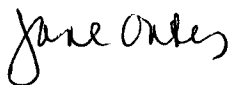


EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION UC - ETA 581 Report Changes
	CORRESPONDENCE SYMBOL OUI/DUIO
	DATE November 9, 2010

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 02-11

TO: STATE WORKFORCE AGENCIES

FROM: Jane Oates
Assistant Secretary 

SUBJECT: Changes to the Employment and Training Administration (ETA) 581 Contribution Operations Report, and related Handbooks

1. **Purpose.** To revise: (a) the ETA 581 Contribution Operations report, (b) Employment and Training (ET) Handbook No. 401, Unemployment Insurance Reports (UIR) Handbook – 4th Edition, and (c) ET Handbook No. 402, UIR User Manual – 5th Edition. The revisions are needed in order to change the following reporting requirements on the ETA 581 Contribution Operations report: (a) delete the items for reporting the number of outstanding contribution reports and estimated contributions for prior quarters; (b) add items for reporting State Unemployment Tax Act (SUTA) dumping detection activities; and (c) include all unreported employees when reporting misclassified employees discovered from audits.

2. **References.**

- Public Law (P.L.) No. 108-295, *The “SUTA Dumping Prevention Act of 2004”*;
- ET Handbook No. 401, 4th Edition, Section II, Chapter 2, *ETA 581 Contribution Operations* ;
- ET Handbook No. 402, 5th Edition, Appendix A, *Report Forms with Data Maps*;
- ET Handbook No. 402, 5th Edition, Appendix B, *ASCII File Format Specifications*;
- ET Handbook No. 402, 5th Edition, Appendix C, *Report Edit Specifications*,
- Unemployment Insurance Program Letter (UIPL) 29-83, Change 3, *Transfers of Experience*;
- UIPL No. 15-84, *Experience Rating – Identification of the Standard Rate and its Application to a Single Schedule of Contribution Rates Applicable to a Single Taxable Wage Base with Respect to a Single Period of Time*;
- UIPL 34-02, *Tax Rate Manipulation – State Unemployment Tax Act (SUTA) Dumping*;
- UIPL No. 30-04 and UIPL No. 30-04, Change 1, *SUTA Dumping – Amendments to Federal Law affecting the Federal – State Unemployment Compensation Program*;
- UIPL No. 33-09, *Measuring State Effectiveness in Implementing State Unemployment Tax Act (SUTA) Dumping Detection and Enforcement Procedures*;
- UIPL No. 30-10, *Proposed Effective Audit Measure for State Unemployment Insurance (UI) Employer Audit Programs*

RESCISSIONS None	EXPIRATION DATE Continuing
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3. **Background.** The ETA 581 Contribution Operations report is a comprehensive summary of each state's unemployment insurance (UI) tax operations and is essential in providing quarterly performance data. ETA 581 Contribution Operations report data are used to monitor and measure program performance and make projections and forecasts in conjunction with the budgetary process. Since recent employer activities with SUTA dumping and worker misclassifications have impacted the UI program, the effect of those activities on state operations needs to be reported on the ETA 581 Contribution Operations report. In addition, an evaluation of state data on outstanding reports and estimated contributions due has made those reporting items expendable. Background information on the report changes follow:
- a. **Number of outstanding reports and estimated contributions for prior quarters.** States have reported the number of quarters represented by contribution reports outstanding for all quarters prior to the report quarter in item 12, cell c13a on the report. States have also calculated and reported an estimate for the UI tax due on those delinquent quarterly reports in item 13, cell c13b on the report. Since the data collected in the two cells have never been included in the UI Performs Computed Measures, nor have the data been included in any other aggregated reports, the cells will be removed from the ETA 581 Contribution Operations report.
 - b. **SUTA dumping activities.** The SUTA Dumping Prevention Act of 2004 was enacted to curtail an employer tax avoidance practice known as "SUTA dumping". In SUTA dumping, employers shift workforce/payroll in order to avoid paying contributions at higher tax rates. States have amended their UI laws as required by the Act and implemented procedures for detecting SUTA dumping. Three new cells will be added to the ETA 581 Contribution Operations report so that states can report their SUTA dumping activities.
 - c. **Misclassified employees discovered from audits.** States have reported the number of employees misclassified as independent contractors that were discovered through audits in item 52, cell c69 on the ETA 581 Contribution Operations report. However, ETA 581 Contribution Operations report instructions have not allowed states to report other unreported (off-the-books) workers discovered in audits if the employers did not classify the workers as independent contractors. Since it is important to discover all unreported workers in audits and not just independent contractors, states will report all unreported workers discovered in audits on the ETA 581 Contribution Operations report.
4. **Office of Management and Budget (OMB) Approval.** The changes to the ETA 581 Contribution Operations report have been approved by OMB according to the Paperwork Reduction Act of 1995, under OMB approval No. 1205-0178, which expires on December 31, 2011. Respondents' obligation to reply to these reporting requirements is required to obtain or retain benefits (SSA 302(a)). Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number.
5. **Revisions to Form 581.** The ETA 581 Contribution Operations report for the report quarter ended March 31, 2011, will show the following changes:

- a. Number of outstanding reports and estimated contributions for prior quarters. The following items will be removed from the form:
 - 1) Item 12, cell c13a - Number of Outstanding Quarters Prior to Report Quarter;
 - 2) Item 13, cell c13b – Total Estimated Contributions Due
- b. SUTA dumping activities. Line 503, “SUTA Dumping” will be added and show the following items:
 - 1) Item 59, cell c70 – Number of Mandatory Transfers
 - 2) Item 60, cell c71 – Number of Prohibited Transfers
 - 3) Item 61, cell c72 – Total Net Contributions Due
- c. Misclassified employees discovered from audits. The name for item 52, cell c69, will be changed from “Number of Employees Misclassified as Independent Contractors” to “Number of Employees Misclassified.”

6. Revisions to ET Handbook No. 401, UIR Handbook, 4th Edition. Section II of ET Handbook No. 401 provides instructions for completing the ETA 581 Contribution Operations report. As a result of the changes to the ETA 581 Contribution Operations report, the following changes to Section II of ET Handbook No. 401 have been made:

- a. Number of outstanding reports and estimated contributions for prior quarters. Instructions for items 12 and 13 have been removed from section F, “Item by Item Instructions.”
- b. SUTA dumping activities. Five new definitions have been added to section E, “Definitions” as shown below. The purpose of the definitions is to clarify the instructions concerning the new cells for SUTA dumping.
 - 1) **Unemployment Experience:** Amounts that are used in the state’s computation of contribution rates for employers in accordance with its system of experience rating (e.g., benefit payments, benefit wages, contributions, taxable wages, total wages).
 - 2) **Mandatory Unemployment Experience Transfer:** Unemployment experience is transferred between employers as required by the state’s unemployment compensation law.
 - 3) **Prohibited Unemployment Experience Transfer:** As required by the state’s unemployment compensation law, unemployment experience is not transferred to an employer who acquired a business because the state found that the employer acquired the business solely or primarily for the purpose of obtaining a lower rate of contributions.

- 4) SUTA Dumping: Employer or advisor actions, or inactions, that manipulate state experience rating systems for the purpose of obtaining a lower contribution rate assignment than the employer's unemployment experience would otherwise allow.
- 5) SUTA Dumping Investigation: This is a further investigation conducted after completion of a regular status determination (e.g., new or successorship) to determine whether unemployment experience must or must not be transferred between employers. The state initiates a SUTA dumping investigation to ensure that higher rates of contributions are not avoided through the transfer or acquisition of a business. Most investigations are identified through the use of the state's automated SUTA dumping detection system.

