

Employer Frequently Asked Questions

As a new employer, there are so many government agencies that I need to deal with and many different forms and applications that must be completed. Isn't there someone I can call or somewhere that I can go to take care of everything all at once?

If I am exempt from unemployment insurance (UI) coverage, how can I obtain a DOL (Department of Labor) Number for health, TDI, and/or workers' compensation insurance purposes?

Can I obtain a Department of Labor account number by filing Form BB-1X, "State of Hawaii Basic Business Amended Application?"

As a sole-proprietor, am I liable to pay unemployment insurance taxes on myself and my family members who work for me?

I acquired an existing Hawaii business with employees. Is it possible for my company to obtain the predecessor's favorable unemployment insurance tax rate?

Do I have to report my wages and pay unemployment insurance taxes if I have a family-owned corporation?

What are the reporting requirements for the family-owned corporation?

Should my "Family-Owned Corporation Exclusion" be revoked, do I report and pay contributions on the wages paid to the two owner-employees as well?

I restarted my business and will begin having employees. Do I have to register again?

As a 501(c) (3) non-profit organization, exempt from income tax under 501(a), do I need to pay unemployment taxes?

Am I required to report new hire information?

I am an out-of-state employer who will bring some of my regular employees to Hawaii to work on a temporary job. Upon completion of this job, my employees will return to work for me on the U.S. mainland. Am I required to report state unemployment wages and remit unemployment insurance contributions to Hawaii during this period?

Are facsimile Form UC-B6 and Form UC-B6 (A) acceptable?

I do not have any employees on payroll for this quarter. Do I continue to file Form UC-B6?

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[What happens to the remaining balance of my unemployment insurance account after my business is terminated, all of my employees have terminated or none of my employees are subject to unemployment insurance coverage?](#)

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Question: As a new employer, there are so many government agencies that I need to deal with and many different forms and applications that must be completed. Isn't there someone I can call or somewhere that I can go to take care of everything all at once?

Answer: Yes. The "Business Action Center," operated by the Department of Business, Economic Development Tourism, is a "one-stop-shop" which provides Hawaii's businesses with the information, business forms, licenses, and permits they need to do business in the State. The Business Action Center can assist you with obtaining your General Excise tax license, Unemployment Insurance tax registration, business and trade name registrations and federal employer's identification number (FEIN). They also provide comprehensive information on licensing requirements for the state, county and federal governments as well as information about business assistance, counseling, workshops offered by other agencies, and alternative financing programs. You may contact the Business Action Center on Oahu at:

1130 North Nimitz Highway
Second Level, Suite A-220
Honolulu, HI 96817

Phone: (808) 586-2545
Fax: (808) 586-2544

Question: If I am exempt from unemployment insurance (UI) coverage, how can I obtain a DOL (Department of Labor) Number for health, TDI, and/or workers' compensation insurance purposes?

Answer: Employers exempt from UI coverage but required to obtain a DOL number for health, TDI, workers' compensation purposes may obtain a DOL number by contacting the Disability Compensation Division. Advise the Disability Compensation Division that your company is exempt from coverage. The pre-paid health, temporary disability insurance, and workers' compensation programs operate under the Disability Compensation Division. DOL account numbers are primarily issued for the purpose of reporting and paying taxes on wages paid to covered employees. The DOL number is assigned only after confirmation of the existence of taxable payroll in Hawaii. To obtain a determination on your tax liability and to find out if you will be issued a DOL number for purposes, submit Form BB-1, "State of Hawaii Basic Business Application."

Question: Can I obtain a Department of Labor account number by filing Form BB-1X, "State of Hawaii Basic Business Amended Application?"

Answer: Form BB-1X is used primarily by the Department of Taxation to add income tax withholding to a current General Excise tax license. Since Form BB-1X does not ask for a 'mailing address' (a critical field for the Department of Labor), you must file Form BB-1, "State of Hawaii Basic Business Application" to obtain a DOL account number.

Question: As a sole-proprietor, am I liable to pay unemployment insurance taxes on myself and my family members who work for me?

