

COVERAGE

IN GENERAL

This chapter will provide information about the variations among states with respect to coverage: which employers are liable for UI contributions and which workers accrue UI benefit rights.

When examining coverage, there is one overarching issue: are the services performed by a worker covered? To make that determination, the following questions must be answered:

- Were the services performed in an employer-employee relationship?
- Were the services performed for an employer?
- Were the services performed in employment?
- Were wages paid for the services?

If the answer to all the above is “yes,” then the services are covered by UI law. (Note that not all payments may be considered “wages” for purposes of UI.)

Other than service performed for the federal government and railroads, federal UI law does not technically “cover” services since no benefit rights accrue under federal law. However, the taxing provisions of the Federal Unemployment Tax Act (FUTA) influence state coverage provisions since employers who pay taxes under an approved state UI law may credit their state contributions against a specified percentage of the FUTA tax owed.

Federal law requires, as a condition for approval of the state’s UI law, that certain services not subject to the FUTA tax - services performed for state and local governments, nonprofit organizations, and Indian tribes - must be covered by state law. Further, since states cannot tax the federal government, coverage is extended to federal service under the Unemployment Compensation for Federal Civilian Employees (UCFE) and Unemployment Compensation for Ex-Service members (UCX) programs.

The federal and state definitions of employment exclude certain types of service as well. Since 1939, railroad workers have been excluded from the Federal-State system. They are covered by a special federal UI program administered by the Railroad Retirement Board. Since this program is not administered by the states, it is not discussed further in this publication.

State laws governing coverage generally incorporate the federal exclusions. Most states, however, permit voluntary election of coverage by employers for excluded workers. Also, most state laws provide that any service taxed by the FUTA is covered under state law. Many state laws also automatically cover any service which federal law requires to be covered as a condition of approval of the state’s UI law.

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STATE COVERAGE RESULTS FROM CHANGES IN FEDERAL UI LAWS (IF STATE DOES NOT COVER ALL EMPLOYERS & EMPLOYMENT REQUIRED BY FEDERAL LAW) 1/				
	Employer includes any employing unit		Employment includes any service	
State	Liable for any federal UI tax	Required to be covered under any federal UI law	Liable for any federal UI tax	Required to be covered under any federal UI law
AK	No such provision needed since state law covers employers of one or more workers at any time.	X	X	X
HI	No such provision needed since state law covers employers of one or more workers at any time.		X	X
ID			X	X
IN	X	X	X	
MD	X	X		
MA	Not applicable to classes of employers whose inclusion would adversely affect efficient administration or impair fund.			
MI	X		Not applicable to service performed by a student in a work-study program, or part-time service by a minor student, or by a member of a band or orchestra.	Not applicable to service performed by a student in a work-study program, or part-time service by a minor student, or by a member of a band or orchestra.
MS			X	X
MT	X	X		
NV	X		X	X
NH	Elective coverage for agricultural and domestic services and employers.		Elective coverage for agricultural and domestic services and employers.	
NJ	X	X		X
OR			X	X
PA	No such provision; none needed since state law covers employers of one or more workers at any time.		X	X
PR	X	X	X	

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STATE COVERAGE RESULTS FROM CHANGES IN FEDERAL UI LAWS (IF STATE DOES NOT COVER ALL EMPLOYERS & EMPLOYMENT REQUIRED BY FEDERAL LAW) 1/				
	Employer includes any employing unit		Employment includes any service	
State	Liable for any federal UI tax	Required to be covered under any federal UI law	Liable for any federal UI tax	Required to be covered under any federal UI law
SD			X	X
TN	X		X	X
TX	X	X		
VI	No such provision needed since state law covers employers of one or more workers at any time.		X	X
WA	X	X		
WV	X		Not applicable to agricultural labor and domestic service.	X
WI	X	X	X	

1/ This table does not apply to CA, NY, and SC.

EMPLOYERS

As mentioned above, one of the basic factors in determining coverage is whether services are performed for employers. The coverage provisions of most state laws use the terms employing unit and employer to make the distinctions needed to address this issue. Employing unit is the more generic term. It applies to any individual of any one of several specified types of legal entities that has one or more individuals performing service for it within a state. An employer is an employing unit that meets the specific requirements of UI law (hence, an employer is covered). As a result, an employer is subject to UI tax liability and its workers accrue rights for UI benefits.