Instructions for the new cell items have been added to section F, "Item by Item Instructions", as follows:

Line 503 - SUTA Dumping Detection Activity. Line 503 shows unemployment experience transfer determinations (mandatory or prohibited) and resulting changes in contributions due that were identified by a state's SUTA dumping investigations. A state investigates employers to ensure that unemployment experience was transferred as required by law, or not transferred when prohibited by law, so that higher rates of contributions are not avoided through the transfer or acquisition of a business. The unemployment experience transfer determinations follow employer attempts to manipulate experience rating systems for the purpose of obtaining a lower rate of contributions, or the state's own failures to apply its law regarding unemployment experience transfers properly.

- 1) Item 59. Number of Mandatory Transfers. Enter the number of mandatory unemployment insurance transfers that were the result of SUTA dumping investigations and were entered on the state's system during the report quarter. Include full and partial mandatory transfers of unemployment experience. Include all mandatory transfers, even if the transfers did not result in changes to previously assigned contribution rates.

Note: If a state inactivated/terminated employer accounts under "continuity of control" provisions in state law as a result of SUTA dumping investigations, include those employers as mandatory transfers, (i.e., count the inactivated/terminated accounts).

Do not include mandatory transfers identified in the normal process of making regular status determinations that resulted in the establishment of new accounts for successor employers, as well as those employers who already had an existing account and acquired all or part of the business of another employer with an existing account. The process of making regular status determinations normally begins with information received from employers and other sources outside of the state unemployment insurance agency.

- 2) Item 60. Number of Prohibited Transfers. Enter the number of prohibited unemployment experience transfers that were the result of SUTA dumping investigations and were entered on the state's system during the report quarter. Count all employers who were prohibited from inheriting unemployment experience, in whole or in part. Count all prohibited transfers even if previously assigned contribution rates were not changed.
- 3) Item 61. Total Net Contributions Due. Enter the total amount of contributions due, less the amount of contributions overpaid, that were the result of changes to contribution rates during the report quarter due to mandatory and prohibited transfers reported.

Net contributions are the difference between contributions due on taxable wages before rates were changed and contributions due on those taxable wages after the rates were changed. Taxable wages include actual taxable wages reported by employers and estimated taxable wages for legally enforceable contributions due. Compute differences on contributions due on taxable wages, whether or not contributions have been paid.

Do not include net contributions on taxable wages reported or estimated after the report quarter in which rates were changed, even if the contributions due were affected by rate changes due to mandatory or prohibited transfers.

Example: Net Contributions for One Employer.

For the report quarter ending December 31, 2011 – Assumes that annual rates for CY 2010 and CY 2011 are changed in the fourth quarter of 2011. Also assumes that the CY 2010 rate is decreased and the CY 2011 rate is increased from their original rates;

Year/Quarter	Contributions Due at Old Rate	Contributions Due at New Rate	Difference
2010/q1	\$ 8,875	\$ 8,300	(\$575)
2010/q2	\$ 6,300	\$ 6,100	(\$200)
2010/q3	\$ 4,985	\$ 4,860	(\$125)
2010/q4	\$ 3,000	\$ 2,900	(\$100)
Totals for 2010	\$23,160	\$22,160	(\$1,000)
2011/q1	\$15,800	\$19,550	\$3,750
2011/q2	\$13,730	\$15,980	\$2,250
2011/q3	Delinquent when rate changed	Delinquent when rate changed	Not Included
2011/q4	Not due when rate changed	Not due when rate changed	Not Included
Totals for 2011	\$29,530	\$35,530	\$6,000

Summary:

Credits on 2010 quarters:	(\$1,000)
Contributions due on first two quarters of 2011:	<u>\$6,000</u>
Total Net Contributions Due included on ETA 581 Report:	+\$5,000

(Note: Net contributions due on the third and fourth quarters of 2011 are excluded since taxable wages were not reported before December 31, 2011. Assumes employer will pay contributions on each quarter at the new contribution rate without adjustments.)

Example: Net Contributions for All Employers.

For the report quarter ending December 31, 2011 – Rates changed and entered on the state’s system during the fourth quarter of 2011;

Contributions due on all quarters for which rates were changed:	\$500,000
Credits on all quarters for which rates were changed:	<u>(\$100,000)</u>
Net contributions reported on the ETA 581 Report:	+\$400,000

- c. Misclassified employees discovered from audits. The instruction for Item 52 has been revised to: Item 52. Number of Employees Misclassified. Enter the total number of employees discovered through audits in item 47 that were previously misclassified by employers. Include all employees that were discovered through audits, including those reported by employers on IRS form 1099 as well as workers that were unreported (off-the-books). Count only employees discovered in quarters that were actually audited as reported in item 48.
7. **Revisions to ET Handbook No. 402, UIR Handbook, 5th Edition.** ET Handbook No. 402 provides instructions on how states should enter data for the ETA 581 Contribution Operations report to the National UI Report system. ET Handbook No. 402 has been revised to reflect the changes to the ETA 581 Contribution Operations report as follows:
- a. A revised ETA 581 Contribution Operations report (data map) has replaced the previous form in Appendix A.
 - b. The ASCII file format specifications for the new cells have been revised in Appendix B as follows: Item 59 (cell c70) and item 60 (cell c71) will require the integer data type. Item 61 (cell c72) will require the decimal data type. See the beginning of Appendix B for information on data types. The data type specifications for item 12 (cell c13a) and item 13 (cell c13b) have been deleted from the appendix since reporting for the items will be discontinued.
 - c. The edit specifications for the new cells have been added to Appendix C. Entries for item 59 (cell c70) and item 60 (cell c71) can not be negative, nor null. An entry for item 61 (cell c72) can be negative (enter a minus sign (-)); however, an entry can not be null.

8. **Effective Date.** The effective date for implementing the changes to the ETA 581 Contribution Operations report is for the report quarter ending March 31, 2011. A state which experiences problems gathering and reporting data on SUTA dumping activities for the first quarter of 2011 may request an extension from its Regional Office in order to begin reporting data on a subsequent quarterly report. However, all states must begin to report data on SUTA dumping activities for the quarter ending December 31, 2011.
9. **Action Requested.** State administrators are requested to distribute this advisory to appropriate staff for implementation of the reporting changes. In addition, perform the following handbook maintenance:
 - a. ET Handbook No. 401 – Remove and destroy Section II, Chapter 2, pages 11-2-1 to 11-2-23, dated 4/2007, and replace with the attached pages 11-2-1 to 11-2-25, dated 10/2010.
 - b. ET Handbook No. 402 – Replace Appendix A, pages A-31 and A-32 with the attached pages A-31 and A-32. Replace Appendix B, page B-17 with the attached page B-17. Replace Appendix C, page C-19 with the attached page C-19.
10. **Inquiries.** Questions should be addressed to your Regional Office.
11. **Attachments.** Revised Section II, Chapter 2 of ET Handbook No. 401 and the following revised pages from ET Handbook No. 402:
 - a. Appendix A, pages A-31 and A-32
 - b. Appendix B, page B-17
 - c. Appendix C, page C-19

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A. Facsimile of Form

ETA 581 - CONTRIBUTION OPERATIONS

STATE	REGION	REPORT FOR PERIOD ENDING						
Employer Count	Line 101	End Quarter Employers			Delinquency Cutoff Date	Total Number Wage Items Received		
		Contributory	Reim- bursement	Total				
		(1)	(2)	(3)	(4)	(5)		
Employer Reports for Preceding Quarters	201	Contributory Employers			Reimbursing Employers			
		Filing Timely	Secured	Resolved	Filing Timely	Secured	Resolved	
		(6)	(7)	(8)	(9)	(10)	(11)	
Status Determinations	301	Newly Established Employers			Successor Employers			
		Number	Time Lapse <=90	Time Lapse <=180	Number	Time Lapse <=90	Time Lapse <=180	
		(14)	(15)	(16)	(17)	(18)	(19)	
		Inactivations/Terminations						
		(20)						
Contributory Employers Receivables	401	Total Beginning Period	Deter- mined Receivable	Liquidated	Declared Uncol- lectible	Removed End Period	Total End Period	
		(21)	(22)	(23)	(24)	(25)	(26)	
		Number Employers Owing Receivables in (26)						
		(27)						
Age of Contributory Receivables	402	6 Months or Less	9 Months	12 Months	15 Months	Over 15 Months		
		(28)	(29)	(30)	(31)	(32)		
Reimbursing Employers Receivables	403	Total Beginning Period	Deter- mined Receivable	Liquidated	Declared Uncol- lectible	Removed End Period	Total End Period	
		(33)	(34)	(35)	(36)	(37)	(38)	
		Number Employers						

