

Division of Community and Regional Affairs: Water and Sewer Operational Best Practices

Workers Compensation and Payroll Requirements for Cities and Other Public Entities in Alaska



Iura S Leahu – LGS III

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

LeGIT

1/30/2025

LeGIT Calendar

Workers Compensation

Payroll Requirements

RUBA Staff Role



Operation and Maintenance Best Practices

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LeGIT Calendar: November & December

Date	Topic	Presenter
November 21, 2024	Operations and Maintenance Best Practices: Works Compensation and Payroll	Iura S Leahu
November 28, 2024	HOLIDAY BREAK	Happy Holiday!
December 5, 2024	Operations and Maintenance Best Practices: Budgets and Revenue	Fred Broerman
December 12, 2024	NO LeGIT!	N/A
December 19, 2024	Local Option	Gabriel Gonzales
December 26, 2024	HOLIDAY BREAK	Happy Holiday!



LeGIT Calendar: November & December

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Introduction to Workers' Compensation in Alaska

Definition: Workers' compensation is an insurance system designed to protect both employees and employers from financial loss due to job-related accidents, illnesses, or death.

Purpose: Provides timely support to injured employees and protects employers from personal injury lawsuits related to workplace incidents.

Examples of workplace accidents and injuries:

Slip and Fall: An employee slips on a wet floor in a warehouse, injuring their back.

Machine Injury: A worker's hand gets caught in a machine, leading to broken fingers.

Repetitive Strain Injury: A data entry clerk develops carpal tunnel syndrome from constant typing.



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Historical Background of Workers' Compensation Laws

- **Problem Before Workers' Compensation:**
 - Injured employees had to sue employers for compensation, which was time-consuming, costly, and ineffective.
 - Rising workplace accidents led to the need for a more efficient system.
- **Solution:** State legislatures began implementing workers' compensation laws to cover job-related injuries without litigation.

In the United States

\$250 billion is spent annually on workplace injuries and illnesses.

23,000 on-the-job injuries per day or 8.5 million injuries annually.

Sources: <https://labor.alaska.gov/wc/>-Dept. of Labor and Workforce Development, Division of Workers' Compensation "Why should Alaska Focus on SAW-RTW"



How Workers' Compensation Protects Employers and Employees

- **Employee Benefits:** Quick access to medical and indemnity benefits without legal action.
- **Employer Protection:** Insured employers are shielded from lawsuits by injured employees.



Workers' Compensation Law in Alaska

- **Overview:** Alaska's workers' compensation laws evolved over time, with early legislation addressing defective machinery, setting the stage for broader protections.
- **Today:** The Alaska Workers' Compensation Act (AWCA) governs compensation for work-related injuries and illnesses in the state.

	Year	Adopted by
Defective Machinery Act	1913	Alaska Territorial Legislature
Workmen's Compensation Act	1915	Alaska Territorial Legislature
Revised Workmen's Compensation Act	1959	Alaska Territorial Legislature
Workers' Compensation Act	2005	Alaska State Legislature



The Alaska Workers' Compensation Act (AWCA) and Role of the Division of Workers' Compensation

- **Purpose:** To ensure quick, fair, and predictable delivery of medical and indemnity benefits to injured workers at a reasonable cost to employers.
- **Governing Law:** Alaska Statutes AS 23.30.011-400 outline the AWCA's structure and implementation.
- **State Agency:** Administers the AWCA, ensuring compliance and proper handling of claims.
- **Responsibilities:**
 - **Oversee employer obligations for medical, disability, reemployment, or death benefits.**
 - **Coordinate with insurance carriers to facilitate benefit delivery.**



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Introduction to Workers' Compensation Coverage in Alaska

- **Overview:** Alaska mandates that all employers carry workers' compensation insurance for employee protection.
- **Purpose:** To ensure financial protection for employees injured on the job and to protect employers from litigation due to workplace incidents.



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Mandatory Workers' Compensation Coverage in Alaska

Requirement:

- All employers must purchase workers' compensation insurance from private insurers authorized by the Alaska Division of Insurance.
- Insurers file notice with the Division of Insurance within 10 days of policy initiation/renewal.
- Include obligations for full payment, adherence to legal judgments, and installment payment options for annual premiums over \$2,000.