For UI purposes, whether an employing unit is an employer depends on the number of days or weeks a worker is employed or the amount of the employing unit's quarterly or yearly payroll. Except for agricultural labor and domestic service, the FUTA applies to employing units who, during any calendar quarter in the current or immediately preceding calendar year, paid wages of \$1,500 or more, or to employing units of one or more workers on at least 1 day in each of 20 weeks during the current or immediately preceding calendar year. About half of the states use this definition. The following table provides information on which employing units are considered employers in each state that uses a definition other than the one in FUTA.

DEFINITION OF EMPLOYER (IF DIFFERENT FROM FUTA 20 WEEKS/ \$1500 RULE) (24 STATES)								
State	Minimum period of time or payroll	Alternative conditions	State	Minimum period of time or payroll	Alternative conditions	State	Minimum period of time or payroll	Alternative conditions
AK	Anytime	None	MI	20 weeks	\$1,000	OR	8 weeks	\$225 in quarter
AR	10 days	None	MN	Anytime	None	PA	Anytime	None
CA	\$100 in quarter	None	MT	\$1,000 in year	None	PR	Anytime	None
CT	13 weeks	\$1,500	NV	\$225 in quarter	None	RI	Anytime	None
DC	Anytime	None	NJ	\$1,000 in year	None	UT	\$140 in quarter	None

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DEFINITION OF EMPLOYER (IF DIFFERENT FROM FUTA 20 WEEKS/ \$1500 RULE) (24 STATES)								
State	Minimum period of time or payroll	Alternative conditions	State	Minimum period of time or payroll	Alternative conditions	State	Minimum period of time or payroll	Alternative conditions
HI	Anytime	None	NM	20 weeks	\$450 in quarter	VI	Anytime	None
MD	Anytime	None	NY	\$300 in quarter	None	WA	Anytime	None
MA	13 weeks	\$1,500	NC	20 weeks	None	WY	Anytime	None

Historical Note: The federal law was originally applicable to employing units of eight or more workers on at least 1 day in each of 20 different weeks in a calendar year. This threshold was reduced to four workers in 1956 and to one in 1972.

AGRICULTURAL LABOR—FUTA’s agricultural labor provisions apply to employing units who paid wages in cash of \$20,000 or more for agricultural labor in any calendar quarter in the current or preceding calendar year, or who employed 10 or more workers on at least 1 day in each of 20 different weeks in the current or immediately preceding calendar year. Most states have followed the FUTA provision and therefore have limited coverage to service performed on large farms. A few states cover services on smaller farms. The table below describes each state’s agricultural labor provisions that differ from the FUTA provisions.

AGRICULTURAL LABOR PROVISIONS (IF DIFFERENT FROM FUTA) (11 STATES)											
CA	1 at any-time and wages in excess of \$100 in a CQ.	FL	5 in 20 weeks or \$10,000 in a CQ	MN	4 in 20 weeks or \$20,000 in a CQ; agricultural labor performed by an individual 16 yrs. of age or younger is excluded from agricultural coverage unless the employer is covered under federal law.	NY	\$500 in CQ.	RI	1 or more at anytime.	VI	1 or more at anytime.
DC	1 at any-time.	ME	Agricultural labor performed by an alien in the harvesting of apples is excluded from agricultural coverage.	NH	Coverage on elective basis only.	PR	1 or more at any-time.	TX	3 in at least 20 different calendar weeks of the calendar or wages in cash of \$6,250 during a CQ.		

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Most state laws follow the FUTA definition of agricultural labor. Under FUTA, agricultural labor is performed when workers:

- Raise or harvest agricultural or horticultural products on a farm;
- Work in connection with the operation, management, conservation, improvement, or maintenance of a farm and its tools and equipment;
- Handle, process, or package any agricultural or horticultural commodity if a farm produced over half of the commodity (for a group of more than 20 operators, all of the commodity);
- Do work related to cotton ginning, turpentine, or gum resin products;
- Do housework in a private home if it is on a farm that is operated for profit.

The term “farm” includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, as well as plantations, ranches, nurseries, ranges, greenhouses, or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards. Agricultural labor does not include reselling activities that do not involve any substantial activity of raising agricultural or horticultural commodities, such as operation of a retail store or a greenhouse used primarily for display or storage.

Historical Note: When the UI program began, all agricultural labor was excluded from the definition of employment regardless of the size of the agricultural employer. Administrative regulations of the Bureau of Internal Revenue first defined agricultural labor for federal UI law purposes. All services on a farm in the raising and harvesting of any agricultural produce were excluded from coverage as were services in some processing and marketing activities if performed for the farmer who raised the crop and as an incident to primary farming operations. A definition of agricultural labor added to the FUTA in 1939 also excluded from coverage some processing and marketing activities (services performed in the employ of someone other than the farmer) and services in the management and operation of a farm (if they were performed for the farm owner or operator). Amendments made in 1970 to the FUTA narrowed the definition of agricultural labor, effectively extending coverage to some marginal agricultural activities. The 1976 amendments added the current dollar/employment thresholds that resulted in coverage of services performed on large farms.