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		Owing Receivables in (38)						
		(39)						
Age of Reimbursing Receivables	404	6 Months or Less	9 Months	12 Months	15 Months	Over 15 Months		
		(40)	(41)	(42)	(43)	(44)		
Audit Activity	501	Number of Audits				Calendar Quarters Audited		
		Large Employers	Change Audits	Total Audits				
		(45)	(46)	(47)		(48)		
		Total Wages Audited		Hours Spent Auditing		Number of Employees Misclassified		
		Pre-Audit	Post-Audit					
		(49)	(50)	(51)		(52)		
	502	Amount Underreported						
		Total Wages		Taxable Wages		Contributions		
		(53)		(54)		(55)		
Amount Overreported								
Total Wages		Taxable Wages		Contributions				
(56)		(57)		(58)				
SUTA Dumping	503	Number of Mandatory Transfers		Number of Prohibited Transfers		Total Net Contributions Due		
		(59)		(60)		(61)		

Comments:

OMB No.: 1205-0178 **OMB Expiration Date:** 12/31/2011 **OMB Burden Hours:** 8.5 Hours
OMB Burden Statement: These reporting instructions have been approved under the Paperwork reduction Act of 1995. Persons are not required to respond to this collection of information unless it displays a valid OMB control number. Public reporting burden for this collection of information includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Submission is required to retain or obtain benefits under SSA 303(a)(6). Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Labor, Office of Workforce Security, Room S-4231, 200 Constitution Ave., NW, Washington, DC, 20210.

B. Purpose

The ETA 581 report provides information on volume of work and state agency performance in determining the taxable status of employers and the processing of wage items; in the collection of past due contributions and payments in lieu of

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contributions, and delinquent reports; and in field audit activity. The data provide measures of the effectiveness of the tax program.

C. Due Date and Transmittal

The ETA 581 report for each calendar quarter is due in the Employment and Training Administration National Office on the 20th day of the second month following the quarter to which it relates, i.e., May 20, August 20, November 20, and February 20. This report will be transmitted electronically.

D. General Reporting Instructions

Checking the Report. Entries should be made for all items. If no activity corresponding to the items occurred during the report period, a zero should be entered. A report containing missing data can not be sent to the National Office but can be stored on the state's system. Edit checks can be found in Handbook 402, Unemployment Insurance Required Reports User's Manual, Appendix C.

E. Definitions

1. Report Quarter. A calendar quarter (3 months) referenced on ETA reports covering a state's activities and transactions occurring within or existing as of the end of the quarter specified.
2. Active Employer. An "employer" (single or multi-unit) who has met a specific threshold or condition of liability contained in the state's unemployment compensation law, is currently registered and required to file contribution and wage reports (CWRs), and (except for new employers establishing liability within the 581 report quarter) has reported wages during one or more of the eight consecutive calendar quarters immediately preceding the ETA 581 report quarter.
3. Inactive Employer. An employer who does not qualify for termination of coverage by reason of no longer meeting the state's definition of "Employer" but:
 - a. has notified the agency it is no longer paying wages and has been granted permission to suspend filing of quarterly reports, or
 - b. has been administratively granted permission to suspend filing quarterly reports by reason of no longer paying wages, or
 - c. has not reported wages for any of the eight consecutive calendar quarters immediately preceding the ETA 581 report quarter. For these employers the effective date for inactivation shall be the last day of the eighth no wage quarter (or the first day of the ninth quarter depending on state specific inactivation procedures).

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Example: Consider an employer who was issued a determination of liability during the fourth quarter of 2008 and reported some wages in the fourth quarter of 2008. However, no wages were reported for the first quarter 2009 through the fourth quarter of 2010 (either because of failure to file required CWRs, "No Payroll" reports, or any combination of these). Assume that a fourth quarter 2010, No-Payroll CWR was received and processed timely on January 31, 2011. Under part "c" of the definition of Inactive Employer the employer would become inactive as of 12/31/2010 (or 1/1/2011 depending on state-specific inactivation procedures) and therefore would not be included in the active employer count made on 3/31/2011. This employer would be counted in Item 20, Inactivations/Terminations for the 3/31/2011 ETA 581 report.

4. Annual-reporting Employer. An employer who is permitted to file contribution and wage reports on an annual basis.
5. Contributions. The amount of state unemployment taxes, including voluntary payments, paid or payable into a state unemployment fund by an employer based on the taxable wages paid to an employee.
6. Subject Employer. An employing unit which has met a threshold or condition of liability under state unemployment compensation law; also a liable employer or a covered employer.
7. Contributory Employer. An employer who is required by the state unemployment compensation law to pay contributions into the state unemployment fund. Employers of certain classes who are not required to pay contributions but elect to do so and employers with a 0.0% contribution rate are included in the definition of "contributory employer."
8. Reimbursing Employer. Certain nonprofit organizations, state or local government and political subdivisions which elect or are required to pay into the state unemployment fund a sum in lieu of contributions as provided in the state unemployment compensation law (usually an amount equal to unemployment benefits drawn against such an employer account).
9. Delinquency Cutoff Date. The date on which employers who have not submitted contribution and wage reports for a specific quarter are notified of such by the mailing of first delinquency notices.
10. Wage Item. A statement of wages for which, as the result of regular processing, a separate record is kept in a wage record file by employee name or Social Security Account Number.

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11. Due Date (Contribution Report). The date, after which the state can impose penalty and/or interest, whichever is first applicable.
12. Secured Report. A contribution report which has been received. Unless received a report is not considered secured even if a final assessment or a ruling of non-liability has been made.
13. Resolved Report. A contribution report which has been received or resolved by a final assessment of tax that is legally due and collectible or by a determination of non-liability.
14. Status Determination. Any recorded administrative action that establishes, modifies, changes, inactivates or terminates an employing unit's liability as an employer under the state unemployment compensation law.
15. Newly Established Account. An account for an employing unit which is determined, for the first time, as meeting the definition of "EMPLOYER" in the state unemployment compensation law or a previously terminated employing unit which again is determined as meeting the definition of employer.
16. Successor. An employing unit which has acquired the organization, trade, or business, in whole or in part, of another employer, and is declared subject as a successor as of the day on which it meets the requirements of the state unemployment compensation law for successorship.
17. Terminated Employer. An employer, who may or may not have previously been granted permission to suspend filing quarterly reports (made inactive), but has requested and been granted termination of coverage or has administratively been granted termination of coverage by reason of not meeting the definition of "EMPLOYER" in the state unemployment compensation law.
18. Receivables.
 - a. Contributory employers: past due contributions (state unemployment taxes), not including penalty and interest, which were due and payable with the employer's contribution report. Receivables include assessments and final assessments which are legally collectible and enforceable.
 - b. Reimbursing employers: past due amounts for reimbursable benefit payments that were charged and billed to reimbursing employers.
19. Estimate - Contributions Due. A calculation of contributions due for which a quarterly report has not yet been received. Estimates are usually based on past experience of an employer's account, and may be a "best reasonable calculation". An estimate may or may not be legally collectible and enforceable