Answer: As a sole-proprietor, the draws (remuneration) you receive from your business are not subject to UI contributions. Wages paid to your spouse, parents, or children under the age of 21 years old, are also excluded and not subject to contributions. The same exclusions apply to a single member LLC electing treatment as a disregarded entity.

Question: I acquired an existing Hawaii business with employees. Is it possible for my company to obtain the predecessor's favorable unemployment insurance tax rate?

Answer: Hawaii UI tax law allows for the transfer of a predecessor's tax rate and reserve balance in those instances where an employer succeeds to or acquires the organization, trade, or business, or substantially all of the predecessor's assets (including employees). For a transfer to be considered, a properly executed Form UC-86, "Waiver of Employer's Experience Record" must be signed by both parties and filed within statutory time limits. This is available on the internet.

To determine whether or not an employing unit has acquired substantially all of the assets of a predecessor employer, we consider:

- The particular facts and circumstances in the case
- Whether the capacity to furnish employment was transferred
- Whether the employing unit employs all or nearly all of the predecessor employer's employees.

There are three crucial dates employers must adhere to:

1. Form UC-86 must be completed and returned within 60 days from the date of the transfer to obtain the predecessor's current rate. Predecessor must file all reports and pay all contributions due within the same 60 days. Since the experience waiver due date of 60 days may be before the quarterly due date, it is imperative that employers submit the predecessor's contribution report and payment on a timely basis.
2. If Form UC-86 is filed after the 60-days from the date of transfer but before March 1 of the year following the year of the transfer, the successor's reserve will be combined with the predecessor's reserve balance to determine the successor's experience rate. Although the successor will be assigned the new employer's rate for the remaining quarter(s) of the current year, the successor's reserve balance along with the predecessor's reserve balance will be used to compute the successor's experience rate for future years.

3. A Form UC-86 that is filed after the March 1 deadline must be submitted no later than December 31 of the year following the year of the transfer. Upon approval, the successor's reserve will be combined with the predecessor's reserve balance to determine the successor's experience rate. Although the successor will be assigned the new employer's rate for the remaining quarters of the current year, the successor's reserve balance along with the predecessor's reserve balance will be used to compute the successor's experience rate for future years. A Form UC-86 that is received after December 31 of the year following the year of the transfer will be returned unprocessed.

The Hawaii Employment Security Law is clear and unambiguous regarding the filing deadlines for Form UC-86. The postmark date for applications sent by mail or the received date for applications hand delivered or faxed are strictly adhered to in resolving timeliness issues. Form UC-86 may be downloaded from the department's web site at: <http://hawaii.gov/labor>

TIP: Successor employers have the opportunity to withhold the filing of the application when the predecessor's reserve balance becomes negative or would be detrimental to the successor at the end of the year due to circumstances beyond the successor's control.

Question: Do I have to report my wages and pay unemployment insurance taxes if I have a family-owned corporation?

Answer: A family-owned corporation employing no more than two (2) family members, who each own at least fifty (50) percent of the shares issued by the corporation, may apply for exclusion from coverage. An application must be filed and qualifying requirements met. To elect this exclusion option, Form UC-336, "Election by Family-Owned Corporation to be Excluded from Coverage Under Section 383-7(20), Hawaii Revised Statutes should be obtained from and submitted to the nearest UI office. This exclusion, if approved, shall be effective the first day of the calendar quarter in which the application and all supporting documents requested by the department are filed. A corporation having one employee who owns one hundred percent (100%) of the shares is not a "family-owned corporation" and therefore ineligible for this exclusion.

Employers should consider the following before for the exclusion:

- Non-revocable exclusion for a minimum of 5 years unless the conditions of the exclusion change prior to the 5 years (a non-owner employee is hired).
- Wages paid to the two employees by this corporation during the period of the election cannot be used to establish a claim for unemployment benefits.
- Federal Unemployment Taxes (FUTA) are still due to the IRS. The FUTA tax liability as an excluded corporation may be greater than the combined State UI and FUTA tax liability of a covered corporation. An excluded corporation no longer qualifies for a 5.4% FUTA tax credit afforded to employers covered under the Hawaii Employment Security Law. As a result, the excluded corporation's FUTA rate will be 6.2% as opposed to the covered corporate rate of .8%, the first \$7,000.00 for each of the 2 employees.