States have the option of excluding from coverage service performed in agricultural labor on or after January 1, 1995, by aliens who are admitted to the United States pursuant to sections 214(c), non-immigrant status, and 101(a)(15)(H), residing temporarily in the United States in order to perform services, of the Immigration and Nationality Act. However, these aliens are counted in determining whether an agricultural employer meets the wage or size of firm requirements for coverage.

The FUTA established a special rule for determining who will be treated as the employer, and therefore, liable for the FUTA tax, in the case of agricultural workers who are members of a crew furnished by a crew leader to perform services in agricultural labor for a farm operator. Workers who are members of a crew furnished by a crew leader to perform service in agricultural labor for a farm operator are treated as employees of the crew leader if the leader is registered under the Migrant and Seasonal Agricultural Protection Act, or if substantially all the members of the crew operate or maintain mechanized equipment furnished by a crew leader. A member of a crew furnished by a crew leader to perform service in agricultural labor for a farm operator will not be treated as an employee of the crew leader if the individual is an employee of the farm operator within the meaning of the state law. Conversely, any worker who is furnished by a crew leader to perform service in agricultural labor for a farm operator but who is not treated as an employee of the crew leader is treated as an employee of the farm operator. This special rule is intended to resolve any question as to whether an

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individual's employer is the farm operator or crew leader. The same size-of-firm coverage provisions (10 in 20 weeks or \$20,000 in a calendar quarter) apply to a crew leader as to a farm operator.

DOMESTIC SERVICE—FUTA applies to any employer who, during any calendar quarter in the current or preceding calendar year, paid wages in cash of \$1,000 or more for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. As a result, all states cover such domestic service. The following table includes the provisions for states that do not utilize the FUTA provisions.

DOMESTIC SERVICE PROVISIONS (IF DIFFERENT FROM FUTA) (5 STATES)									
CA	Covers in-home supportive services provided under the Welfare & Institution Code.	DC	Quarterly payroll at least \$500	NY	Quarterly payroll at least \$500	VA	Excludes (1) medical services performed by an individual employed to perform those services in a private residence or medical institution if the employing unit is the person receiving the services and (2) services performed under agreement with a Public Human Service Agency in the home of the recipient of the service or the provider of the service.	VI	Quarterly payroll at least \$500

EMPLOYER-EMPLOYEE RELATIONSHIP

Most state laws contain strict tests to determine whether there is sufficient absence of control by an employer that the worker is not an employee, but an independent contractor. More than half the states provide criteria commonly called the “ABC” test under which service for remuneration is considered employment and the worker is an employee unless each of three tests are passed:

- The worker is free from control or direction in the performance of the work under the contract of service and in fact;
- The service is performed either outside the usual course of the business for which it is performed or is performed outside of all places of business of the enterprise for which it is performed; and
- The individual is customarily engaged in an independent trade, occupation, profession, or business.

Other states have variations of this “ABC” test. For example, in some states only the “A” and “C” tests apply. The tests used in states are listed in the table below.

EMPLOYEE: WORKERS CONSIDERED EMPLOYEES UNLESS:									
State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests	State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests
AK	X	X	X		NC				Contract creating employee relationship.
AL				Master-servant <u>1</u> /	ND				20 factors test

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EMPLOYEE: WORKERS CONSIDERED EMPLOYEES UNLESS:									
State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests	State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests
AR	X	X	X		NE	X	X	X	Contract creating employee relationship.
AZ				Service performed by an employee for the entity employing him.	NH	X	X	X	
CA				Contract of hire, written or oral, express or implied.	NJ	X	X	X	
CO	X		X		NM	X	X	X	
CT	X	X	X		NV	X	X	X	
DC				Contract of hire, written or oral, express or implied; by regulation	NY				Contract of hire, written or oral, express or implied.
DE	X	X	X		OH	X			Contract of hire, written or oral, express or implied.
FL					OK	X	X	X	
GA	X	X	X		OR	X		X	
HI	X	X	X		PA	X		X	
IA	X			Contract of hire, written or oral, express or implied.	PR	X	X	X	
ID	X		X		RI	X	X	X	
IL	X	X	X		SC				Contract of hire, written or oral, express or implied.
IN	X	X	X		SD	X		X	
KS	X	X			TN	X	X	X	
KY				Master-servant 1/ By judicial interpretation.	TX				Common law.
LA	X	X	X		UT	X		X	
MA	X	X	X		VA	X	X	X	
MD	X	X	X		VI	X	X	X	

