Alaska Employer

Alaska Department of Labor | *Employment Security Tax* | *Second Quarter 1999*

Tony Knowles, Governor | Ed Flanagan, Commissioner

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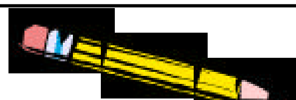

Tips for Employers, Bookkeepers, and Accountants

Retirement Plans and Cafeteria Plans are two areas that result in some of the most common reporting errors and require the most time consuming corrections. Below are some commonly asked questions and answers regarding wages and benefits under these plans.

Retirement Plans

Q. **As an employer, how do I report employee wages if I have a retirement plan for my employees?**

A. In the simplest terms, retirement plan wages are not reportable for unemployment insurance taxes.

If an employer's retirement plan is a qualified retirement plan according to the Internal Revenue Service, then Employment Security Tax also considers the retirement plan a qualified plan. Any amount paid by both the employer and employee into a qualified retirement plan is, therefore, not reportable and not taxable for ES Tax purposes.

Q. **How do I list my employee's wages on the wage schedule portion of the quarterly contribution report?**

A. **Example:** An employee is paid $2,500 a month. The employee contributes 2% or $50 of the gross pay into a qualified retirement plan. The employer will then report wages of $2,450 for each of the three pay days in the quarter, for total reportable wages of $7,350 for the quarter.

$2,500	Gross Wages
- 50	Amount the Employee Contributes to the Retirement Plan
$2,450	Amount of **Reportable Wages** for ES Tax purposes

$2,450 X 3 pay days in the quarter = **$7,350** Total **Reportable Wages** for the Quarter.

The $7,350 is the amount included on Line 2 of the Alaska Quarterly Contribution Report and the reportable wages listed for the employee on the Wage Schedule or computer printout attached to the Report.

Cafeteria Plans

Q. **As an employer, how do I report employee wages when I have a cafeteria plan benefit package for my employees?**

A. A cafeteria plan is a list of benefits that an employee can choose from, one of which can be a retirement plan. If there is a retirement plan benefit in the cafeteria plan, see the information above on retirement plans.

Q. **What about the other cafeteria plan benefits?**

A. Under Alaska law, deductions from gross wages are allowed for the following benefits before reporting wages to ES Tax:

- life or disability insurance for the employee and dependents
- medical insurance premiums or expenses for the employee and dependents
- dental and vision insurance premiums or expenses for the employee and dependents

Alaska law **does not**, however, allow for the deduction from gross wages of any other types of benefits such as:

- dependent care payments (i.e., child care)
- legal plan benefits
- cash
- other benefits not defined in the allowable list above

Example: Using the same example as above, assume the same employee pays $125 a month for medical insurance, and also has $350 deducted each month for child care expenses.

$2,500	Gross Wages
-50	Employee's Retirement Plan Contribution
-125	Employee's Payment for Health Insurance
0	Employee's Child Care -***Not deductible for ES Tax purposes.***
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$2,325	***Reportable Wages*** for ES Tax Purposes

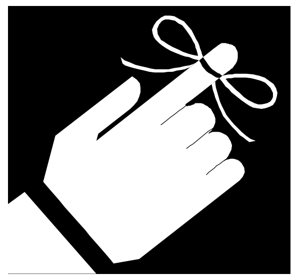
$2,325 X 3 pay days in the quarter = **$6,975** Total **Reportable Wages** for the Quarter.

The $6,975 is the amount included on Line 2 of the Alaska Quarterly Contribution Report and the reportable wages listed for the employee on the Wage Schedule or computer printout attached to the Report.

Employers who need to correct previously filed reports should contact their local field auditor directly in Juneau, Anchorage, Wasilla, Kenai, or Fairbanks.

For more detailed information, see the *1998 Alaska Employment Security Tax Handbook*. A copy can be requested by email to ESD_Tax@labor.state.ak.us. The complete *Handbook* can also be found on the Internet at: http://www. labor.state.ak.us/handbook/emphdbk.htm. Also available at the same website is the recently updated *Alaska Employer Handbook* **(currently out of print in hard copy).**

A Reminder



Wages paid to an employee **in excess of the taxable wage base are still reported and listed on the Wage Schedule**, but are not taxed. Do not list only the taxable wage amount for each employee on the wage schedule; list the total reportable wage amount. The taxable wage base for 1999 is $24,500.

Email: In addition to the ES Tax toll free telephone numbers shown on page one, the Tax Office can be reached by email at: **ESD_Tax@labor.state.ak.us.**

WOTC/W2W TAX CREDIT PROGRAM EXTENSION

Commissioner of Labor, Ed Flanagan, has announced that the federal Work Opportunity Tax Credit (WOTC) and Welfare-to-Work (W2W) programs will expire on June 30, 1999. However, recent congressional activity makes an extension likely. Employers will, therefore, need to continue submitting the required WOTC/W2W forms to the Department of Labor within the 21-day timeframe, as if the programs were not expiring. The Department of Labor will act on all timely requests as soon as it is notified that the programs have been extended. For more information, contact Roberta Hahnlen, WOTC coordinator, at the Alaska Department of Labor, PO Box 25509, Juneau, AK 99802, telephone (907) 465-5953, or email at: Roberta_Hahnlen@labor.state.ak.us.