

# Unemployment Benefits

*Understanding the State-Managed "Rainy Day Fund"*

*A Complimentary Resource from  
Breedlove & Associates*

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## **What is unemployment insurance?**

Unemployment insurance is a state-managed fund designed to provide financial assistance to employees who have been "let go" from their job due to no fault of their own. It is funded through payroll taxes imposed on employers. Benefits are not paid to employees who quit their job or who are terminated for good cause (i.e. they are unable or unwilling to perform duties to the employer's satisfaction). Qualification for benefits is determined on a case-by-case basis after an application has been submitted to the state labor/employment department for formal review.

## **If I pay my employee "under the table" is she eligible for unemployment benefits?**

No. When you pay your employee illegally, you are not paying the payroll taxes that fund unemployment benefits. As a result, your employee would not be eligible for benefits. In addition, the state will require back taxes, penalties and interest to be paid on all previous compensation. Once back taxes have been paid, your previous employee will qualify for benefits.

## **Will it cost me anything if my previous employee qualifies for unemployment benefits?**

No. Employers do not pay unemployment benefits. Your unemployment insurance taxes paid quarterly to the state flow into a general fund, and benefits are distributed from the fund to employees who qualify. Your unemployment insurance tax rate is re-evaluated every year at the state level, and a claim by an employee may increase your rate slightly for the next year. A rate increase generally results in an extra \$10 - \$15 each month in unemployment insurance taxes.

## **I received a notice that my previous employee has applied for unemployment benefits, but she quit. Does she qualify for benefits and what should I do?**

If your employee quit or was let go with good cause, she should not qualify for unemployment benefits. The state notifies every employer when an unemployment benefits application has been filed by a previous employee. You are being asked to verify the facts of the termination or to dispute them if you feel that they were not presented accurately. A state case-manager will review all documentation provided and determine eligibility for unemployment benefits. You will be informed in writing of the decision.

**If you have any questions about unemployment insurance taxes or benefits,  
please let us know. We're here to help.**