Question: What are the reporting requirements for the family-owned corporation?

Answer: Upon request, employers are required to furnish the department a copy of Form 940, "Employer's Annual Federal Unemployment (FUTA) Tax Return," filed with the Internal

Revenue Service. Report any change that affects the corporation's eligibility for exclusion from coverage within 5 working days from the date of the change. Family-owned corporation exclusion is revoked on the date of any one of the following changes:

- The excluded corporation hired an employee in addition to the 50% shareholder-employees.
- One of the shareholder-employees owns less than 50% of the issued shares.
- Any owner is not a family related by blood, marriage, or legal adoption.

Question: Should my "Family-Owned Corporation Exclusion" be revoked, do I report and pay contributions on the wages paid to the two owner-employees as well?

Answer: Yes, effective on the date of the revocation you must request that your State unemployment insurance account number be "re-activated" by completing Form BB-1 with updated information. All forms and notices will be mailed to your current address.

Question: I restarted my business and will begin having employees. Do I have to register again?

Answer: Yes. Notify the department by completing Form BB-1. Upon receipt of the completed Form BB-1 you will be sent the required forms, posters and notices.

Question: As a 501(c)(3) non-profit organization, exempt from income tax under 501 (a), do I need to pay unemployment insurance taxes?

Answer: Yes, however, the organization may elect to self-finance the benefits paid to former unemployed workers. To apply for Self-Financing Status:

1. Complete and submit Form UC-175, "Application For Self-Financing Not For Profit Organization";
2. Complete and submit Form UC-177, "Security Deposit for Self-Financing Accounts";
3. Submit a copy of the Internal Revenue Service letter approving the organization as a 501(c)(3) organization and exemption from income tax under 501(a);
4. Remit a security deposit in the amount of 0.22% (0.002) of the non-profit organization's (NPO) annual or projected gross payroll;
5. Submit copies of the latest financial statements; and
6. Prepare to provide copies of bank balances, annual reports, projected and approved budgets, etc.

Employers approved for self-financing their unemployment benefits should be aware that benefit payments will be charged to the self-financed account for many reasons. Unlike contributory employers there is no non-charge provision in the Hawaii Employment Security Law to relieve the self-financed employer of unemployment benefits paid to a former worker. For self-financed employers, the charge code assigned will always be "Charge" as long as the employer is listed in the former worker's base period. The benefit charges will be billed to the self-financed employer at the beginning of the month following the month payments were made to the former worker. The benefit charges/bill must be repaid within 30 days.

Question: Am I required to report new hire information?

Answer: Beginning October 1, 1998, the Hawaii Child Support Enforcement Agency (CSEA) began operating the State's New Hire Reporting Directory. Employers must report new hires directly to the CSEA by faxing or mailing a copy of the employer's IRS Tax Withholding Form (Form W-4). Do not use the unemployment insurance "Report of New Hires," Form UC-BP-5(A). There is a penalty for failure to file a timely or accurate report of a new hire. Mail or fax completed Form W-4 to the CSEA at:

Child Support Enforcement Agency
New Hire Reporting Directory
601 Kamokila Blvd., Suite 251
Kapolei , HI 96701

Telephone: (808) 692-7029

Fax: (808) 692-7001

TIP: When completing Form W-4, report the "start" date as opposed to the "hire" date. If a company hires a person today but will have the person start next month, the date reported should be the date the employee starts working. The Division and the CSEA periodically cross-match "date started" data to detect situations where unemployment benefits are paid to claimants who return to work without notifying the Division. Employers save tax dollars by reporting new hires correctly and promptly.

