You will be liable for state unemployment taxes if the total amount of wages you pay for domestic services in a calendar quarter equals or exceeds \$1,000. The report and tax will be due on a quarterly basis. It should not be confused with Federal Unemployment Tax that is due annually on domestic service and filed with your 1040 return on schedule H by April 15th of each year. Domestic employers, who have a history of quarterly payrolls of less than \$5,000, may be offered the option to file VEC reports on an annual basis. This will only be done if approved in advance and the employer agrees to file reports using IFile (<https://www.vec.virginia.gov/employers/tax-registration-massclaims>) [2].

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3. My company has been defined as a nonprofit tax-exempt organization by the federal Government. Do we have to file unemployment taxes?

- This tax exemption is for corporate income tax. It does not apply to employment taxes. Virginia law specifically exempts from unemployment taxes only nonprofits companies that have a 501 C3 federal tax exemption and have less than 4 employees for 20 weeks in the year. All other non-profit employers are required to file as is any other business Churches, however, are always exempt from UI reporting.

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4. My business is not located in Virginia. I plan to expand and add a Virginia branch. I will be hiring staff to work in Virginia. Where do I report these individuals for unemployment tax purposes?

- Businesses operating in multiple jurisdictions must base their filing requirements on the "localized/non-localized" procedures that each state has. You first determine if the services being rendered are localized, contained in one state. If so, the rule is to report people where they work. That would be the case described here. If they work in multiple states you must look to where their direction and control is centered. Wages earned in Virginia are reportable to Virginia, unless they are incidental. An exception to this is if a specific reciprocal agreement is approved by the VEC and the other state.

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Sub-Contractors / Casual Labor

1. Can I "try-out" an employee before I put them on payroll?

- Any payment for services is reportable to the Commission.

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2. I heard that if I pay someone less than \$600 they are not an employee. Is this true?

- This is not true. If someone performs a service and they are paid, they are an employee unless the Commission determines they are statutorily excluded. The employer must prove the statutory exclusion. All amounts paid for services, no matter how small, are reportable.

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3. Is casual labor reportable for State Unemployment Insurance (SUI)?

- Yes, all labor costs are reportable including casual labor, temporary labor, part-time labor, summer help and other types of miscellaneous labor, no matter the amount, unless they are statutorily exempt.

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4. How does the VEC know employers are reporting incorrectly?

- We sometimes learn this when a former worker files for unemployment benefits and their wages are not recorded in our system. In addition, VEC tax representatives conduct periodic audits of employer accounts. Over 3,700 VEC audits are conducted each year. These audits reveal some employers are not reporting all workers to the Commission and are not reporting compensation correctly. Employers who exclude reportable wages may become subject to additional tax, interest, and penalties.

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5. What if the employee and I both agree that they will be treated as being self-employed?

- The relationship is determined by the statute, not by any agreement between the parties. The Commission decides if the amounts are reportable, not the employer or the employee. Unless the Commission determines otherwise, they are reportable.

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Quarterly Tax Reporting / FC20-21 Questions

1. What do I do after I register a new business?

- Be sure to file all VEC quarterly reports, from the quarter in which employment began through the current quarter. Newly covered employers must file all quarterly tax reports by the due date of the reported quarter to avoid Late Filing penalties on each report. You can also review the Employer Services page (<https://www.vec.virginia.gov/employers>)^[4] of this website or get specific information by clicking here (<https://www.vec.virginia.gov/employers/tax-registration-massclaims>)

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2. What do I do if I don't receive my employer quarterly report?

- You have three options:
 1. File using lfile (<https://www.vec.virginia.gov/employers/tax-registration-massclaims>) [2], our on-line filing application
 2. Contact the nearest VEC Local Office (<https://www.vec.virginia.gov/vec-local-offices>) [3] and they will mail one to you.
 3. Go to the Employer Services page (<https://www.vec.virginia.gov/employers>) [4] on this website and down load a report (VEC-FC-21/20).

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3. What constitutes the "gross wages" reportable for SUI?

- Reportable gross wages are wages after any Section 125 plan deduction but before any 401K, IRA/SEP, or 403B7 deduction. For the most part the SUI reportable wages will be the same as the wages reportable for Medicare purposes, with some exceptions such as the imputed value of employee life insurance over \$50,000. Section 125 plans (sometimes referred to as 'cafeteria plans') may include pre-tax deductions for health insurance, healthcare savings accounts and child care account.

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4. How do I compute excess wages as needed for line B2 on the quarterly tax report?

- **Calculation of Taxable wages.** A simple example appears below. In this example, an employer has one employee to report to Virginia. The first \$8000 in wages is taxable. The employer would calculate taxable wages for the four quarters during the year as follows:

Employer: ACME Corp.