Year	Injury Frequency	Employment
2021	16,470	289,946
2020	14,985	281,976
2019	17,075	308,796
2018	17,694	306,886
2017	18,396	312,886
2016	18,555	316,979
2015	19,909	323,619



Alternative Coverage Options

Insurance Company Responsibilities

Assigned Risk Pool: Employers unable to find coverage can apply for it through the National Council on Compensation Insurance (NCCI) and the Assigned Risk Pool.

Contact: Employers can reach out to NCCI or private agents for application assistance.

Insurance Company Responsibilities

1. Assume in full all obligation to pay.
2. Is bound by and subject to orders, awards, judgments, and decrees made against employer.
3. Pay, promptly, to person entitled to in full all obligations.
4. Failure to or refusal to pay final award or judgment will result in revocation of approval of policy by Alaska Division of Insurance.
5. Allow annual insurance premium that exceeds \$2,000 to be paid on an installment basis if requested by insured.



Statutory Exemptions from AWCA and Self-Insurance Option

- **No General Business Exemptions:** AWCA applies to all businesses in Alaska.
- **Specific Worker Exemptions:**
 - Includes part-time babysitters, cleaning personnel, certain sport officials, commercial fishermen, entertainers, and taxi drivers.
 - Full list available under AS 23.30.230(a)-(c).
- **Eligibility for Self-Insurance:** Available to businesses meeting specific criteria:
 - Operating in Alaska for at least 5 years.
 - Employing at least 100 workers.
 - Able to secure a deposit of \$600,000 or 125% of workers' compensation liability.
- **Examples:** Alaska Airlines Inc., Municipality of Anchorage, Fred Meyer Stores Inc., Providence Health System, State of Alaska, among others.



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Non-Profit Organizations as Employers and Contractors and Subcontractors

- **Coverage Requirement:** Non-profits under AS 10.20 must carry workers' compensation insurance.
- **Volunteer Exemption:** Non-profit volunteers who don't receive compensation are exempt from coverage.
- **Liability:** Contractors must cover compensation if subcontractors fail to secure payment.
- **Government Contracts:** State and local governments must confirm proof of coverage; otherwise, they are liable for compensation. They can either:
 - Terminate the contract, or
 - Continue premium payments on behalf of the contractor, deducting costs from the contract.



Employer Responsibilities and Rights

- **Key Obligations:**

- Maintain uninterrupted coverage.
- Respond promptly to policy notices, audits, and invoices.
- Post insurance notices in visible areas.
- Report injuries, diseases, or deaths within 10 days of awareness.
- Maintain accurate records and report any business changes promptly.
- Timely premium payment to prevent policy cancellation.

- **Claims Disputes:** Employers have the right to contest injury claims by providing relevant information.
- **Legal Representation:** Employers can hire independent legal counsel for uninsured injury claims or failure-to-insure cases.
- **Independent Adjusters:** Allowed for managing uninsured injury claims.



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Consequences for Failure to Insure

- **Penalties for Non-Compliance:**
 - Court fines and potential imprisonment up to one year.
 - The AWCB may issue a stop order, barring the employer from using employee labor until insurance is secured.
 - **Daily Penalties:** \$1,000 per day for violations and up to \$1,000 per employee per day for lapses in coverage.



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Payroll Taxes Overview

- **Introduction:** Why? Overview of the importance of payroll tax compliance.
- **Consequences of Non-Compliance:** Fines, penalties, potential criminal charges, and loss of employee benefits.



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Alaska State Payroll Laws and Regulations

Name	Things to Know	Resources
Alaska Wage and Hour Act (AWHA)	<ul style="list-style-type: none"> - Establishes state minimum wage - Establishes a standard work week of 40 hours - Requires overtime pay in excess of 40 hours per week be paid at a wage rate 1½ times regular wage 	<p>AS 23.10.050 – 23.10.150</p> <p>8 AAC 15.100 - 15.910</p>
Alaska Employment Security Act (AESA)	<ul style="list-style-type: none"> - Establishes the state unemployment insurance program - Requires employers to file a “Liability Determination” with DOLWD - Requires employers to maintain all payroll records for up to five years - Requires quarterly tax reports be filed - Requires quarterly payment of taxes 	<p>AS 23.20.005 – 23.20.475</p> <p>8 AAC 85.010 – 8 AAC 85. 842</p>
“Little” Davis-Bacon Act	<ul style="list-style-type: none"> - Requires a contractor or subcontractor working on public construction projects to pay not less than the “current prevailing rate” as determined by DOLWD 	



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Alaska Unemployment Insurance Payroll Taxes

Objective: To address economic insecurity from involuntary unemployment.