Question: I am an out-of-state employer who will bring some of my regular employees to Hawaii to work on a temporary job. Upon completion of this job, my employees will return to work for me on the U.S. mainland. Am I required to report state unemployment wages and remit unemployment insurance contributions to Hawaii during this period?

Answer: No, UI contributions are not payable to the State of Hawaii in this instance. Continue to report these employees to your reporting state. However, if the employees are hired specifically for this job in Hawaii whether they are Hawaii residents or not and will cease employment upon its completion, report these individuals to Hawaii.

Note: UI requirements differ from those of the State Department of Taxation and the State DCD Division. Contact these agencies in all transient employment situations.

Question: Are facsimile Form UC-B6 and Form UC-B6A acceptable?

Answer: No. All employers are required to use Forms UC-B6, "Quarterly Wage, Contribution and Employment and Training Assessment Report" and Form UC-B6A, "Employer's Quarterly Report of Wages" (continuation sheet). Forms UC-B6 and B6A are read by a scanner so use of facsimile and universal forms such as payroll ledgers and photocopies are prohibited. Employers using unapproved forms are subject to a \$30.00 penalty and the maximum UI tax rate (5.4%).

Question: I do not have any employees on payroll for this quarter. Do I continue to file Form UC-86?

Answer: Yes. Employers are required to submit a zero wage or "NO PAYROLL" report before the due date or become subject to the maximum contribution tax rate (5.4%) for the following three calendar years.

TIP: Submit Form UC-B6 showing "NO PAYROLL" upon receipt of the form.

WARNING! Employer accounts showing consecutive "No Payroll" quarterly contribution reports since inception of the business may be cancelled. In addition, FUTA certification cross match with unemployment insurance records are done to verify total wages reported and contributions paid.

Question: My tax rate is zero. Do I continue to file Form UC-B6?

Answer: Yes. Complete and submit Form UC-B6 on or before the due date.

Question: What happens to the remaining balance of my unemployment insurance account after my business is terminated, all of my employees have terminated or none of my employees are subject to unemployment insurance coverage?

Answer: Employers have no claim or right to the contributions credited to their account (HRS Section 383-64 (b)). As in any insurance policy, the premiums paid are not returned but remain in a pooled fund to pay workers who become unemployed through no fault of their own and meet all eligibility conditions.

Question: As a newly registered employer, when will I qualify for a lower experience tax rate?

Answer: To be eligible for experience rating, the employer must be chargeable with benefits throughout the year proceeding the year of the computation and must have filed all reports. Employers not chargeable with benefits throughout the year preceding the year of the computation will receive the new employer rate. Employers who fail to file their contribution report and/or quarterly wage detail report, however, are subject to receive the maximum tax rate of 5.4 per cent for the entire year.

Question: How can employers minimize their unemployment insurance contribution rate?

Answer: In addition to the Rate Schedule in effect for the year, an employer's contribution rate is based upon the ratio of the employer's reserve account balance at the end of the year to the employer's average annual taxable payroll for the past three years. As the reserve balance decreases or the average annual taxable payroll increases, the ratio decreases. A decrease in the ratio may result in a higher contribution rate.

TIPS:

- File contribution and quarterly wage reports timely, together with contributions due.
- Work with employees to avoid layoffs and voluntary quits. Every separation has the potential to increase an employer's contribution rate.

- Keep good records. Give and document warnings prior to discharging the employee. Provide these records upon request by UI personnel without delay.
- Conduct exit interviews to help determine why an employee is leaving. This may result in changes in the company's procedures that may assist in retaining employees.
- Answer claim notices promptly, accurately, and in detail. Respond immediately to requests for job separation details on Form UC-BP-35, Request for Separation Information, wage data for part time workers on Form UC-52(a) Weekly Report of Low Earnings, and weekly earnings information for multi-weeks on Form UC-BP-60, Report of Earnings or any other requested form critical to determine eligibility and payment processes.
- Failure to promptly respond as directed may result in incorrect benefit payments, increased employer's contribution rates, penalty assessments.