# Protect Your Business From Higher Taxes

## Help Prevent Improper Payment of Unemployment Insurance (UI) Benefits

EDD Employment Development Department
State of California

## How Does Unemployment Insurance Impact Employers?

In California, UI benefits are funded by employer taxes.

Improper payment of UI benefits may result in higher taxes to all employers.

UI benefits allow qualified unemployed workers to continue to buy goods and services.

## What exactly is an "improper" payment? What causes an "improper" UI payment?

An improper payment of UI benefits means that a claim for benefits was paid in error. An improper payment of benefits can result when **inaccurate information** is provided by the claimant or employer, or when information is not received by the California Employment Development Department (EDD) in a timely manner. Once an improper payment is detected, the claimant is notified of an "overpayment."

Did you know . . .

- The UI benefits to qualified unemployed workers are funded by employer taxes.
- Improper payment of benefits is a serious problem that has a financial impact on employers and can result in higher UI taxes to all employers.

# What can you do to help prevent improper UI payments?

**Be an active partner** to help improve payment accuracy. Help reduce employer costs by taking three critical steps to provide important information to the EDD Unemployment Insurance program.

## 1. Provide complete and accurate Employee Separation Information.

Avoid the need for costly appeals or overpayment of benefits. Provide timely separation information to help determine claimant eligibility for benefits, and as a result, accurate benefit charges to employers.

## 2. Respond promptly to any “Request for Verification of Weekly Earnings” from UI.

A prompt response to a request for verification of employee weekly earnings will help detect and prevent improper payment of UI benefits. (An employee may be eligible for a partial UI payment, based on part-time work.)

## 3. Report all new hires and rehires to the State Directory of New Hires by the due date.

Timely and accurate reporting of all new hires and rehires helps prevent payment of ineligible UI claims after an individual has returned to work. Employers must report the date the employee actually began work, not the hire date, if it is different.

## The Costs and Consequences of Non-Compliance

Companies who do not comply with state and federal UI requirements for providing employee information face a number of preventable costs and consequences, including:

- ✓ Improper account charges for benefits paid to ineligible claimants.
- ✓ Increases in employer UI taxes.
- ✓ Possible fines and penalties.

In addition to following the UI requirements for reporting employee information, an employer partnership with the UI program is just good business.

For more information visit www.edd.ca.gov.

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