

---

# SERVICE BULLETIN

---

## Opportunity to Reduce Alaska Unemployment Tax Rates

December 12, 2011

Every January we remind clients with payroll in Alaska about the Option Forms that can be used to possibly reduce your UI tax rate. The option forms allow you to adjust for artificial variances in your quarterly payrolls caused by such payments as an extra bi-weekly payroll in a quarter, bonuses, and lump sum payments.

State unemployment tax rates in Alaska are computed differently than in any other state. Generally speaking, your tax rate is based on changes in your total payroll from one quarter to the next, over a three-year period.

When an employer's payroll declines in comparison to the previous quarter, this causes the tax rate to increase. The theory is that an employer with declining payroll or unstable payroll is contributing to unemployment, and should pay a higher tax rate. Conversely, an employer whose payroll is consistent from one quarter to the next, or whose payroll increases from one quarter to the next, is rewarded with a low tax rate.

Some employers experience payroll declines from time to time which are "artificial," in that they are caused by such things as bonuses or lump sum payments in one quarter which are not repeated in the next quarter, or by having an extra pay date in a quarter which can occur with bi-weekly payrolls.

The Alaska Department of Labor allows employers to adjust for these artificial payroll declines. Enclosed is material on this subject, as well as examples of the three forms which can be used to adjust your quarterly payroll.

If your gross payroll occasionally declines for one of these "artificial" reasons, your tax rate for future years can be lowered by using the attached adjustment forms. In this case, we suggest that you review the attached material carefully. Remember, that a decline in quarterly payroll in Alaska can adversely affect your tax rate for the following **three** years.

Adjustments may be taken into account within two years after the computation date for the purpose of a reduction in the tax rate. Through June 30, options can be used to reduce the rate for the preceding calendar year as well as the current year. From July 1, only the current year's rate can be changed, but the lower rate would be retroactive to January 1 of the current year.

We encourage you to review the three option forms which follow, to determine if you have an opportunity to "smooth out" your quarterly payrolls, thereby reducing your UI tax rate.

If there are any questions or you would like additional information regarding this matter, please do not hesitate to contact us.

THOMAS & THORNGREN  
client-centered. detail-driven.

**Alaska Department of Labor and Workforce Development**  
**Employment Security Tax**  
**P.O. Box 115509**  
**Juneau, AK 99811-5509**

**Employer Option Form**  
For Rating Purposes Only

The Alaska Employment Security Act provides an experience rating system for the determination of employer contribution rates. Alaska's system is based on quarterly payroll declines. Each employer's rate is based on declines in total reportable wages (not taxable wages) from quarter to quarter over a one- to three-year period (minimum of four quarters and maximum of 12 as shown on the annual rate notice), depending upon how long the employer has been in business.

There are several types of payments made by some employers that tend to create artificial quarterly declines in payroll. They are:

- Bonuses and/or lump sum payments for service performed over a period of more than three months
- Seven bi-weekly pay periods for those employers who pay bi-weekly, thus creating an extra seventh pay period for two quarters during a calendar year
- Labor disputes resulting in stoppage of work
- A change in accounting practices

The Employer Option Form is used to list the information necessary to examine the possibility of either eliminating or decreasing the quarterly payroll declines for rate purposes. An employer can choose to either delete or apportion the above wage payments to even out quarterly payroll declines and possibly obtain a more favorable experience rate.

**Careful consideration** should be given to the choice of an option method, as once an option method is chosen, it is effective for future years and may not be changed without approval. Employers are responsible for filing an Employer Option Form that includes all quarters of the rating period in which their artificial decline situation arises. Employers have until June 30 to submit options reducing the previous year's tax rate. Options for the above types of wage payments are to be submitted for each quarter reflected on the annual rate notice. Please refer to the rate notice you received for the year for which you are submitting options.

If you have any questions concerning the option process or completion of this form, call the Employer Accounts Unit in Juneau or your local Field Tax Office.

Office	Telephone	Fax
Juneau - Employer Accts	(907) 465-2757	(907) 465-2374
Anchorage ES Tax	(907) 269-4850	(907) 269-4845
Fairbanks ES Tax	(907) 451-2876	(907) 451-2883
Juneau ES Tax	(907) 465-2787	(907) 465-2374
Kenai ES Tax	(907) 283-2920	(907) 283-5152
Wasilla ES Tax	(907) 352-2535	(907) 352-2581

**Toll-Free Telephone Number** to connect to your employer representative . . . . . **1-888-448-2937**  
if you are located out-of-state, in Canada, or in Alaska, except Anchorage,  
Fairbanks, Juneau, Kenai, and Wasilla local telephone prefixes.

**Toll-Free Telephone Number** to connect to Central Office in Juneau . . . . . **1-888-448-3527**  
for all areas outside Juneau, out-of-state, and Canada.

**Toll-Free Telephone Number** to connect to Relay Alaska TDD/TTY . . . . . **1-800-770-8973**





**Option Form for Labor Disputes and/or Payroll Changes**  
**For Rating Purposes Only**

<b>LABOR DISPUTES</b>			
(1) Quarter Ending Date(s)	(2) Total quarterly wages as reported on your contribution report for quarters listed in Column (1).	(3) Total quarterly wages that would have been reported if there was no labor dispute.	(4) Adjusted total quarterly wages SHADED AREA FOR DEPARTMENTAL USE ONLY

Explanation: \_\_\_\_\_

<b>PAYROLL CHANGE</b>			
(1) Quarter Ending Dates- Each quarter listed with a payroll change must have a correction in an offsetting quarter. List the quarter with the change and the offsetting quarter.	(2) Total quarterly wages as reported on your contribution report for quarters listed in Column (1).	(3) Total quarterly wages that would have been reported if a payroll change had not occurred. A change in wages in one quarter must have an offsetting amount as a correction to another quarter.	(4) Adjusted total quarterly wages SHADED AREA FOR DEPARTMENTAL USE ONLY
(A) Quarter with change:			
(B) Offsetting quarter:			
(A) Quarter with change:			
(B) Offsetting quarter:			
(A) Quarter with change:			
(B) Offsetting quarter:			

Explanation: \_\_\_\_\_

Account Name: \_\_\_\_\_ Account Number: \_\_\_\_\_  
 Contact Person: \_\_\_\_\_ Telephone Number: \_\_\_\_\_ Date: \_\_\_\_\_  
 TOPTD