

NOTICE FOR CORPORATIONS

State of Wisconsin
Department of Workforce Development
Mailing Address:
Division of Unemployment Insurance
P.O. Box 7942
Madison, WI 53707-7942
Fax: (608) 267-1400

Personal information you provide may be used for secondary purposes [Privacy Law, s. 15.04 (1)(m), Wisconsin Statutes].

Certain corporations may elect to exclude qualified corporate officers from “employment” under Wisconsin’s Unemployment Insurance (UI) Law. Their wages would neither be subject to state UI contributions (taxes) nor usable for any UI benefit purpose.

A corporation may exclude principal corporation officers effective as of January 1, 2011, if all the following conditions exist.

1. The corporation had a total UI taxable payroll for 2010 of less than \$500,000.
2. An election to exclude eligible corporation officers is filed by **March 31, 2011**. (Special Note: New and successor employers have until the due date of their first quarterly report to file the application for exclusion.)
3. The election covers all principal officers (president, vice president(s), secretary and treasurer) who have one-fourth or more ownership interest in the corporation.

Please read the statutory provisions on the bottom half of this sheet.

Since paid corporation officers’ wages are subject to tax under the Federal Unemployment Tax Act (FUTA), it may not be financially advantageous for some corporations to exclude their wages from taxation under Wisconsin’s UI Law. The FUTA tax is initially a 6.2% tax on the first \$7,000 paid each employee within a calendar year. Employers receive a 90% offset credit against this 6.2% tax for contributions paid timely under a state UI law. Where sufficient offset credit is available, the resulting net FUTA tax is 0.8%. If the exclusion is elected, employers pay the full 6.2% FUTA tax on the corporate officer wages. **You will receive an Initial Determination advising you of the status of your election.**

Qualifying corporations can complete the worksheet on the reverse side and estimate their total state and federal UI taxes with the exclusion and without the exclusion. **Corporations that elected to take this exclusion in the past do not have to make another election. You should review your account each year to be sure the election is still saving you money. If you wish to rescind the election, please send us a letter to that effect by March 31.**

A corporation wishing to elect this exclusion can obtain the election form and/or further information by writing the Employer Service Team, P.O. Box 7942, Madison, WI 53707-7942, or telephoning the unit at (608) 261-6700 or FAX (608) 267-1400. Completed election forms should be submitted to the P.O. Box address. Division of Unemployment Insurance internet address is: <http://www.dwd.wisconsin.gov/ui>

Section 108.025 provide the following:

“Employment” includes an individual’s service for an employer organized as a corporation in which the individual is a principal officer, as defined in Section 108.025, and has a direct or indirect ownership interest, except that if an employer having an annual taxable payroll of less than \$500,000 for the calendar year preceding an election files a notice of election, in that manner prescribed by the department, to exclude the service of all of its principal officers who have a direct or indirect substantial ownership in the corporation, “employment” does not include the service of these officers. An employer which files an election under this paragraph may reelect coverage of its principal officers under this subsection by filing a notice of reelection with the department. An employer which reelects coverage of its principal officers is not eligible to file a notice of election of noncoverage under this paragraph. To be effective for a calendar year, an employer shall file a notice of election or reelection not later than March 31 of that year. Newly subject and successor employers have until the due date of their first quarterly report to elect the corporate officer exclusion. An election is effective for each calendar year until the employer files a timely notice of reelection. A principal officer has a direct or indirect substantial ownership interest in a corporation under this paragraph if one-fourth or more of the ownership, however designated or evidenced, in the corporation is owned or controlled, directly or indirectly, by the officer.

WORKSHEET - CORPORATE OFFICER EXCLUSION

INSTRUCTIONS: Complete the chart below using estimated 2011 payroll figures to illustrate the effect of excluding corporate officer wages on your total state and federal unemployment costs. **This is only one year's payroll and results could vary in subsequent years.** You may have other tax concerns to consider when making your decision.

* **NOTE:** The figures you show in lines 1, 2 and 3 will be the same for both Column A and B since the exclusion of paid officers' wages is not allowed under the Federal Unemployment Tax Act (FUTA).

USE PAYROLL FIGURES (estimated 2011)	COLUMN A (without exclusion)	COLUMN B (with exclusion)
1. Payroll subject to FUTA (include only first \$7,000 of any employee's wages)		*
2. FUTA Tax (6.2% times line 1)		*
3. Maximum FUTA Credit Potentially Available (5.4% times line 1)		*
4. Payroll subject to WI UI Tax (include only first \$13,000 of any employee's wages)		
5. Your 2011 WI UI Tax Rate		
6. WI UI Tax (line 4 times line 5)		
7. FUTA Credit for "implied" Payment of State UI Taxes (5.4% times line 4)		
8. Total FUTA Credit (higher of line 6 or 7, but not more than line 3)		
9. Net FUTA Tax (line 2 minus line 8)		
10. Total State UI and FUTA Taxes (line 6 plus line 9)		