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EMPLOYEE: WORKERS CONSIDERED EMPLOYEES UNLESS:									
State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests	State	Workers free from control over performance (A)	Service outside regular course or place of employer's business (B)	Worker in an independent business (C)	Other tests
ME	X	X	X		VT	X	X	X	
MI	X			Contract of hire, written or oral, express or implied.	WA	X	X	X	
MN			X	Master-servant <u>1/</u>	WI				Statutory factors <u>2/</u>
MO				Common law of right to control.	WV	X	X	X	
MS	X			Master-servant <u>1/</u>	WY	X			
MT	X		X						

1/ Refers generally to the employer's right of direction and control.

2/ Direction and control and independent business (i.e. AC) test used for governmental and nonprofit entities and loggers and truckers.

3/ In addition to the A, B, and C tests, the following tests are considered: 1) in locality, work is usually done by specialist without supervision; 2) specialized skill is required in the particular occupation; 3) length of time for which person is employed suggests an independent relationship; 4) method of payment is the by the job rather than by time; 5) parties do not believe they are creating a master and servant relationship, and 6) principal is not in business.

EMPLOYMENT

For UI purposes, employment is generally defined as the performance of any services, of whatever nature, by an employee for the person employing him or her. However, there are some exceptions. Also, since each state operates its own UI program, it is essential to determine which state covers a worker's employment. These topics will be explored in the following section.

LOCATION OF EMPLOYMENT

Localization—With 53 jurisdictions operating separate UI laws, individuals who work in more than one state may have their services covered by no state law (with the result that the individual is not covered for UI) or by multiple state laws (with the result the wages would be taxed more than once). To avoid this, the states have voluntarily adopted a uniform definition of employment using the concept of "localization." Under localization, all services are covered (or "localized") in only one state, typically the state in which the worker will most likely look for a job when unemployed. For example, if a traveling salesperson lives in Michigan and works for a firm headquartered in New York, the salesperson's services would be localized in Michigan if:

- all or most of the work was performed there, and
- the work performed outside the state was incidental and temporary.

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If the service cannot be localized in any one state, all the services can be covered in one state - in New York, from which the services are directed if some work is performed there, or in Michigan, if some work is performed there and in other nearby states.

If an individual performs no service in the state where the individual's base of operations is located, none in the state from which the service is directed or controlled, nor in the state where the individual resides, then, under the additional test, the service would be covered in the state where the base of operations is located.

Election of Coverage of Services Performed Outside The State—The laws of most states permit employers to elect coverage of workers who perform their services entirely outside the state if they are not covered by any other state or federal UI law. Of the states permitting such elections, residence is required in the state of election in all but Connecticut, Illinois, Indiana, Michigan, Nebraska, Oregon, Pennsylvania and Wisconsin.

Coverage of Services Performed Outside The United States—Prior to the 1970 amendments to the FUTA, employment included only services performed within the United States, with the exception of certain services performed in connection with an American vessel or aircraft. With respect to services performed after 1971, federal law also requires coverage of services performed outside the United States by an American citizen for an American employer. Coverage of such services is not applicable to services performed in a contiguous country with which the United States has an agreement relating to UI (Canada).

In determining the state of coverage, the following four tests are applicable:

- the state in which the employer has the principal place of business;
- the state in which the employer has residence;
- the state in which the employer elects coverage; or
- the state in which the individual files a claim.

Election of Coverage Through Reciprocal Coverage Arrangement—To provide continuity of coverage for individuals working successively in different states for the same employer, most state laws allow the state to enter into reciprocal arrangements with other states under which such services are covered in a single state by election of the employer. The arrangements permit an employer to cover all the services of such a worker in any state in which any part of the service is performed or the place of residence or where the employer maintains a place of business. All states but Connecticut, Kentucky, Mississippi, and New York participate in these arrangements.

Services covered under the terms of reciprocal arrangements are typically those performed by individuals who contract by the job and whose various jobs are in different states. For example, an engineer, who works for an Illinois firm on a construction job in Minnesota which lasts for 6 months and who then goes to Texas on a job for 9 months, might be covered by both the Minnesota and Texas laws, respectively, for the services performed in each. Under the reciprocal arrangement, the Illinois employer could elect to have all services performed by this engineer covered by the Illinois law.

All the states have provisions for the election of coverage of services outside the state not covered elsewhere or of services allocated to the state under a reciprocal agreement.

