

Unemployment Insurance Workshare Program Services

Employment Tax Advisory Services



EY

Building a better
working world

The current environment

Businesses are asking how they can prevent losing an experienced workforce during the temporary economic disruption caused by COVID-19.

To contain the outbreak of COVID-19 in the US, numerous state and local governments have temporarily closed nonessential businesses and issued “stay-at-home” orders, creating a historic disruption to the US workforce. In March 2020 alone, the U.S. Bureau of Labor Statistics reported that total nonfarm payroll employment fell by 701,000.

Despite federal incentives for businesses to keep their employees, such as the employee retention tax credit and Social Security tax deferral options under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), many employers still find that the sustained disruption caused by the COVID-19 emergency leaves them no choice but to reduce payroll expenses during this temporary period of financial decline.

The challenge for businesses is that if they reduce employees’ work hours, they risk losing them to other employers. And if they lay off employees now, in the throes of the COVID-19 emergency, they risk not having experienced employees when operations return to normal.



How workshare plans can help

A state workshare (short-term compensation or STC) program is an alternative for employers faced with a reduction in the workforce by allowing employees to receive a portion of their unemployment insurance (UI) benefits while working reduced hours.

Participation in a workshare program can potentially assist employers and employees facing a workforce disruption due to COVID-19 in the following ways:

Employer benefits

- ▶ Retention of an experienced workforce.
- ▶ Reduction in the administrative and training costs associated with hiring new employees once business operations return to normal.
- ▶ Reduction of disruption in productivity.
- ▶ Through December 31, 2020, partial UI benefits paid in connection with COVID-19 are not charged to employer accounts like they normally are; therefore, the employer's UI tax rate is not directly impacted.

Employee benefits

- ▶ Employees receive partial UI benefits to supplement their wages, including, through July 31, 2020, the \$600 additional weekly UI benefit under the CARES Act for COVID-19-related benefits.
- ▶ Employee benefits are protected while they are participating in the workshare program.

A state workshare program gives employers an alternative to laying off employees by paying partial unemployment benefits to employees on a reduced work schedule.



Steps to obtain and maintain a workshare plan

| Step | Action | Challenge |
|------|--|--|
| 1 | Evaluate feasibility for all affected work units | State eligibility requirements differ, and these must be factored into the analysis. |
| 2 | Apply to the state | Gathering and analysis of employee data are necessary for this step as well as data security protocols when transferring this information to the states. |
| 3 | Communicate to affected employees | State requirements concerning content and timing differ. |
| 4 | Certify the plan in accordance with state requirements | Frequency of reporting differs by state. Gathering and analysis of data are necessary to determine if the requirements at the plan and employee/unit level are met. |
| 5 | Review benefit claims | State computation of benefits differ. Separate tracking of COVID-19 claims is necessary because generally there is no charge to the employer account for these UI benefits. |
| 6 | Renew or terminate plan | State requirements concerning the maximum duration of a plan differ. Ongoing evaluation is needed to determine if a plan should be terminated or renewed according to state rules. |