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- under the state unemployment compensation law. Estimates for purposes of item 13 are not receivables for purposes of lines 401 and 402.
20. Assessment. A liability established administratively for contributions due, usually based on an estimate and charged to an employer account with the expectation that it will be paid by the employer. For purposes of lines 401 and 402, an assessment is a receivable only if it is legally collectible and enforceable. It is no longer an estimate for statistical purposes of item 13.
 21. Final Assessment. The same as assessment but requires completion of some due process (e.g., employer notification and expiration of an appeal period) to be legally collectible under the state unemployment compensation law.
 22. Liquidated Amount. An amount received or an adjustment which cancels a previously established receivable.
 23. Declared Uncollectible (Write off). A receivable amount for which all reasonable collection efforts have been exhausted and which has been officially written off and/or authorized for removal from the active accounts receivable file and transferred to suspense (no further action to be taken).
 24. Aging of Receivables. The process of identifying and classifying receivable amounts according to the length of time such amounts have remained unpaid, e.g., 6 months or less, 9 months, 12 months, 15 months, over 15 months.
 25. Audit. A systematic examination of an employer's books and records, using generally accepted auditing standards and procedures, covering a specified period of time during which the employer is liable for reporting under the law or, is found to be liable as a result of the examination. An audit must:
 - a. Include an opening interview,
 - b. Cover a minimum of four calendar quarters (except as specified in ES Manual, Part V, Section 3675),
 - c. Verify the business entity as a sole proprietor, partnership, corporation, joint venture, or other,
 - d. Document records examined and evidence obtained in tests used to verify payroll procedure, accuracy and completeness,
 - e. Document records available and examined and the evidence obtained in the search for misclassified workers and payments,

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- f. Conclude with a close-out conference with the employer or designated representative or include an explanation if not conducted; and
 - g. Include a written report stating the auditor's final determination and all facts contributing to or supporting that final determination.
26. Large Employer Audit. An audit of an employing unit:
- a. Reporting wages paid to 100 or more individuals during the current or preceding calendar year, or
 - b. Reporting at least \$1,000,000 in taxable payroll for the calendar year preceding the first quarter being audited.
27. Change Audit. An audit resulting in the discovery of wages or taxes not previously reported or reported incorrectly by the employer. Note: Delinquent employer reports obtained at the same time an audit is conducted, but are not related to any quarter covered by the audit, must not be considered in determining if the audit is a change audit.
28. Misclassified Employee. An employee discovered through an audit that was previously not reported by the employer to the state for unemployment insurance purposes. This item would include employees that were reported to the IRS on IRS form 1099 as an independent contractor, and employees that were unreported (off-the-books) by the employer.
29. Unemployment Experience. Amounts that are used in the state's computation of contribution rates for employers in accordance with its system of experience rating (e.g., benefit payments, benefit wages, contributions, taxable wages, total wages).
30. Mandatory Unemployment Experience Transfer. Unemployment experience is transferred between employers as required by the state's unemployment compensation law.
31. Prohibited Unemployment Experience Transfer. As required by the state's unemployment compensation law unemployment experience is not transferred to an employer who acquired a business because the state found that the employer acquired the business solely or primarily for the purpose of obtaining a lower rate of contributions.
32. State Unemployment Tax Act (SUTA) Dumping. Employer or advisor actions, or inactions, that manipulate state experience rating systems for the purpose of obtaining a lower contribution rate assignment than the employer's unemployment experience would otherwise allow.

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33. SUTA Dumping Investigation. This is a further investigation conducted after completion of a regular status determination (e.g., new or successorship) to determine whether unemployment experience must or must not be transferred between employers. The state initiates a SUTA dumping investigation to ensure that higher rates of contributions are not avoided through the transfer or acquisition of a business. Most investigations are identified through the use of the state's automated SUTA dumping detection system.

F. Item by Item Instructions

1. Employer Count. Items 1, 2, and 3 relate to the count of active employers only. Do not include inactive or terminated employers. If an annual-reporting employer becomes inactive or is terminated, such an employer is immediately excluded from the count of active employers at the end of the quarter in which the inactivation or termination is effective, as opposed to at the end of the calendar year in which the inactivation or termination is effective.

Note: To obtain an accurate count of the number of employers at the end of the ETA 581 report quarter, a computer program (or other reliable tool) must be used which identifies and counts employers who meet the definitions of active contributory employer (item 1) and active reimbursing employer (item 2).

Example: For the ETA 581 report quarter ending 3/31/2011, the state must count the active employers as of 3/31/2011. Employers who either report 'no wages' or fail to file reports or any combination of these, for eight consecutive CWR quarters (see the definition for Inactive Employer) should be excluded from the count. The computer run to make the employer count must be set to count all active contributing and all active reimbursing employers (separately) at the end of the ETA 581 report quarter.

- a. Item 1. Contributory. Enter the number of active contributory employers subject to the state unemployment compensation law at the end of the report quarter. Include employers with a 0.0% contribution rate and employers from certain classes who are not required to pay contributions but have elected to do so.
 - b. Item 2. Reimbursing. Enter the number of active reimbursing employers subject to the state unemployment compensation law at the end of the report quarter.
 - c. Item 3. Total. Enter the total number of active employers (sum of items 1 and 2) subject to the state unemployment compensation law at the end of the report quarter.
2. Delinquency Cutoff Date and Wage Items Received.

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- a. Item 4. Delinquency Cutoff Date. Enter the date on which employers, whose CWRs have not been submitted for the quarter immediately preceding the ETA 581 report quarter, were notified of such by the mailing of first delinquency notices.
- b. Item 5. Total Number of Wage Items Received. Enter the number of wage items received and processed during the quarter.

Count "Wage Items" after initial data entry or before or during the quarterly update of the Wage Record Master File. The quarterly count should be made consistently at the same point every quarter.

If a wage record is incomplete, e.g., some elements are omitted, count only those records containing a dollar amount and another element which positively identifies the worker either by name or Social Security number; or by employer name or account number. A wage item is counted only once. Corrected wage items are counted only if they were not previously included. The percent of change in the number of wage items from the preceding quarter should be computed. If the percent of change (either increase or decrease) exceeds the criteria below, data should be checked further and explained under "Comments."

<u>Number of Wage Items</u>	<u>Percent Change</u>
5,000,000 or more	7%
3,000,000 - 4,999,999	10%
Less than 3,000,000	20%

3. Employer Reports for Preceding Quarters - Contributory Employers
 - a. Item 6. Filing Timely. Enter the number of contributory employers who, as of the due date, had submitted contribution reports for the quarter preceding the report quarter. For annual-reporting employers: If the report quarter is not the quarter in which annual reports are due, include the total number of annual-reporting employers as of the end of the preceding quarter in the count of "filing timely" since such employers are considered to have met that quarter's reporting requirements, i.e., no reports required. If the report quarter is the quarter in which annual reports are due, include the number of annual-reporting employers who, as of the due date for annual reports, had submitted such reports.
 - b. Item 7. Secured. Enter the number of contributory employers who, as of the last day of the report quarter, had submitted contribution reports for the preceding quarter. If annual reports were not due during the report quarter, include the number of annual-reporting employers as of the end of the

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preceding quarter. If annual reports were due during the report quarter, include the number of annual-reporting employers who, as of the last day of the report quarter, had submitted annual reports. This number includes all employers whose reports were actually secured (report in hand). Employers whose report delinquencies were resolved by the issuance of an assessment or estimate as well as employers found to be no longer liable are not counted as secured reports, and, therefore, are not counted in this item. This count includes the number of reports filed timely in item 6.