Importance: Unemployment poses a threat to health, morale, and welfare

Economic Insecurities: Recognized as a serious threat by the Alaska legislature

Goal of ESA: Establish security measures to protect Alaskan residents

Targeted Impact: Improve the well-being of eligible unemployed individuals

Remember!!

Employers Quarterly Reports Are Due:

April 30

July 31

October 31

January 31

For Reports, Forms, and Instructions visit this website

https://labor.alaska.gov/estax/forms/toc_forms.htm



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Employer Responsibilities under AESA

Under AESA employers are required to:

- File a “liability determination” with DOLWD
- Maintain accurate payroll records for five years
- File quarterly tax reports
- Submit payment of contribution quarterly

Employers must file the Alaska Quarterly Contribution reports even if no wages are paid for the quarter. The reports may be filed online.



Penalties and Interest

<i>Penalty for failure to file a quarterly report per AS 23.20.190(a)</i>	<i>Penalty for nonpayment of contributions per AS 23.20.195(a)</i>	<i>Penalty for misappropriation of employee contribution per AS 23.20.165(d)</i>	<i>Interest on past due contributions per AS 23.20.185(a)-(d)</i>
<ul style="list-style-type: none"> - 5% penalty of the contributions due for each 30-day period. - Maximum penalty is 25% of the contributions due. - Minimum penalty is \$10. 	<p>\$10 or 10% of contributions due, whichever is greater.</p>	<ul style="list-style-type: none"> - Penalty equal to five (5) times the employees' share due, but not less than \$25. - If misappropriation is willful, employer is guilty of misdemeanor and is punishable by a fine of not more than \$200, or imprisonment for not more than 60 days, or by both. 	<ul style="list-style-type: none"> - 12% per year from the due date until payment, plus accrued interest.



Ways to Waive Penalties

Show reasonable cause to waive penalties!

Examples:

- Mail delay
- Erroneous information given by the department
- Death or serious illness of the employer or immediate family
- Destruction by fire or other calamity
- Delay caused by UI Tax
- Ignorance of reporting requirements with no intent to break the law

Alaska Quarterly Contribution Report
THE 2024 TAXABLE WAGE BASE FOR EACH EMPLOYEE IS \$49,700

Quarter ending: 3/31/24 Due date: Employer account no: _____

FEIN: Name: Address:	<i>If none enter "0"</i>		
	1 st Month	2 nd Month	3 rd Month
1. For each month, report the number of workers who worked during or received pay for the payroll period, which includes the 12 th of the month.			
2. Total reportable wages paid this quarter. (See instructions, page 2)	\$ _____		
3. Less excess wages over the taxable wage base.	(\$ _____)		
4. Taxable wages paid this quarter.	\$ 0.00		
5. Employer's contribution	Employer's rate _____ %	\$ 0.00	
6. Employee's contribution	Employee's rate 0.50 %	\$ 0.00	
7. Total contributions due	Total rate 0.50 %	\$ 0.00	
8. Amount remitted	\$ _____		
9. Wages reported to other states? See instructions explaining this on page 2.	<input type="checkbox"/> Yes		

A report must be filed even if no wages are paid for the quarter.
 You may now file your quarterly contribution report online. Please visit our website located at labor.alaska.gov/estax or call (888) 448-3527. To amend your quarterly report, please submit a "Correction of Wage Item," Form TAD3 also available online.
 Notice to employers: Wage information and other confidential UC information may be requested and utilized for other authorized governmental purposes, including, but not limited to, verification of an individual's eligibility for other government programs.