EMPLOYMENT SPECIFICALLY EXCLUDED

State exclusions from employment generally follow the FUTA exclusions. However, the states often exclude other types of employment as well. This section presents a brief discussion of each of the exclusions which occur in all or nearly all the state laws. A great many miscellaneous exclusions, which occur in only a few states and affect

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relatively small groups, are not included. The following table provides an overview of some of the basic exclusions from the definition of employment used by states.

SIGNIFICANT MISCELLANEOUS EMPLOYMENT EXCLUSIONS									
Agents on commission					Agents on commission				
State	Insurance	Real estate	Casual labor not in course of employer's business	Part-time service for nonprofit organizations exempt from Federal income tax ^{1/}	State	Insurance	Real estate	Casual labor not in course of employer's business	Part-time service for nonprofit organizations exempt from Federal income tax ^{1/}
AL	X	X	X	X	NE	X	X	X	X
AK	X	X	X	X ^{1/}	NV		X		
AZ	X	X	X	X	NH	X	X	X	X
AR	X	X	X	X	NJ	X	X		
CA		X	X	X	NM	X	X		
CO	X	X	X	X	NY		X		
CT	X	X	X	X	NC	X	X	X	X
DE	X	X			ND	X	X	X	X
DC	X		X	X	OH	X		X	X
FL	X	X	X	X	OK	X	X		
GA	X	X	X	X	OR	X	X	X	
HI	X	X	X	X	PA	X	X	X	
ID	X	X			PR		X	X	
IL	X	X		X	RI	X ^{2/}	X	X	X
IN	X		X	X	SC	X	X	X	X
IA		X			SD	X			X
KS	X	X	X	X	TN	X	X		
KY	X	X	X	X	TX	X	X		
LA	X	X	X	X	UT	X	X	X	X
ME	X	X		X ^{1/}	VT	X	X	X	X
MD	X	X	X	X	VA	X	X	X	X
MA	X	X	X	X	VI			X	
MI	X	X		X	WA	X	X	X	
MN	X ^{2/}	X ^{2/}	X		WV	X			
MS	X	X	X	X	WI	X	X		X
MO	X	X			WY		X		
MT	X	X	X						

^{1/} If the remuneration does not exceed \$45 per calendar quarter (or is less than \$50, in accordance with 1950 amendment to FUTA); in AK, \$250; ME, \$150.

^{2/} Does not exclude such service if performed for a corporation or by industrial and debit insurance agents, RI; does not exclude such service if performed by a corporate officer, MN.

Service For Relatives—All states exclude service performed for an employer by a spouse or minor child and,

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with few exceptions, service of an individual in the employ of a son or daughter.

Service of Students And Spouses of Students—FUTA excludes service performed in the employ of a school, college, or university by a student enrolled and regularly attending classes at such school. FUTA excludes service performed by a student's spouse for the school, college, or university at which the student is enrolled and regularly attending classes, provided the spouse's employment is under a program designed to give financial assistance to the student, and the spouse is advised that the employment is under such student-assistance program and is not covered by any program for UI. Also excluded is service by a full-time student in a work-study program provided that the service is an integral part of the program. The following table provides additional information about states' legal provisions with respect to student employment.

STUDENT EMPLOYMENT EXCLUDED FROM COVERAGE											
State	Student nurses and interns in employ of a hospital	Students working for schools <i>1/2/</i>	State	Student nurses and interns in employ of a hospital	Students working for schools <i>1/2/</i>	State	Student nurses and interns in employ of a hospital	Students working for schools <i>1/2/</i>	State	Student nurses and interns in employ of a hospital	Students working for schools <i>1/2/</i>
AL	X	X	IL	X	X	MT		X	PR		X
AK		X	IN	X	X	NE	X	X	RI		X
AZ	X	X	IA		X	NV		X	SC	X	X
AR	X	X	KS		X	NH	X	X	SD	X	X
CA	X	X	KY	X	X	NJ	X	X	TN		X
CO		X	LA	X	X	NM		X	TX	X	X
CT	X	X	ME	X	X	NY		X	UT		X
DE		X	MD	X	X	NC		X	VT		X
DC	X	X	MA	X	X	ND	X	X	VA	X	X
FL	X	X	MI		X	OH	X	X	VI		X
GA	X	X	MN	X	X	OK	X	X	WA		X
HI	X	X	MS	X	X	OR	X	X	WV		X
ID	X	X	MO		X	PA	X	X	WI	X	X
									WY		X

1/ All states except the following exclude service by the spouse of a student in the employ of the school: AK, AR, DE, DC, FL, HI, ID, KS, LA, ME, MN, NM, OH, PR, RI, TX, VI, VA, and WV.