- c. Item 8. Resolved. Enter the number of contributory employers who, as of the last day of the report quarter, had resolved reports for the second quarter preceding the report quarter. If annual reports were not due during the second quarter preceding the report quarter, include the total number of annual-reporting employers as of the end of the second quarter preceding the report quarter. If annual reports were due during the second quarter preceding the report quarter, include the number of annual-reporting employers who, as of the last day of the report quarter, had resolved reports for the second quarter preceding the report quarter. Employers whose report delinquencies were cleared by the issuance of an assessment or estimate, as well as employers found to be no longer liable are counted as resolved reports, and therefore, are counted in this item.

Example: For items 6, 7, and 8 assuming that annual reports are due January 31 of the following year:

For the report quarter ending March 31, 2011;

Timely - Enter in item 6, the number of contributory employers who, as of the due date, had submitted contribution reports for the quarter ending December 31, 2010, and the number of annual-reporting employers who had submitted annual reports for the year ending December 31, 2010, by January 31, 2011,

Secured - Enter in item 7, the number of contributory employers who, as of March 31, 2011, had submitted contribution reports for the quarter ending December 31, 2010, and include the number of annual-reporting employers who, as of March 31, 2011, had submitted annual reports for the year ending December 31, 2010. Do not include employers to whom assessments have been issued, or for whom determinations of non-liability have been made.

Resolved - Enter in item 8, the number of contributory employers who, as of March 31, 2011, had resolved reports for the quarter ending September 30, 2010, and include the total number of annual-reporting employers as of September 30, 2010. Include employers to whom assessments have been issued, or for whom determinations of non-liability have been made.

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For the report quarter ending June 30, 2011;

Timely - Enter in item 6, the number of contributory employers who, as of the due date, had submitted contribution reports for the quarter ending March 31, 2011. Include the total number of annual-reporting employers as of March 31, 2011,

Secured - Enter in item 7, the number of contributory employers who, as of June 30, 2011, had submitted contribution reports for the quarter ending March 31, 2011. Include the total number of annual-reporting employers as of March 31, 2011. Do not include employers to whom assessments have been issued, or for whom determinations of non-liability have been made.

Resolved - Enter in item 8, the number of contributory employers who, as of June 30, 2011, had resolved reports for the quarter ending December 31, 2010 and the number of resolved reports for annual-reporting employers for the year ending December 31, 2010. Include employers to whom assessments have been issued, or for whom determinations of non-liability have been made.

4. Employer Reports for Preceding Quarters - Reimbursing Employers.
- a. Item 9. Filing Timely. Enter the number of reimbursing employers who, as of the due date, had submitted required reports for the quarter preceding the report quarter.
 - b. Item 10. Secured. Enter the number of reimbursing employers who, as of the last day of the report quarter, had submitted required reports for the immediately preceding quarter. Do not include those employers whose delinquency was resolved because they were found to be no longer liable.
 - c. Item 11. Resolved. Enter the number of reimbursing employers who, as of the last day of the report quarter, had submitted required reports for the second quarter preceding the report quarter. Include those employers whose delinquency was resolved because they were found to be no longer liable.

Example - For items 9, 10, and 11:

For the report quarter ending June 30, 2011;

Timely - Enter in item 9, the number of reimbursing employers who, as of the due date, had submitted required reports for the quarter ending March 31, 2011,

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Secured - Enter in item 10, the number of reimbursing employers who, as of June 30, 2011, had submitted required reports for the quarter ending March 31, 2011. Do not include employers, for whom determinations of non-liability have been made,

Resolved - Enter in item 11, the number of reimbursing employers who, as of June 30, 2011, had resolved reports for the quarter ending December 31, 2010. Include employers for whom determinations of non-liability have been made.

5. Status Determinations - Status Determinations Made During Report Quarter.
 - a. Item 14. Number, Newly Established Employers. Enter the number of status determinations made during the report quarter based on an employer having met a specific threshold or condition of liability contained in the state's unemployment compensation law, which resulted in the establishment of a new account. Do not include those determinations which resulted in the establishment of a new account for a successor employer. Also exclude status determinations for employers who have been assigned account numbers in advance of having met a threshold or conditions of liability. Include status determinations which re-established accounts for previously inactivated and/or terminated employers.
 - b. Item 15. Time Lapse - 90 Days or Less, Newly Established Employers. Enter the number of status determinations in item 14 that were made in 90 days or less from the end of the quarter in which liability occurred. Count the number of calendar days from the end of the quarter in which liability occurred to the date that the status information was officially entered into the state's system. For previously inactivated and/or terminated employers, count the number of days from the end of the quarter in which liability re-occurred. If the status information is entered before the end of the quarter in which liability occurred or re-occurred, the determination is automatically counted in the 90 days or less time lapse category.
 - c. Item 16. Time Lapse - 180 Days or Less, Newly Established Employers. Enter the number of status determinations in item 14 that were made in 180 days or less from the end of the quarter in which liability occurred. Count the number of calendar days from the end of the quarter in which liability occurred to the date that the status information was officially entered into the state's system. For previously inactivated and/or terminated employers, count the number of days from the end of the quarter in which liability re-occurred. This count includes the number of status determinations reported for the 90 days or less time lapse in item 15.

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- d. Item 17. Number, Successor Employers. Enter the number of status determinations made during the report quarter in which the state's legal definition of successorship was met and the employer was, thus, classified as a successor. Include full and partial successorships. Include status determinations which resulted in the establishment of new accounts for successor employers, as well as those employers who already had an existing account and acquired all or a part of the business of another employer with an existing account.

Example: Employer B, who previously has not been a subject employer, acquires and continues the business of Employer A. Employer B is determined to be a successor and is counted in item 17 as a successor rather than in item 14 as a newly established account.

Employer X, who is registered as an active subject employer, acquires and continues the business of Employer Y. Employer X is determined to be the successor to Employer Y and should also be counted in item 17.

- e. Item 18. Time Lapse - 90 Days or Less, Successor Employers. Enter the number of status determinations in item 17 that were made in 90 days or less from the end of the quarter in which liability as a successor occurred. Count the number of calendar days from the end of the quarter in which liability occurred to the date that the status information was officially entered into the state's system. If the status information is entered before the end of the quarter in which liability occurred, the determination is automatically counted in the 90 days or less time lapse category.
- f. Item 19. Time Lapse - 180 Days or Less, Successor Employers. Enter the number of status determinations in item 17 that were made in 180 days or less from the end of the quarter in which liability as a successor occurred. Count the number of calendar days from the end of the quarter in which liability occurred to the date that the status information was officially entered into the state's system. This count includes the number of status determinations reported for the 90 days or less time lapse in item 18.
- g. Item 20. Inactivations/Terminations: Enter the number of status determinations made during the report quarter that resulted in the inactivation or termination of an account, whether made by a person or automatically made by the system. This number should include all accounts rendered inactive or terminated during the report quarter because no wages were reported for eight consecutive quarters. Annual-reporting employers that are terminated should be counted in the quarter in which the inactivation or termination is effective, as opposed to at the end of the calendar year in which the inactivation or termination is effective. Refer to F.1. Employer Count. Do not include terminations of employers previously inactivated.

