

OUT OF STATE TAXABLE WAGE CREDIT AUTOMATION



AGENDA

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- Statute, Section § 41-31-360
- Moving Forward - Review of proper reporting
- Looking Back - Amendments
- Localization Tests
- Localization Scenarios
- Questions



PURPOSE OF THE OUT OF STATE TAXABLE WAGE CREDIT AUTOMATION

- The State Unemployment Insurance Tax System (SUITS) will automatically calculate out of state taxable wage to help accounts in assurance of proper reporting and correct application of credit.
- This presentation will provide an overview of how SUITS calculates the credit when employers and agents report out of state taxable wages for an employee that relocates to South Carolina.
- The purpose of the out of state taxable wage credit automation is to:
 - Ensure that Employers/Agents are properly reporting wages to the correct state based on localization tests.
 - Ensure that when an employer has transferred or relocated an employee to South Carolina, they should are no longer be reporting wages to multiple states at the same time.



STATUTE, SECTION § 41-31-360

- (A) If, not later than **four years** after the date on which any **contributions** or interest or employment security administrative contingency assessments became due, an employer who has paid the contributions or interest or employment security administrative contingency assessments shall make application for an **adjustment** in connection with subsequent contribution or employment security administrative contingency assessment payments or for a refund because the adjustment cannot be made and the department shall determine that the contributions or interest or employment security administrative contingency assessments or any portion was erroneously collected, the department shall make an adjustment, without interest, in connection with subsequent contribution or employment security administrative contingency assessment payments by him or, if the adjustment cannot be made, shall refund the amount from the fund. For like cause and within the same period an adjustment or refund may be made on the department's own initiative.
- (B) A refund or adjustment must be made in any case where the department finds that contributions or interest or employment security administrative contingency assessments were **erroneously paid by an employing unit to this State upon wages earned by individuals in employment in another state**. The refund or adjustment must be made upon **satisfactory proof** to the department that the **payment** of the contributions or interest or employment security administrative contingency assessments have been made to the **other state**.

Moving Forward – Proper Wage Reporting

- The automation to the Out of State Taxable Wage Credit calculation took effect as of 03/11/2021.
- An account may continue to report out of state taxable wages in each quarter, but credit will not be given for the same SSN/employee. If an Employer/Agent continues to have out of state taxable wages to report in each quarter, then they will need to refer to the Localization Tests to determine where the wages should to properly reported.
- The Out of State Taxable wage credit calculation occurs only in the quarter the individual employee starts having reportable wages in S.C. The Out of State taxable wage credit is not calculated if prior quarter wages have been reported to South Carolina.
- The amount of out of state taxable wages reported to South Carolina, in a quarter, can be a year-to-date total of taxable wages reported in another state.
 - For example: If an employee transfers from Ohio to S.C. in the third quarter, the employer may report the year to date total out of state taxable wages in the third quarter. This is meant for relocation of employees and to ensure that the employer receives proper credit for the taxable wages they have already paid in another state.
- Once the out of state taxable wage credit has been claimed for an employee, it may not be claimed again until 2 successive calendar years have passed for that same employee.
- The out of state taxable wage credit is not calculated for invalid or dummy SSNs. When the correct SSN is provided, the credit will be calculated.

Example

- An employer submits wages for employee A in the first quarter of 2021, but does not report any Out of State Wages. The following quarter the employer submits wages again for employee A, but this time they have Out of State Wages to report. SUITS is not going to calculate the Out of State Wage Credit for employee A because, they have wages reported in the prior quarter. The Out of State taxable wage credit is for employees that have been transferred or relocated to S.C. If the employee is continuing to work in multiple states, then the employer needs to refer to the localization tests.

2021 First Quarter			
Employees	Total Wages	O.O.S. Reported	O.O.S. Credited
Employee A	\$5,000.00	\$0.00	\$0.00

2021 Second Quarter			
Employees	Total Wages	O.O.S. Reported	O.O.S. Credited
Employee A	\$5,000.00	\$5,000.00	\$0.00

EXAMPLE

- An employer submits out of state taxable wages in the amount of \$10,000.00 for employee A in the first quarter of 2021. The out of state taxable wage credit will not be available to be claimed for employee A for the next two successive calendar years, 2022 and 2023. The next available out of state taxable wage credit for employee A will be in the 1st Quarter of 2024.
- As shown in the example below, the employer is able to receive credit for the Out of State Taxable wages paid in the first quarter of 2021, but not in 2022.