2/ All states exclude students in work-study programs; however, DC, HI, ME exclude only elementary or secondary school students. Also, DC excludes services performed by a student in the employ of an organization exempt from Federal income tax if the remuneration does not exceed \$50 in a calendar quarter.

Service of Patients For Hospitals—These services may be excluded from coverage under the state law whether it is performed for a hospital which is operated for profit, not-for-profit, or by a state.

Service For Federal Instrumentalities—An amendment to the FUTA, effective with respect to services performed after 1961, permits states to cover federal instrumentalities which are neither wholly nor partially owned by the United States, nor exempt from the FUTA tax by virtue of any other provision of law which specifically refers to such section of the Code in granting such exemptions. All states except New Jersey have provisions in their laws that permit the coverage of service performed for such wholly privately owned federal instrumentalities.

Maritime Workers—FUTA permits a state to cover maritime services if the operation of an American vessel operating on navigable waters within, or within and without the United States are ordinarily regularly supervised, managed, directed, and controlled by such state. Most state laws currently cover such services.

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Historical Note: The FUTA and most state laws initially excluded maritime workers, principally because it was thought that the Constitution prevented the states from covering such workers. Supreme Court decisions in *Standard Dredging Corporation v. Murphy* and *International Elevating Company v. Murphy*, 319 U.S. 306 (1943), were interpreted to mean that there is no such bar. In 1946, the current FUTA provision was added.

Voluntary Coverage of Excluded Employment—In all states except Alabama, Massachusetts, and New York, employers, with the approval of the state agency, may elect to cover most types of employment which are exempt under their laws.

Self-Employment—Employment, for purposes of UI coverage, is employment of workers who work for others for wages; it does not include self-employment. Although the protection of the federal old-age, survivors, and disability insurance program has been extended to most of the self-employed, protection under the UI program is not feasible, largely because of the difficulty of determining whether in a given week a self-employed worker is unemployed.

COVERAGE OF OFFICERS OF CORPORATIONS

Under the FUTA, an officer of a corporation is defined as an employee of the corporation and wages paid to the employee are subject to the FUTA tax. However, some states have enacted exclusions from coverage and restrictions on benefits for corporate officers (with the exception of any corporate officers for whom coverage is required). Since FUTA contains no exclusion, when states exclude these services, the employers of corporate officers are liable for the full FUTA tax on wages paid to these individuals. The following table outlines the exclusions and restrictions that states have opted for.

CORPORATE OFFICERS (14 STATES)	
State	Provisions
AK	Services are exempt only if the corporation is not a non-profit or governmental entity and the employee is an executive officer of the corporation.
CA	Exempt services performed by an individual in the employ of a corporation of which he/she is the majority or controlling shareholder and an officer if not subject to FUTA. Also exempts an officer or shareholder of an agricultural corporation unless the corporation is an employer defined under FUTA.
DE	Exempts services performed by an officer of a corporation organized and operated exclusively for social or civic purposes and only when the services performed by the officer are part-time and when the remuneration received does not exceed \$75 in any calendar quarter.
HI	An individual will not be eligible for benefits if an owner-employee of a corporation brings about his/her unemployment by divesting ownership, leasing the business interest, terminating the business, or by other similar actions. Also, excludes from coverage services for a family owned private corporation, organized for profit that employs family members who own at least 50 percent of the corporate shares provided certain criteria are met.
IA	Exempts services performed by an individual in the employ of a corporation of which he/she is the majority or controlling shareholder and an officer if not subject to FUTA.
MI	Limits benefits payable based on services performed in a family corporation in which the individual or his/her son, daughter, spouse, or parent owns more than 50 percent of the proprietary interest in the corporation to no more than 10 weeks.
MN	An individual who has been paid 4 times his/her weekly benefit amount may not use wages paid by an employing unit if the individual (a) individually or jointly with a spouse, parent, or child owns or controls 25 percent or more interest in the employing unit; or (b) is the spouse, parent, or minor child of any individual who owns or controls 25 percent or more interest in the employing unit; and (c) is not permanently separated from employment. Also exempts officers or shareholders in a family agricultural corporation.

