



# Agricultural Labor Report

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## COLORADO UNEMPLOYMENT INSURANCE

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- *With few exceptions, any business that paid \$1500 in wages in a quarter of the current year or previous year must pay unemployment taxes.*
- *Seasonal businesses are exempt from paying the tax during non-seasonal times.*
- *An agricultural labor employer who pays either cash wages of \$20,000 or more to one or more workers in any calendar quarter, or employs 10 workers for 20 weeks during the year must pay into the state unemployment fund.*
- *Agricultural crew leaders are responsible for paying the unemployment insurance taxes for their employees.*

### Introduction

The Federal-State Unemployment Insurance Program is a joint federal-state effort in which the state operates its own program within the guidelines established by the federal government. The general purpose of the program is to provide temporary financial relief for those individuals who are unemployed through no fault of their own and meet other requirements established by the state. The unemployment insurance payments

are meant as a “stop-gap” measure for individuals who are *actively* looking for employment.

State law determines eligibility for unemployment insurance, benefit amounts, and the length of time benefits are available. The majority of states, Colorado included, finance the unemployment benefits through taxes on employers.

### Who Must Pay Unemployment Insurance?

In Colorado, most employers are liable for paying into the Colorado Unemployment Insurance Fund. Any business that paid wages of at least \$1500 in a quarter of the current year or previous year, or a business that employed at least one person for any part of a day in twenty weeks during this year or last year must pay the tax. The rules are different for agricultural employers, domestic employers, and non-profit organizations where different liability criteria prevail based on the amount of wages paid and number of employees.

Others that must pay into the fund include religious, educational, or charitable nonprofit organizations that have four or more employees for 20 weeks during the calendar year, even though they may be exempt from federal unemployment taxes. Additionally, an employer that employs domestic help in a private

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home and pays cash wages of \$1,000 or more to one or more workers in any calendar quarter must pay unemployment taxes. Any state agency, state-operated hospital or school of higher education, or a political subdivision of the state is responsible for paying unemployment insurance.

### **Seasonal Employers**

If a business is seasonal in nature, it is exempt from paying the unemployment tax during the non-seasonal portion of the year. To be considered seasonal a business must meet the following criteria:

- It customarily employs workers in a functionally distinct occupation only during a regularly recurring period or periods of less than 26 weeks in a calendar year.
- It does not employ more than 25% of the total number of workers in such functionally distinct occupation outside the seasonal period that were employed in such occupation during the previous seasonal period.
- It does not employ any workers in such functionally distinct occupation for a period of 44 consecutive days following the seasonal period.

### **Who Must Be Covered By Unemployment Insurance**

Generally, any individual who is paid wages and performs a service for an employer who is required to pay the unemployment insurance tax is in covered employment.

### **Who Does Not Have to Be Covered**

Although most employees are to be covered, there are exceptions to the law. Domestic servants whose employer has not paid cash wages of \$1,000 or more to one or more workers in a calendar quarter are exempted from coverage along with real estate and direct sales workers. For this group, there must be a written contract that provides the person will not be treated as an employee for federal tax purposes and all fees, whether or not paid in cash, must be directly related to sales or the performance of services, instead of the number of hours worked. Others, such as student work study employees, insurance sales personnel working completely on commission, and members of National Guard units are also exempted from coverage. For a complete listing of the exempted occupations,

please see the Employers Handbook published by the Colorado Department of Labor and Employment.

### **The Tax Rate**

Although there may be extenuating circumstances, such as any delinquencies or the size of the account, the basic tax rate for the majority of employers is 1.70% plus an annually computed surtax. For 2000, the surtax was 0.22% resulting in a combined rate of 1.92% on the first \$10,000 of each employee's annual earnings. Note that construction businesses may have a different tax base.

### **Agriculture**

Although the general rules for unemployment taxation apply to agriculture, there are some differences. An employer of agricultural labor who pays either cash wages of \$20,000 or more to one or more workers in any one-calendar quarter, or employs 10 workers for 20 weeks during the calendar year must pay into the unemployment fund.

Crew leaders for agricultural farm workers are responsible for paying the unemployment insurance. A crew leader is an individual who furnishes people to perform farm labor for another person, pays, either on his or her own behalf or on behalf of another person, the people furnished by him or her for farm labor, and has not made a written agreement with another person under which the farm workers are designated as employees of that person.

### **Summary**

The Colorado State Unemployment Insurance Program is for those people temporarily out of work through no fault of their own. Almost all employers who paid \$1500 in wages in a quarter this year or the previous year or a business that employed at least one person for any part of a day in 20 weeks during this year or last year must contribute to the fund. There are exceptions for some religious, charitable, and non-profit organizations. Seasonal businesses may also be exempt from paying to the fund during the non-seasonal periods of the year.

For agriculture, there is an exception to the general rules. If an agricultural employer does not pay wages of more than \$20,000 in a quarter and doesn't employ 10 employees for twenty weeks during a calendar year, then the employer is exempt from paying to the fund.

For more information on unemployment insurance, please see the following web sites:

1. <http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp>—State Unemployment fact sheet
2. <http://unempben.cdle.state.co.us/regulation/default.asp>—Colorado Unemployment Benefits
3. [http://unemploytax.cdle.state.co.us/unemp\\_ins\\_tax\\_faq.html](http://unemploytax.cdle.state.co.us/unemp_ins_tax_faq.html)—Frequently Asked Questions
4. <http://unemploytax.cdle.state.co.us/EmployersHandbook/tax.htm>—Tax rates and regulations and forms
5. <http://unemploytax.racdle.state.co.us/> - Colorado Department of Labor and Employment Unemployment Tax Division