Employment Development Department
State of California

POTENTIAL LIABILITY FOR UNEMPLOYMENT INSURANCE (UI) BENEFITS WHEN ELECTING THE REIMBURSABLE METHOD OF FINANCING UNDER THE CALIFORNIA UNEMPLOYMENT INSURANCE CODE (CUIC)

A nonprofit organization, as defined under section 501(c)(3) of the **Internal Revenue Code** (law.cornell.edu/uscode/text/26), public entity, or an Indian tribe as defined under sections 801 or 802 of the **California Unemployment Insurance Code** (CUIC) (leginfo.legislature.ca.gov/faces/codes.xhtml) may elect to reimburse the Employment Development Department (EDD) for the cost of Unemployment Insurance (UI) benefits. This includes extended duration benefits, and federal state extended (FED-ED) benefits paid in lieu of contributions normally required of tax rated employers. An election of the cost of benefits method must remain in effect for not less than five complete calendar years for a nonprofit organization, or two complete calendar years for a public entity or Indian tribe. However, section 803(h)(2) of the CUIC **requires** the EDD to terminate all such elections of any Indian tribe that is more than 90 days delinquent in the payment of contributions, bonds, advances, reimbursements, or applicable penalties or interest.

"The cost of benefits paid" means the proportion of the total amount of benefits or payments made to a claimant in which the total wages paid to that claimant in his or her base period by that entity bears to the total wages paid to that claimant in employment by all employers in his or her base period.

A public entity, or Indian tribe electing the cost of benefits method of financing, could have a potential liability of $35,100 per employee separated from employment if such employee files claims in two succeeding years and the public entity or Indian tribe is the base period employer for both claims. Each such employee could be paid $17,550 in the first benefit year and also $17,550 in a second benefit year ($450 a week for 39 weeks, including 13 weeks of FED-ED benefits). Public entities and tribal employers pay the full cost of regular and extended benefits. During periods of high unemployment, FED-ED benefits may be available to workers who have exhausted their regular UI benefits. FED-ED benefits usually consists of 13 weeks of additional UI benefits. Public entities and federally recognized Indian tribes are always required to pay 100 percent of the cost of FED-ED benefits paid regardless of their method of financing.

See chart below. Please note that these amounts could change in future years as the result of federal or state legislative action.

Maximum Weekly Amount	Maximum Number of Weeks Allowed 26	Fed-State Extended Benefit	Year 1	Year 2	Total Potential Liability
$450	$11,700	$5,850	$17,550	$17,550	$35,100

A nonprofit organization under the same election and set of circumstances, however, could have a potential liability of $29,700 per employee. Nonprofits pay 100 percent of regular UI benefits ($23,400 for two succeeding benefit years), 100 percent of the first week of FED-ED benefits, and 50 percent of the cost of the last 12 weeks of FED-ED benefits ($6,300 for two succeeding benefit years). The first week of FED-ED benefits is paid by the employer.

See the chart below. Please note that these amounts could change in future years as the result of federal or state legislative action.

Maximum Weekly Amount	Maximum Number of Weeks Allowed 26	Fed-State Extended Benefit	Year 1	Year 2	Total Potential Liability
$450	$11,700	$3,150*	$14,850	$14,850	$29,700
*First week represents 100 percent and last 12 weeks represent 50 percent FED-ED benefit charges.					

Comments: The computations for the illustrations above are based on the maximum weekly UI benefit amount of $450 as provided in section 1280 of the CUIC. Types of UI programs and duration of benefits are as mandated under the CUIC.

An entity electing the reimbursable method of financing for UI benefits must reimburse the EDD for all UI benefits paid on their behalf. It is not entitled to any relief of charges due to any benefit payment errors, pursuant to section 803(c) of the CUIC. If the claimant repays the EDD for the overpayment, the reimbursable employer will be entitled to a credit against its liability. The reimbursable employer can be charged for its share of UI benefits paid for a period of three years following the termination of the election or business operations, pursuant to section 803(j) of the CUIC. In addition, if the entity fails to pay the contributions required within the time required, a 10 percent penalty and interest will be assessed, pursuant to section 803(f) of the CUIC.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 1-888-745-3886 (voice) or TTY 1-800-547-9565.