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6. Receivables - Contributory Employers. Line 401 shows accounting control activities during the report quarter in regard to receivables due from contributory employers. Line 401 covers (as of the last day of the report quarter) all known receivables due for all calendar quarters prior to the report quarter.
- a. Item 21. Total Receivables at the Beginning of Period. Enter the total amount of known past due contributions at the beginning of the period. This amount should be equal to item 26 on the previous report.
 - b. Item 22. Amount Determined Receivable During Report Period. Enter the amount of contributions determined to be past due during the report quarter based on contribution reports received without full payment of taxes, audit findings, adjustments, legally enforceable estimates and assessments and final assessments. Include all such receivables even though they are paid later in the quarter, otherwise liquidated or declared uncollectible. Do not include estimates and assessments which are not legally collectible or enforceable. Do not include interest and penalties.
 - c. Item 23. Receivables Liquidated During Report Period. Enter amounts which were liquidated during the report quarter, other than by being declared uncollectible, which reduced the amounts in items 21 and 22. Do not include timely contributions received during the report quarter.
 - d. Item 24. Receivables Declared Uncollectible During Report Period. Enter amounts reported in items 21 and 22 that were declared uncollectible and/or transferred to suspense status during the report quarter. Do not include amounts previously reported in item 25 (receivables removed from active file at end of report period) if such amounts were later declared uncollectible.
 - e. Item 25. Receivables Removed from Active File at End of Report Period. Enter amounts included in item 21 (total receivables at beginning of period) that were reported in item 32 (over 15 months - age category) for the two immediately preceding ETA 581 report periods, but because of state policy, have not been declared uncollectible.

Example: A receivable amount of \$500 attributable to the quarter ending June 30, 2009 was included in total receivables at the end of report period (item 26) and, for the first time, reported in the "over 15 months" age category (item 32) on the ETA 581 report for the quarter ending December 31, 2010. The \$500 was not collected or declared uncollectible during the quarter ending March 31, 2011, and, therefore, was included in total receivables at the end of report period (item 26) and the "over 15 months" age category (item 32) for a second report quarter. Since item 26 (total receivables at the end of report period) on the report for the quarter ending

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March 31, 2011, is the same as item 21 (total receivables at beginning of report period) on the report for the quarter ending June 30, 2011, the \$500 was included in item 21 on the report for the quarter ending June 30, 2011. The \$500 was not collected or declared uncollectible during the quarter ending June 30, 2011, and had already been reported in the "over 15 months" age category (item 32) on reports for quarters ending December 31, 2001 and March 31, 2011. Therefore, on the report for the quarter ending June 30, 2011, the \$500 is reported in item 25, receivables removed at end of report period.

- f. Item 26. Total Receivables at End of Report Period. Enter the total amount of past due contributions as of the last day of the report quarter. This amount should equal Item 21 plus Item 22 minus items 23, 24, and 25 and should be carried forward to Item 21, Total Receivables at the Beginning of Period, for the following report.
 - g. Item 27. Number of Employers Owing Receivables. Enter the number of employers who owe the amount reported in item 26.
7. Age of Receivables - Contributory Employers. Line 402 separates total receivables in item 26 by amount and age. The age of receivable amounts should be calculated from the end of the quarter for which contributions are due, i.e.: March 31, June 30, September 30, December 31, not the date on which the amount was established as past due. Negative amounts cannot be entered in the age categories on this line.
- a. Item 28. 6 Months or Less. (2 quarters or less) Enter that part of the amount in item 26 which, as of the end of the report quarter, was past due for 2 report quarters or less. Example: On the report for quarter ending June 30, 2011, enter in item 28 amounts that were past due for quarters ending March 31, 2011 and December 31, 2010.
 - b. Item 29. 9 Months. (3 quarters) Enter that part of the amount in item 26 which, as of the end of the report quarter, was past due for 3 report quarters. Example: On the report for the quarter ending June 30, 2011, enter in item 29, amounts that were past due for the quarter ending September 30, 2010.
 - c. Item 30. 12 Months. (4 quarters) Enter that part of the amount in item 26 which, as of the end of the report quarter, was past due for 4 report quarters. Example: On the report for the quarter ending June 30, 2011, enter in item 30, amounts that were past due for the quarter ending June 30, 2010.
 - d. Item 31. 15 Months. (5 quarters) Enter that part of the amount in item 26 which, as of the end of the report quarter, was past due for 5 report quarters.

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Example: On the report for the quarter ending June 30, 2011, enter in item 31, amounts that were past due for the quarter ending March 31, 2010.

- e. Item 32. Over 15 Months. (6 quarters or more) Enter that part of the amount in item 26 which, as of the end of the report quarter, was past due for more than 15 months; i.e., 6 or more report quarters. Example: On the report for the quarter ending June 30, 2011, enter in item 32, amounts that were past due for the quarter ending December 31, 2010, and all prior quarters.

Note: The sum of amounts in items 28 through 32 must equal total receivables in item 26.

- 8. Receivables - Reimbursing Employers. Line 403 shows accounting control activities during the report quarter for past due payments in lieu of contributions. Line 403 covers (as of the last day of the report quarter) all known past due payments in lieu of contributions for all calendar quarters prior to the report quarter.
 - a. Item 33. Total Receivables at the Beginning of Period. Enter the total amount of payments in lieu of contributions known to be past due at the beginning of the period. This figure should be equal to item 38 of the previous report.
 - b. Item 34. Amount Determined Receivable During Report Period. Enter the amount of payments in lieu of contributions determined as past due during the report quarter based on current billings to reimbursing employers which are unpaid. Do not report amounts already included in item 33.
 - c. Item 35. Receivables Liquidated During Report Period. Enter the amount liquidated during the report quarter which reduced amounts in items 33 and 34 (other than by being declared uncollectible). Do not include timely payments in lieu of contributions received during the report quarter.
 - d. Item 36. Receivables Declared Uncollectible During Report Period. Enter amounts reported in items 33 and 34 that were declared uncollectible and transferred to suspense status during the report quarter. Do not include amounts previously reported in item 37 (receivables removed from active file at end of report period) if such amounts were later declared uncollectible.
 - e. Item 37. Receivables Removed from Active File at End of Report Period. Enter amounts included in item 33 (total receivables at beginning of period) that were reported in item 44 (over 15 months - age category) for the two immediately preceding ETA 581 report periods, but because of state policy, have not been declared uncollectible.

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Example: An amount of \$600, which was determined receivable during the quarter ending June 30, 2009, was included in total receivables at the end of report period (item 38) and, for the first time, reported in the "over 15 months" age category (item 44) on the ETA 581 report for the quarter ending December 31, 2010. The \$600 was not collected or declared uncollectible during the quarter ending March 31, 2011, and, therefore, was included in total receivables at the end of report period (item 38) and the "over 15 months" age category (item 44) for a second report quarter. Since item 38 (total receivables at the end of report period) on the report for the quarter ending March 31, 2011, is the same as item 33 (total receivables at beginning of report period) on the report for the quarter ending June 30, 2011, the \$600 was included in item 33 on the report for the quarter ending June 30, 2011. The \$600 was not collected or declared uncollectible during the quarter ending June 30, 2011, and it had already been reported in the "over 15 months" age category (item 44) on reports for quarters ending December 31, 2010 and March 31, 2011. Therefore, on the report for the quarter ending June 30, 2011, the \$600 is reported in item 37, receivables removed at end of report period.

- f. Item 38. Total Receivables at End of Report Period. Enter the total amount of payments in lieu of contributions that were past due as of the last day of the report quarter. This amount should equal Item 33 plus Item 34 minus Items 35, 36, and 37 and should be carried forward to Item 33, figure should be the result of the addition of items 33 and 34 minus items 35, 36, and 37 and should be carried forward to Item 33, Total Receivables at the Beginning of Period for the following report.
 - g. Item 39. Number of Employers Owing Receivables. Enter the number of employers who owe the amount reported in item 38.
9. Age of Receivables - Reimbursing Employers. Line 404 separates total receivables in item 38 by amount and age. The age of receivable amounts for reimbursing employers should be calculated from the date payment was due, not the date on which the amount was determined to be past due. Negative amounts cannot be entered in the age categories on this line.
- a. Item 40. 6 Months or Less. Enter that part of the amount in item 38 which, as of the end of the report quarter, was past due for 6 months or less.
 - b. Item 41. 9 Months. Enter that part of the amount in item 38 which, as of the end of the report quarter, was past due for 9 months or less but more than 6 months.