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CORPORATE OFFICERS (14 STATES)	
State	Provisions
NJ	Excludes corporate officers and individuals with at least 5% ownership of employing business.
ND	Exempts corporate officers when one-fourth or more of the ownership interest was owned or controlled by the individual's spouse, child, or parent or by any combination of them if the corporation requests exemption from coverage.
OK	Exempts services, not considered nonprofit, if he/she owns 100% of the stock.
OR	Exempts services performed by corporate officers who are directors of the corporation, who have a substantial corporation ownership interest and who are related by family, if the corporation elects not to provide coverage for the related family members.
TX	An individual will not be eligible for benefits from the date of the sale of a business and until he/she is re-employed and eligible for benefits based on the wages received through the new employment if the business was a corporation and the individual was an officer or a majority or controlling shareholder in the corporation and was involved in the sale of the corporation; or if the business was a limited or general partnership and the individual was a limited or general partner who was involved in the sale of the partnership, or the business was a sole proprietorship and the individual was the proprietor who sold the business.
WA	Exempts services performed by corporate officers. However, this exemption does not apply to corporate officers employed by nonprofit or governmental employers.
WI	The amount of base period wages used to compute total benefits payable to an individual may not exceed 10 times the individual's weekly benefit amount based on the individual's employment with a corporation or a limited liability company if one-half or more of the ownership interest in the corporation or limited liability company is or during the employment was owned or controlled by the individual's spouse or child, or by the individual's parent if the individual is under age 18, or by a combination of 2 or more of them; or a corporation, if one-fourth or more of the ownership interest in the corporation is or during the employment was owned or controlled by the individual. Also, a corporate employer having taxable payrolls of \$400,000 or less may elect not to have the principal officers covered if the officers have a direct or indirect substantial ownership interest in the corporation.

COVERAGE BY REASON OF A FEDERAL REQUIREMENT

As a result of amendments to FUTA made in 1970, 1976, and 2000, certain services performed for nonprofit organizations, state and local governments, and Indian tribes must be covered as a condition for approval of state law. These special "required coverage" provisions exist because the services are not taxable under FUTA. Normally, if a state law fails to cover services that are taxed under the FUTA, the employer must pay the full FUTA tax. Since this scheme does not encourage coverage for services not subject to the FUTA tax, federal law requires services performed for the previously mentioned entities to be covered as a condition of approval and, as a result, a necessary condition for all employers in the state to receive credits against the FUTA tax.

States are required to pay UI based on services performed for governmental entities, nonprofit organizations, and Indian tribes in the same amounts and under the same terms and conditions as for services covered under state law. There are, however, special provisions applicable to school personnel. These provisions are commonly called "the between-and-within-terms denial."

Federal law permits states to exclude certain services from this required coverage; all the exclusions from employment available to private employers are also available to required coverage employers. Moreover, additional exclusions are available to nonprofit organizations, state and local governments and Indian tribes. These include services performed:

- by an individual receiving rehabilitation help in a facility which carries out programs for individuals whose earning capacity is impaired by age, physical or mental deficiency, or injury;

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- as part of an unemployment work-relief or work-training program financed partially or completely by a governmental entity; or
- by an inmate of a custodial or penal institution.

Other exclusions are listed below in the sections relating to nonprofit organization and governmental entities.

The state law is also required to give governmental entities, nonprofit organizations, and Indian tribes a choice concerning benefit financing. They can pay taxes as employers do or they can reimburse UI benefits paid which are attributable to services performed for them.

NONPROFIT ORGANIZATIONS—State coverage is required for services performed for religious, charitable, or educational nonprofit organizations. (These organizations are described in section 501(c)(3) of the federal Internal Revenue Code of 1986, and are exempt from federal income tax under section 501(a) of the code.) Although coverage is required only for those organizations employing four or more workers in 20 weeks, a number of states have provisions that cover smaller nonprofit organizations as well. The following table lists the states that have expanded their coverage provisions beyond federal requirements.

NONPROFIT ORGANIZATIONS: STATES COVERING ORGANIZATIONS WITH 1 OR MORE EMPLOYEES			
Arkansas	Iowa	Montana	Pennsylvania
California	Kansas	New Hampshire	Puerto Rico
Connecticut	Maryland	New Jersey	Rhode Island
District of Columbia	Massachusetts	New Mexico	Virgin Islands
Hawaii	Michigan	Oregon	Washington
Idaho	Minnesota		

Federal law permits states to exclude from required coverage services performed by a minister in the exercise of ministerial duties or services performed in the employ of any of the following:

- A church, convention, or association of churches.
- An organization operated primarily for religious purposes, which is operated, supervised, controlled, or principally supported by a church, convention, or association of churches.
- An elementary or secondary school operated primarily for religious purposes, regardless of affiliation with a church, convention, or association of churches.

GOVERNMENTAL ENTITIES—Federal law requires states to cover most services for the state and its political subdivisions. When service is performed for an instrumentality owned by more than one state or political subdivision, coverage is determined based on the location of the work.