***See area map for geographic location codes**

10. Employer's Social Security Number	11. Employee's name - type or print (Do not list more than once.)			12. Reportable wages paid this quarter. (No negative wages)	13. Full occupational title or code	14. Geographic code *
	Last	First	M.I.			
E						
N						
D						
C						
O						
L						
O						
N						
O						
T						
C						
S						
H						
T						
E						
A						
G						
P						
K						
L						
S						

DO NOT provide double-sided pages for wage detail

Make checks payable to Alaska Department of Labor and Workforce Development. If you have any questions, call toll free (888) 448-3527 or email esd.tax@alaska.gov .	15. Total number of pages	16. Total reportable wages - all pages (Same total as in block 2 above.)
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I hereby certify that the information on this report is true and correct.
 Signed: _____ Title: _____ Date: _____
 Printed name: _____ Phone: (____) _____ Email: _____

Alaska Department of Labor and Workforce Development, Employment Security Tax, P.O. Box 115509, Juneau AK 99811-5509
 TQ01C (12/23)



Federal Payroll Taxes

Name	Things to Know	Resources
Fair Labor Standards Act (FLSA)	<ul style="list-style-type: none"> - Sets federal minimum wage - Establishes maximum work hours per week - Requires overtime be paid at 1½ times the regular wage - Requires employers to keep records of every employee - Requires payroll records be kept at least for 3 years 	29 U.S. Code Ch. 8: Fair Labor Standards
Federal Insurance Contribution Act (FICA)	<ul style="list-style-type: none"> - Known as Social Security and Medicare - Employees and employers pay an equal amount - Employer to withhold from employee's wages the employee's portion of FICA tax - Pays to workers participating in the system - Provides benefits to families of deceased workers - Employers must keep records of every employee - Employers must make payroll tax deposits semiweekly or monthly - Employers to file quarterly tax reports (Form 941) 	26 U.S. Code Ch. 21: Federal Insurance Contribution Act



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Federal Payroll Taxes

Federal Unemployment Tax Act (FUTA)

- Alaska municipalities are exempt from FUTA
- Alaska's Federally Recognized Tribes are exempt if they file and pay the state unemployment taxes
- Requires employers to pay an unemployment tax
- Provides payments to unemployed workers
- Requires employers to keep employee records for four years
- Requires employers to make quarterly tax payments
- Requires employers to file an annual report

26 U.S Code
Chapter 23, Federal Unemployment Tax Act



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FICA and FUTA Withholding Rates

2023 FICA Withholding Rates

Social Security	Medicare
Employer rate: 6.2%	Employer rate: 1.45%
Employee rate: 6.2%	Employee rate: 1.45%

Source: <https://www.irs.gov/taxtopics/tc751>

2023 FUTA Withholding Rate

- 6% paid by employer only;
- 6% rate applies to the first \$7,000 employers paid to each employee as wages during the year
- Source: <https://www.irs.gov/taxtopics/tc759>



Filing and Deposit Penalties

Filing Penalties

Failure-to-file – 5% of the unpaid tax due

Example: \$2,600 tax due

\$130 = 5% of \$2,600

Maximum penalty – 25% of the unpaid tax due

Example: \$2,600 tax due

\$650 = 25% of \$2,600

Tax Paid Late – 0.5%

Example: \$2,600 tax due

\$13



Deposit Penalties

Delayed Payment By	Penalty Rate
1-5 days delay	2%
6-15 days delay	5%
16 or more days	10%
10 days After Receiving Notice from IRS	15%



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How to Avoid Penalties

To avoid paying penalties and interest, employers must:

- Pay the full amount of taxes owed when they are due.
- Avoid making mistakes when calculating taxes and accurately report the tax liability.
- Submit good checks for tax payments.
- Provide accurate IRS forms, including Form W-2 to your employees.
- File Form W-3 and Copy A of Forms W-2 with the Social Security Administration (SSA) on time.



RUBA Responsibilities

RUBA WC Compliance Checks

Why: To report compliance to DEC

How:

1. Interagency data sharing; DOL report to RUBA as requested by RUBA
2. RUBA check through DOLWD database - Online Verification of Workers' Compensation Coverage for the Public <https://labor.alaska.gov/wc/exit.html>
3. Insurance carrier proving Employer's Notice of Coverage to RUBA
4. Written certificate from carrier or policyholder confirming current coverage to RUBA

When: December



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Questions?



Iura S Leahu LGS III

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