

● FEDERAL UNEMPLOYMENT TAX ACT

STATUTORY CITATION: 26 USC §§ 3301 – 3311

GENERAL SUMMARY: The Federal Unemployment Tax Act imposes a tax on most employers across the country, which helps finance operation of the nation's unemployment insurance program. Federal UI taxes collected from employers are, in large part, distributed by formula to the states to offset the cost of administering the UI program, while taxes collected from employers by the state are used to pay unemployment benefits to individual claimants. Under the federal-state system, employers who are subject to federal UI taxes, and who pay state UI contributions under a state law that conforms to federal standards, receive credit for such payments against their federal tax liability.

With certain exceptions, employers are required to pay federal UI taxes if they (1) paid wages of \$1,500 or more during any calendar quarter in the current or preceding calendar year, or (2) employed at least one worker for some part of a day in each of 20 or more different calendar weeks this year or last.

PROVISIONS APPLICABLE TO AGRICULTURE: In contrast with the more stringent coverage criteria applicable to employers in other sectors, a farm operator or other agricultural employer is subject to federal unemployment insurance taxes only if the employer pays cash agricultural wages of \$20,000 or more in any calendar quarter of the current or preceding calendar year, or employs at least 10 agricultural workers in 20 different weeks in the current or preceding calendar year. Subject farm employers must pay federal UI taxes on behalf of covered employees with respect to the first \$7,000 in wages paid to each such worker during the year.

In turn, agricultural workers who are unemployed but who are available for work may qualify for UI benefits if they have been employed by one or more subject employers and meet the eligibility requirements for benefits under a state UI statute approved by the Secretary of Labor.

SPECIAL NOTES OR ADVISORIES

LIABILITY OF CREW LEADERS AND LABOR CONTRACTORS — For purposes of determining liability for payment of unemployment contributions, in cases where farmworkers performing agricultural labor are furnished to a farm operator by a crew leader who (1) is registered under the Migrant and Seasonal Agricultural Worker Protection Act, (2) pays members of the crew their earnings, and (3) has not entered into a written agreement with the farm operator under which the crew leader is designated as an employee of the farm operator, the crew leader is treated as the workers' employer. Under any other circumstances, crew members are considered employees of the farm operator, and wages paid to the workers by the crew leader are deemed to be wages paid by the farm operator.

ADMINISTRATION AND ENFORCEMENT

PRIMARY ENFORCEMENT AGENCY — *Office of Unemployment Insurance, Employment and Training Administration, U.S. Department of Labor, Washington, D.C. 20210 (202-693-3032).* ETA is responsible for reviewing state unemployment compensation laws to determine compliance with federal requirements and for overseeing state administration of UI claims, appeals and benefits. Immediate problems involving tax liability and compensation payments, however, must generally be addressed by the designated state agency.

SECONDARY OR ASSOCIATED ENFORCEMENT AGENCY — *Internal Revenue Service, U.S. Department of the Treasury, Washington, D.C. 20224 (202-283-1710).* Primarily through its district offices and regional service centers, IRS is responsible for the collection of federal UI taxes from subject employers and accordingly may involve itself in questions regarding federal tax liability and compliance.

SECONDARY OR ASSOCIATED ENFORCEMENT AGENCY — Unemployment insurance laws have been enacted in all 50 states and Puerto Rico. Most such statutes provide for coverage of only those agricultural workers employed by comparatively large agricultural establishments, to the extent required by the federal provisions outlined above, while workers in other states are insured even on small farms. For a summary of state coverage criteria and identification of the state administering agency, see the first entry under the heading "*Insurance & Compensation*" for the particular state in question.