Name/SSN	EIN: 99-9999			
	Wages Paid Quarter 1	Wages Paid Quarter 2	Wages Paid Quarter 3	Wages Paid Quarter 4
John Smith ***-**-9999	\$5,000	\$12,000	\$12,500	\$13,000
Calculation of Taxable wages. Tax is due on the first \$8000 per year		\$ 8,000 - \$5000 = \$3000		
Taxable wages	\$5,000	\$ 3,000	\$ 0	\$ 0
Tax due (5%)	\$250.00	\$150.00	\$ 0	\$ 0

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5. What is the wage base for each employee that I will pay taxes on in Virginia?

- The taxable wage base in Virginia is the first \$8,000 that each employee earns per year.

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6. Is there any penalty for late filing of my employer's quarterly report?

- Virginia law imposes a penalty for failure to file an Employer's quarterly report timely. Reports filed after the due date of the reported quarter are assessed a \$100 late filing penalty. This penalty also applies to state and political subdivision employers. A penalty will not be assessed on reports for

quarters in which no wages were paid. Newly covered employers must file all quarterly tax reports by the due date of the reported quarter to avoid the penalty on each report. Interest will accrue even if a penalty is not due. Deadline dates for filing are April 30th, July 31st, October 31st, and January 31st.

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7. What address should I mail my tax payments and reports to?

- Virginia Employment Commission
P O Box 27592
Richmond VA 23261

Please include your VEC account# and the quarter the payment is for on the check.

The Payment Coupon

(<https://www.vec.virginia.gov/sites/default/files/docstore/vecportal/employer/docs/Payment-Coupon-1.pdf>) ^[5] can be printed and attached if sending a check without a report.

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8. Who can I contact or how do I report a problem with iFile/iReg?

- If you have any comments or questions about iFile, please contact the Virginia Employment Commission at iFilevec@vec.virginia.gov (<mailto:iFilevec@vec.virginia.gov>) ^[6] or (804) 786-1082 or the Virginia Department of Taxation at IFile@tax.virginia.gov (<mailto:IFile@tax.virginia.gov>) ^[7] or (804)367-8037.

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Employer Tax Rate Questions

1. Tax Rate: How are rates assigned?

- Rates are assigned by calendar year, based on the individual situation of the employer. New Virginia employers receive the initial base tax rate of 2.5% (plus add-ons) until eligible for a calculated rate. Others may qualify for an experience base rate or receive an assigned base tax rate.

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2. Tax Rate: What factors determine my tax rate?

- Employers receive a Base Tax Rate, dependent on their particular account history and circumstances, plus across-the-board charges that are applied to all employers, such as Pool Costs and Fund Building Charges. Detailed explanations of these tax rate components are below.

1. Base Tax Rate

A benefit ratio is obtained by dividing the benefit charges against an account by the state unemployment taxable wages for the last four completed fiscal years. This ratio is then applied to the Trust Fund Balance Factor to create the Base Tax Rate. (Benefit charges increase base tax rates; the Trust Fund balance accentuates the effect of the charges)

2. Pool Cost Charge

These charges are applied to all employers to cover benefit costs that cannot be recovered from an individual employer, such as a non-chargeable employer, an employer who has closed, or an employer for which the calculated Base Tax Rate is above the maximum.

3. Fund Building Charge

A charge of .2% applied to all employers when the Trust Fund balance is 50%, or less.

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3. Tax Rate: How are experience rates calculated?

- Existing employers can receive a base tax rate, calculated on their particular account history, if they have wages a minimum of 12 full months for the period ending June 30th of the prior year. (In other words, have completed one full fiscal year (July 1-June 30) and have established an account prior to the rate calculation period.

Experience rates are calculated by dividing the benefits charged against the account by the taxable wage amount for the period ending June 30th of the prior year, up to four fiscal years back. This ratio is then applied to the Trust Fund factors to create a base tax.

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4. Tax Rate: I am a new employer, but I acquired a business. How is my tax rate calculated?

- The history and tax rate of the prior business transfers to you, unless you waive that transfer within **60 days of the date of acquisition**. (Must be an arms-length transaction to waive the experience transfer as required by 60.2-536.1.)

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5. Tax Rate: What can cause a maximum base tax rate? (Non-experience rated)

- **No payroll in prior fiscal year?**
If an employer does not have any payroll in the twelve-month period ending June 30th of the year prior to the computation year, a maximum base tax rate of 6.2% is assigned.
- **No taxable payroll in last four fiscal years?**
If an employer has no **paid** taxable payroll during the four-year period ending June 30th of the prior year, they are assigned the maximum base tax rate of 6.2%. This means that the employer has not paid the tax due on the payroll on, or before, the September 30th prior to the computation year.
- **Foreign Contractor?**
Out-of-state highway and building construction contractors are assigned the maximum base tax rate of 6.2% for a minimum of 3 calendar years.
- **Delinquent Employer?**
Employers with delinquent taxes as of July 31st, who do not pay their delinquent taxes and interest within 30 days of being notified, are assigned the maximum base tax rate of 6.2% the following calendar year.

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6. Tax Rate: What are the minimum and maximum Base Tax Rates?

- Normally base tax rates vary from a minimum of .1% up to a maximum of 6.2%.

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