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- c. Item 42. 12 Months. Enter that part of the amount in item 38 which, as of the end of the report quarter, was past due for 12 months or less but more than 9 months.
 - d. Item 43. 15 Months. Enter that part of the amount in item 38 which, as of the end of the report quarter, was past due for 15 months or less but more than 12 months.
 - e. Item 44. Over 15 Months. Enter that part of the amount in item 38 which, as of the end of the quarter, was past due for more than 15 months.
- Note: The sum of amounts in items 40 through 44 must equal total receivables in item 38.
10. Audit Activity. Lines 501 and 502 show transactions resulting from activities which meet the definition of "audit" as specified in Section E. 25. of these instructions and the requirements of the Field Audit Function in ES Manual, Part V, Sections 3670-3693. With the exception of item 49, total wages audited: pre-audit, do not include in amounts underreported or overreported, any wages or contributions that were reported by an employer before an audit assignment or that were obtained without resorting to an audit. Wages and contributions attributed to a delinquent employer report which were obtained through a field assignment other than an audit, or were obtained at the same time an audit was conducted but were not within the scope of the audit, should not be reported on line 502 but should be included in items 22 and/or 23 (contributions), as appropriate.
- a. Item 45. Large Employer Audits. Enter the total number of completed large employer audits. Item 45 can not be greater than item 47.
 - b. Item 46. Change Audits. Enter the number of audits in item 46 that were change audits. Item 46 can not be greater than item 47.
 - c. Item 47. Total Audits. Enter the total number of audits completed during the report quarter.
 - d. Item 48. Calendar Quarters Audited. Enter the total number of quarters audited as the result of audits reported in item 47. Count only quarters actually audited. Do not include quarters in which adjustments were made without auditing.
 - e. Item 49. Total Wages Audited: Pre-Audit. Enter the amount of pre-audit total wages originally reported by employers for quarters audited in item 48. Estimates and/or assessments processed to an employer's account in lieu of actual reports should be included in this amount.

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- f. Item 50. Total Wages Audited: Post Audit. Enter the amount of total wages recorded in audit summaries as the result of auditing quarters in item 48.
- g. Item 51. Hours Spent in Auditing. Enter the total number of hours (rounded to the nearest full hour) spent conducting the audits reported in item 47. Do not include time spent traveling to and from audit sites.
- h. Item 52. Number of Employees Misclassified. Enter the total number of employees discovered through audits in item 47 that were previously misclassified by employers. Include all employees that were discovered through audits, including those reported by employers on IRS form 1099 as well as workers that were unreported (off-the-books). Count only employees discovered in quarters that were actually audited as reported in item 48.
- i. Item 53. Underreported Total Wages. Enter the total amount of underreported gross wages discovered as a result of quarters audited in item 48. Do not include amounts resulting from adjustments for quarters that were not actually audited.
- j. Item 54. Underreported Taxable Wages. Enter the total amount of underreported taxable wages discovered as a result of quarters audited in item 48. Do not include amounts resulting from adjustments for quarters that were not actually audited.
- k. Item 55. Underreported Contributions. Enter the total amount of underreported contributions discovered as a result of quarters audited in item 48. Do not include penalty and interest. Do not include amounts resulting from adjustments for quarters that were not actually audited.
- l. Item 56. Overreported Total Wages. Enter the total amount of overreported gross wages discovered as a result of quarters audited in item 48. Do not include amounts resulting from adjustments for quarters that were not actually audited.
- m. Item 57. Overreported Taxable Wages. Enter the total amount of overreported taxable wages discovered as a result of quarters audited in item 48. Do not include amounts resulting from adjustments for quarters that were not actually audited.
- n. Item 58. Overreported Contributions. Enter the total amount of overreported contributions discovered as a result of quarters audited in item 48. Do not include amounts resulting from adjustments for quarters that were not actually audited.

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Note: Amounts reported in items 53 through 58 must represent total amounts discovered as underreported and overreported for all audits without regard to the net effect for each individual audit.

Example: The following audit differences were discovered in Audit A:

	<u>Underreported</u>	<u>Overreported</u>	<u>Net</u>
Total Wages	\$850,000	\$1,000,000	\$150,000/over
Taxable Wages	500,000	50,000	450,000/under
Contributions	25,000	10,000	15,000/under

To report audit differences from audit A on ETA 581, \$850,000 should be included in item 53, \$500,000 in item 54, \$25,000 in item 55, \$1,000,000 in item 56, \$50,000 in item 57 and \$10,000 in item 58. The net differences for audit A are not to be included on the ETA 581.

11. SUTA Dumping. Line 503 shows unemployment experience transfer determinations (mandatory or prohibited) and resulting changes in contributions due that were identified by a state's SUTA dumping investigations. A state investigates employers to ensure that unemployment experience was transferred as required by law, or not transferred when prohibited by law, so that higher rates of contributions are not avoided through the transfer or acquisition of a business. The unemployment experience transfer determinations follow employer attempts to manipulate experience rating systems for the purpose of obtaining a lower rate of contributions, or the state's own failures to apply its law regarding unemployment experience transfers properly.
 - a. Item 59. Number of Mandatory Transfers. Enter the number of mandatory transfers that were the result of SUTA dumping investigations and were entered on the state's system during the report quarter. Count all employers who inherited unemployment experience, in full or in part. Include all mandatory transfers even if the transfers did not result in changes to previously assigned contribution rates.

Note: If a state inactivated/terminated employer accounts under "continuity of control" provisions in state law as a result of SUTA dumping investigations, include those employers as mandatory transfers, (i.e., count the inactivated/terminated accounts).

Do not include mandatory transfers identified in the normal process of making regular status determinations that resulted in the establishment of new accounts for successor employers, as well as those employers who already had an existing account and acquired all or part of the business of another employer with an existing account. The process of making regular status determinations normally begins with information received from

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employers and other sources outside of the state unemployment insurance agency.

- b. Item 60. Number of Prohibited Transfers. Enter the number of prohibited transfers that were the result of SUTA dumping investigations and were entered on the state's system during the report quarter. Count all employers who were prohibited from inheriting unemployment experience, in full or part. Count all prohibited transfers even if previously assigned contribution rates were not changed.
- c. Item 61. Total Net Contributions Due. Enter the total amount of contributions due, less the amount of contributions overpaid, that were the result of changes to contribution rates during the report quarter due to mandatory and prohibited transfers reported in items 59 or 60.

Net contributions due is the difference between contributions due on taxable wages before rates were changed and contributions due on those taxable wages after the rates were changed. Taxable wages include actual taxable wages reported by employers and estimated taxable wages for legally enforceable contributions due. Compute differences on contributions due on taxable wages, whether or not contributions have been paid.

Do not include net contributions due on taxable wages reported or estimated after the report quarter in which rates were changed, even if the contributions due were affected by rate changes due to mandatory or prohibited transfers.

Example: Net Contributions Due for One Employer.

For the report quarter ending December 31, 2011 – Assumes that annual rates for CY 2010 and CY 2011 are changed in the fourth quarter of 2011, Also assumes that the CY 2010 rate is decreased and the CY 2011 rate is increased from their original rates;

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ETA 581 Contribution Operations

Year/Quarter	Contributions Due at Old Rate	Contributions Due at New Rate	Difference
2010/q1	\$ 8,875	\$ 8,300	(\$575)
2010/q2	\$ 6,300	\$ 6,100	(\$200)
2010/q3	\$ 4,985	\$ 4,860	(\$125)
2010/q4	\$ 3,000	\$ 2,900	(\$100)
Totals for 2010	\$23,160	\$22,160	(\$1,000)
2011/q1	\$15,800	\$19,550	\$3,750
2011/q2	\$13,730	\$15,980	\$2,250
2011/q3	Delinquent when rate changed	Delinquent when rate changed	Not Included
2011/q4	Not due when rate changed	Not due when rate changed	Not Included
Totals for 2011	\$29,530	\$35,530	\$6,000

Summary:

Credits on 2010 quarters:	(\$1,000)
Contributions due on first two quarters of 2011	<u>\$6,000</u>
Total Net Contributions Due included on ETA 581 Report:	+\$5,000

(Note: Net contributions due on the third and fourth quarters of 2011 are excluded since taxable wages were not reported before December 31, 2011. Assumes employer will pay contributions on each quarter at the new contribution rate without adjustments.)