Since the federal law includes no size-of-firm restrictions for governmental entities as it does for nonprofit organizations, all governmental entities, regardless of size, must be covered. There are, however, certain types of services which the federal law permits states to exclude from governmental coverage. These include service performed:

- as an elected official;
- as a member of a legislative body, or a member of the judiciary;

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- as a member of the state National Guard or Air National Guard;
- as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood or similar emergency;
- in a position which, under the state law, is designated as a major, non-tenured, policymaking or advisory position or a part-time policymaking position which ordinarily requires 8 or fewer hours a week.

Most states have opted to exclude all types of services mentioned above. For states that do not exclude all of the aforementioned types of services, the following table shows which optional exclusions are not contained in state law.

STATE AND LOCAL GOVERNMENTS: SERVICE NOT EXCLUDED FROM COVERAGE (11 STATES)					
State	Elected officials	Legislators & members of Judiciary	Members of state National Guard & Air National Guard	Temporary emergency employees	Policymaking & advisory positions
AK					X
AR				X	
DC <u>1/</u>	X	X	X	X	X
FL			X		
GA				X	
HI <u>1/</u>		X	X	X	X
MN	X				
MT		X	X	X	X
OH	X				
WA		X		X	
<u>1/</u> State law does not exclude most of these services from coverage.					

INDIAN TRIBES—Amendments to FUTA made in 2000 added Indian tribes to the set of entities for whom coverage is required although they are not liable for FUTA taxes. As a result, workers performing services for tribes are now potentially eligible to receive UI benefits. Coverage is required when service is performed for any Indian tribe, band, nation, or other organized group or community which is recognized as eligible for federal assistance because of their status as Indians. The same permissible exclusions from coverage which are applicable to other governmental entities also apply to services performed for Indian tribes. If an Indian tribe fails to make payments to states as required, it loses its FUTA exemption and may lose coverage.

UNEMPLOYMENT COMPENSATION FOR FEDERAL CIVILIAN EMPLOYEES AND FOR EX-SERVICEMEMBERS

Two federal unemployment insurance programs - one for federal civilian employees and the other for ex-service members - are provided by federal law (title 5, chapter 85, U.S. Code--5 U.S.C. 8501 et seq.).

Under agreements entered into between the Secretary of Labor and the state employment security agencies, the federal programs of unemployment compensation for federal civilian employees and for ex-service members are administered by the state agencies as agents of the United States Government.

Federal civilian and military wages are assigned to the appropriate state agency in accordance with federal law. Thereafter, eligibility for unemployment insurance benefits and the amount of benefits paid are determined under the applicable state law. Thus, the claims of federal civilian employees and ex-service

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members are subject to the same eligibility and disqualification provisions as those filed by any other individual claiming benefits under that state's unemployment insurance law.

UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)—An unemployed federal civilian worker's eligibility is determined under the UI law of the state where:

- the worker's official duty station was located for the most recent federal civilian employment;
- if there was subsequent private covered employment, in the state of the worker's residence; or
- if employed outside the United States, the state in which the worker resides when filing the claim.
- if employed outside the United States, the state in which the worker resides when filing the claim.

States determine UCFE eligibility under the same terms and conditions as those applied to services covered under state law.

UNEMPLOYMENT COMPENSATION FOR EX-SERVICEMEMBERS (UCX)—An ex-service member's eligibility for UCX benefits is determined under the UI law of the state in which he or she first files a claim which establishes a benefit year after his or her most recent separation from active military service. An ex-service member's wages are determined on the basis of his or her pay grade upon separation, using a schedule issued by the Department of Labor which specifies the applicable remuneration for each pay grade. Benefits are not payable during periods in which the ex-service member is eligible to receive certain subsistence or educational assistance allowances from the Department of Veterans' Affairs.

To qualify for benefits, an ex-service member separated from the military service:

- must have completed a full term of active service in the Armed Forces or the Commissioned Corp of the National Oceanic and Atmospheric Administration and must have been discharged or released under honorable conditions;
- if an officer, the individual must not have resigned for the good of the service.

In addition, ex-service members discharged or released before completing their first full term of active service will nevertheless have a period of federal service if separated:

- for the convenience of the Government under an early release program;
- because of medical disqualification, pregnancy, parenthood, or service-incurred injury or disability;
- because of hardship; or
- because of personality disorder or inaptitude, but only if the service was continuous for 365 days or more.

Continuous active duty in reserve status may be counted in determining if an individual has federal service, but only if such active duty is continuous for 90 days or longer.