2021 First Quarter		
Employees	Taxable Wages	Out of State Taxable Wages
Employee A	\$10,000.00	\$10,000.00
Employee B	\$5,000.00	\$0.00
Employee C	\$5,000.00	\$0.00
Total Wages	\$20,000.00	
Excess Wages	\$6,000.00	
Taxable Wages	\$14,000.00	

2022 First Quarter		
Employees	Taxable Wages	Out of State Taxable Wages
Employee A	\$10,000.00	\$0.00
Employee B	\$5,000.00	\$0.00
Employee C	\$5,000.00	\$0.00
Total Wages	\$20,000.00	
Excess Wages	\$0.00	
Taxable Wages	\$20,000.00	

New Look in SUITS

- SUITS now has a new column under the wage summary & employee details tab entitled OOS Credited Wages:

Wage Summary

Quarterly Calculations | Debt Summary | Payment Summary | Transaction History | Report History | **Employee Details** | File Details

Employee Wage Detail Search

Report Year: 2020 Report Quarter: 1

SSN: Report Type: Amend Prior Report

First Name: Last Name:

Employee Wage Detail Result

Confirmation Num	Report Type	Ssn▲	Last Name	First Name	MI	Report Year	Report Quarter	Total Wages	Taxable Wages	UI Excess Wages	OOS Reported Wages	OOS Credited Wages	Hours Worked	Active Ind	Action Type
██████	Amendment Wage Report	██████	██████	██████		2020	1	\$10,000.00	\$4,000.00	\$6,000.00	\$10,000.00	\$10,000.00		Y	Addition



Looking Back - Amendments

- Original wage reports submitted will not be re-processed with the implementation of the automated calculation functionality.
- Employers and Agents will still be able to amend prior reported wages.
- If prior reported wages are amended, then the automated calculation will be enacted for that calendar year reports including original wage reports not amended.
- After review of localization material, accounts can make adjustments for **multi-state employees** that have been reported in error or not correctly reported to South Carolina.
- [Read about Multi State Exceptions for “For Profit” businesses here:](https://www.dew.sc.gov/unemployment-tax-information/i-do-not-have-account/profit-businesses)

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EXAMPLE

- 2019 Original Wage Submission for Employee A:

1 st QTR	1 st QTR OOS	2 nd QTR	2 nd QTR OOS	3 rd QTR	3 rd QTR OOS	4 th QTR	4 th QTR OOS
\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00

- Year to date Total SC Wages: \$20,000.00
- Year to date Excess SC Wages: \$15,000.00 (due to the OOS wage credit)
- Year to date Taxable SC Wages: \$5,000.00

- 2019 Amended Wage Submission for Employee A:

1 st QTR	1 st QTR OOS	2 nd QTR	2 nd QTR OOS	3 rd QTR	3 rd QTR OOS	4 th QTR	4 th QTR OOS
\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00

- Year to date Total SC Wages: \$20,000.00
- Year to date Excess SC Wages: \$11,000.00
- Year to date Taxable SC Wages: \$9,000.00 (the OOS wage credit will now only be given in the first quarter of 2019)

Example

- An Employer has submitted Out of State Wages for their employee, John Smith, every year since 2018. However, the employer has just realized that in 2019 they under-reported John's wages in S.C. The employer amends John's wages in the first quarter of 2019 from \$3,000.00 to \$5,000.00. When the employer amends John's wages, he then loses all of the Out of State Taxable wages he had previously reported in 2019. The employer loses this credit because he has already received the credit in the year prior and it has not been two successive calendar years.

2019 Original First Quarter Wage Submission			
Employees	Total Wages	OOS Wages Reported	OOS Wages Credited
John Smith	\$3,000.00	\$11,000.00	\$11,000.00
2019 Amended First Quarter Wage Submission			
John Smith	\$5,000.00	\$11,000.00	\$0.00

LOCALIZATION TESTS

- **Multi-state workers**

When an employee works in South Carolina and another state, the department applies the following test to determine employment reportable to DEW. The tests are applied in the following order.

1. **Localization**

An employee's services are in employment and "localized" in a state if he performs all services in the state or performs a majority of his services in that state with incidental services performed outside it.

2. **Base of Operations**

If test one does not apply in any state, an employee's services are in employment in a state if he performs some of his services and his base of operations is in that state as well. Base of operations is defined as a place of more or less permanent nature where the employee starts work and where he customarily returns to perform his contracted work.

3. **Place of Direction and Control**

If tests one and two do not apply in any state, an employee's services are in employment in a state if some of his services are performed there and his employer exercises general direction and control over him from that same state.

4. **Residence of Employee**

If tests one, two and three do not apply in any state, an employee's services are in employment in a state where he performs some of his services, and he lives there as well.



The End