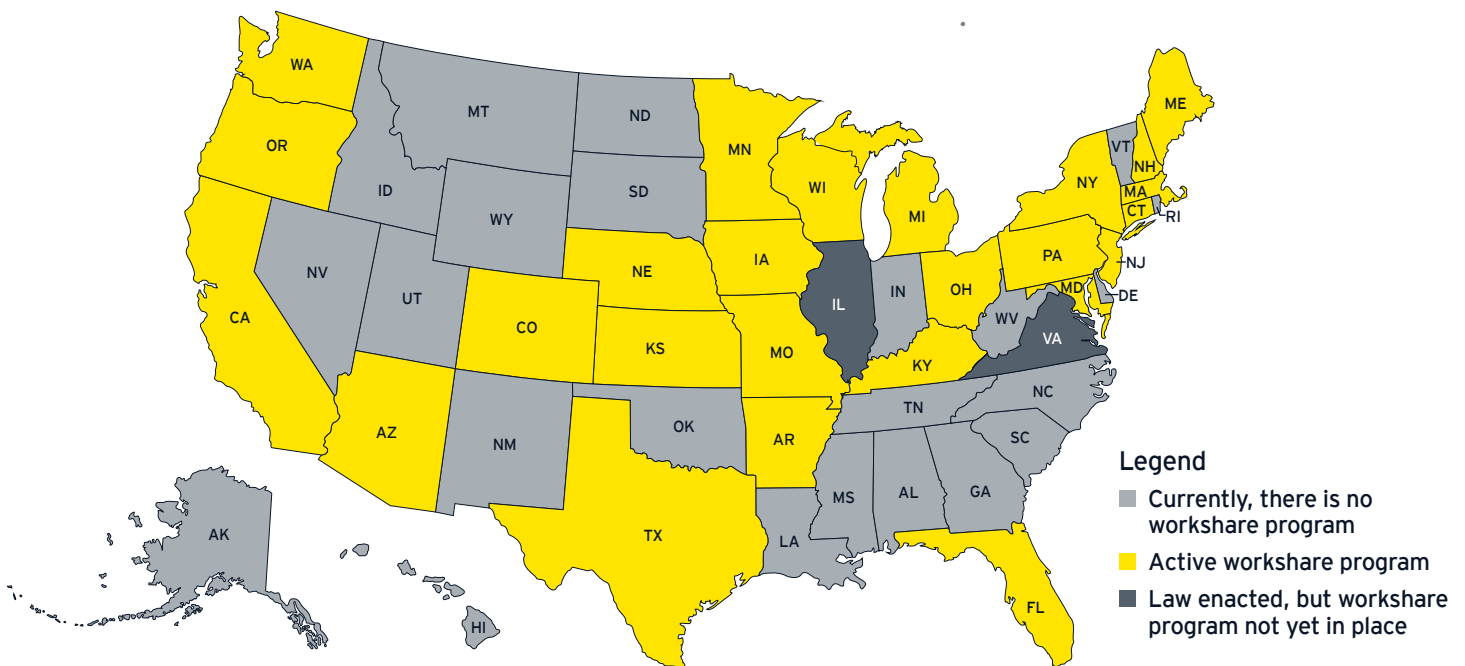
Sample of state workshare provisions

As of April 20, 2020, 29 states have an active workshare program, or legislation in place for one, and that number is likely to climb due to federal incentives available to the states under the CARES Act to either implement a workshare program or enhance those already in place. Below is a sample of how the state rules governing workshare programs differ.

| State | Application is accepted in what formats? | Length of time for approval of workshare application | Certification frequency | Minimum/maximum reduction in employee's hours |
|---------------|--|--|-------------------------|---|
| Arizona | Online only | 10 days | Biweekly | At least 10%, but not more than 60% |
| Connecticut | Paper | 30 days | Weekly | At least 10%, but not more than 40% |
| New Hampshire | Online only | 15 days | Weekly | At least 10%, but not more than 50% |
| New Jersey | Paper | 60 days | Weekly | At least 10%, but not more than 60% |

States with workshare programs

(As of April 20, 2020)



How Ernst & Young LLP can help



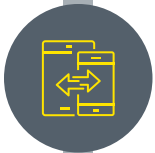
1. Identify state requirements

Compile the state laws and administrative guidelines governing workshare programs in applicable states and help you apply them to your facts and circumstances.



2. Feasibility study

Based on state requirements, data analytics and program cost estimates, assist in determining where workshare is feasible and how it might be best approached.



3. Plan application assistance

Assist in the preparation and filing of workshare plan applications in compliance with data security requirements.



4. Program reporting and analysis

Assist in meeting certification reporting requirements and assist in monitoring the plan for compliance at the individual and plan levels.



5. Employee communications

Assist in meeting required employee notices and communications, and provide assistance with employee inquiries throughout the plan's term.



6. Benefit claim review

Perform benefit calculations according to the state's guidelines and review benefit claim notices for accuracy, including confirmation that COVID-19 noncharge provisions are complied with by the state.

Why us?

We are one of the nation's leading providers of employment tax advisory services representing many of the largest US and global employers. Some reasons businesses choose us:

- ▶ We employ over 100 professionals across the US who are integrated within our regional and national tax practices.
- ▶ We provide unemployment insurance claims and management services to some of the largest US employers.
- ▶ We were [recognized by the National Association of State Workforce Agencies](#) in 2019 and 2020 for our dedication to eliminating UI waste and abuse by committing to use Unemployment Insurance State Information Data Exchange System ([SIDES](#)) for UI benefit claims.
- ▶ Our service team includes seasoned employment tax professionals including professionals (CPPs) with experience in complex areas such as US foreign employment tax, short-term business traveler, audit defense, mergers and acquisitions, unemployment insurance, and more.
- ▶ We have a commitment to ongoing training of our professionals through our Ernst & Young LLP Employment Tax University continuing education program.
- ▶ We are innovators in technologies that bring value and efficiency to our clients in such areas as unemployment insurance claims, taxability and process review.
- ▶ We offer useful content for clients, including special reports, *EY Payroll Newsflash* (timely alerts on federal and state payroll tax developments) and our monthly newsletter, *Payroll Perspectives*. We have issued over 100 COVID-19 federal and state tax alerts and published a [COVID-19 guide for employers](#).
- ▶ Our holistic approach to workforce tax services allows us to coordinate data from employer tax credit programs, such as the Work Opportunity Tax Credit and employee retention credits to streamline and simplify the data gathering and analytical processes.

We understand that effective unemployment insurance management is a strong component of an overall employment tax management program that can lead to significant savings for businesses. Our extensive tax planning experience, combined with a focus on efficient unemployment cost management, helps clients address and organize their employment tax needs.



Contact us for more information

Kristie Lowery
Ernst & Young LLP
National Director
kristie.lowery@ey.com

Jennie DeVincenzo
Ernst & Young LLP
Senior Manager
jennie.devincenzo@ey.com

Ken Hausser
Ernst & Young LLP
Managing Director
kenneth.hausser@ey.com

Debera Salam
Ernst & Young LLP
Associate Director
debera.salam@ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

Ernst & Young LLP does not bear any responsibility whatsoever for the content, accuracy or security of any links (by way of hyperlink or otherwise) to external websites.

© 2020 Ernst & Young LLP.
All Rights Reserved.

SCORE No. 09265-201US
CSG No. 2004-3483840
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com