Example: Total Net Contributions Due for All Employers.

For the report quarter ending December 31, 2011 – Rates changed in the fourth quarter of 2011;

Contributions due on all quarters for which rates were changed:	\$500,000
Credits on all quarters for which rates were changed:	<u>(\$100,000)</u>
Total net contributions due reported on the ETA 581 Report:	+\$400,000

12. Comments. Four lines are available on the electronic submittal system for comments. Comments are appropriate under the following circumstances:
 - a. Administrative Factors Affecting Data Reported. Describe any administrative factors, such as rules and regulations, which may affect the information reported in such a way that it lacks comparability with data submitted on prior reports or on current reports submitted by the state agency.

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- b. Legal Factors Affecting Data Reported. Describe any legal factors, such as new laws or amendments to the state unemployment compensation law, which may affect the information reported in such a way that it lacks comparability with data submitted on prior reports or on current reports submitted by other state agencies.

- c. Economic Factors Affecting Data Reported. Describe any economic factors which substantially affect the data reported by increasing or reducing the number of status determinations, subject employers, field audits, and amount of receivables in such a way that the conditions will be reflected in any of the tabulations prepared.

TABLE ar581

ETA 581 - CONTRIBUTION OPERATIONS

STATE	REGION	REPORT FOR PERIOD ENDING						
st	g_states.region	rptdate						
Employer Count	Line 101	End Quarter Employers			Delinquency Cutoff Date	Total Number Wage Items Received		
		Contributory	Reimbursement	Total				
		(1)	(2)	(3)	(4)	(5)		
		c1	c2	c3	c4	c14		
Employer Reports for Preceding Quarters	201	Contributory Employers			Reimbursing Employers			
		Filing Timely	Secured	Resolved	Filing Timely	Secured	Resolved	
		(6)	(7)	(8)	(9)	(10)	(11)	
		c53	c54	c55	c56	c57	c58	
Status Determinations	301	Newly Established Employers			Successor Employers			
		Number	Time Lapse <=90	Time Lapse <=180	Number	Time Lapse <=90	Time Lapse <=180	
		(14)	(15)	(16)	(17)	(18)	(19)	
		c11	c61	c62	c68	c59	c60	
		Inactivations/Terminations						
		(20)						
c63								
Contributory Employers Receivables	401	Total Beginning Period	Determined Receivable	Liquidated	Declared Uncollectible	Removed End Period	Total End Period	
		(21)	(22)	(23)	(24)	(25)	(26)	
		c14a	c15	c16	c17	c64	c18	
		Number Employers Owing Receivables in (26)						
		(27)						
		c19						
Age of Contributory Receivables	402	6 Months or Less	9 Months	12 Months	15 Months	Over 15 Months		
		(28)	(29)	(30)	(31)	(32)		
		c43	c44	c45	c46	c47		

TABLE ar581 (cont'd)

ETA 581 - CONTRIBUTION OPERATIONS

Reimbursing Employers Receivables	403	Total Beginning Period	Determined Receivable	Liquidated	Declared Uncollectible	Removed End Period	Total End Period	
		(33)	(34)	(35)	(36)	(37)	(38)	
		c19a	c20	c21	c22	c65	c23	
		Number Employers Owing Receivables in (38)						
		(39)						
c24								
Age of Reimbursing Receivables	404	6 Months or Less	9 Months	12 Months	15 Months	Over 15 Months		
		(40)	(41)	(42)	(43)	(44)		
		c48	c49	c50	c51	c52		
Audit Activity	501	Number of Audits			Calendar Quarters Audited			
		Large Employers	Change Audits	Total Audits				
		(45)	(46)	(47)	(48)			
		c25a	c28a	c25b	c26a			
		Total Wages Audited		Hours Spent Auditing	Number of Employees Misclassified			
		Pre-Audit	Post-Audit					
	(49)	(50)	(51)	(52)				
	c66	c67	c29a	c69				
	502	Amount Underreported						
		Total Wages		Taxable Wages		Contributions		
		(53)		(54)		(55)		
		c37a		c38a		c39a		
Amount Overreported								
Total Wages		Taxable Wages		Contributions				
(56)		(57)		(58)				
c40a		c41a		c42a				
SUTA Dumping	503	Number of Mandatory Transfers		Number of Prohibited Transfers		Total Net Contributions Due		
		(59)		(60)		(61)		
		c70		c71		c72		

Comments:

TABLE ar581

st char(2)	c41a integer
rptdate date	c42a integer
mods smallint	c43 integer
crdate char(12)	c44 integer
revdate char(12)	c45 integer
mldate char(12)	c46 integer
mlflag char(1)	c47 integer
cm char(1)	c48 integer
hostname char(8)	c49 integer
user_id char(8)	c50 integer
est char(1)	c51 integer
c1 integer	c52 integer
c2 integer	c53 integer
c3 integer	c54 integer
c4 date	c55 integer
c11 integer	c56 integer
c14a integer	c57 integer
c14 integer	c58 integer
c15 integer	c59 integer
c16 integer	c60 integer
c17 integer	c61 integer
c18 integer	c62 integer
c19a integer	c63 integer
c19 integer	c64 integer
c20 integer	c65 integer
c21 integer	c66 decimal(11,0)
c22 integer	c67 decimal(11,0)
c23 integer	c68 integer
c24 integer	c69 integer
c25b integer	c70 integer
c25a integer	c71 integer
c26a integer	c72 decimal(12,0)
c28a integer	
c29a integer	
c37a decimal(11,0)	
c38a integer	
c39a integer	
c40a integer	

TABLE: ar581**Errors:**

c1 through c72 cannot be NULL

c1 through c3, c11 through c71 cannot be negative

$c3 = c1 + c2$

c4

If rptdate = 3/31/YYYY, then $c4 > 1/31/YYYY$

If rptdate = 6/30/YYYY, then $c4 > 4/30/YYYY$

If rptdate = 9/30/YYYY, then $c4 > 7/31/YYYY$

If rptdate = 12/31/YYYY, then $c4 > 10/31/YYYY$

$c14a = c18$ prior rptdate

If rptdate \geq 06/30/1990 then $c18 = c43 + c44 + c45 + c46 + c47$

else $c18 = c14a + c15 - c16 - c17 - c64$

$c19a = c23$ prior report period

If rptdate \geq 06/30/1990 then $c23 = c48 + c49 + c50 + c51 + c52$

else $c23 = c19a + c20 - c21 - c22 - c65$

$c25b \geq c25a$

$c25b \geq c28a$

$c43 - c52 \geq 0$

$c53 \leq c54$

$c55 \geq c54$ prior report period

$c56 \leq c57$

$c58 \geq c57$ prior report period

$c59 - c62$

If rptdate \geq 3/31/1995, then $c59 \leq c60$ and $c59 \leq c68$

If rptdate \geq 3/31/1995, then $c60 \leq c68$

If rptdate \geq 3/31/1995, then $c61 \leq c11$ and $c61 \leq c62$

If rptdate \geq 3/31/1995, then $c62 \leq c11$

$c67 = c66 + c37a - c40a$

Warnings:

ar581			
Data Exception Edits			
Cell	Percentage Increase	Percentage Decrease	Absolute Value
c1	2	5	8000
c3	2	5	8000
c14	110	25	355500

10/2010