

CHAPTER 1

COVERAGE

IN GENERAL

This chapter provides information about the variations among states with respect to coverage – which employers are liable for Unemployment Insurance (UI) contributions and which workers accrue UI benefit rights. To make that determination, the following questions must be answered:

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

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

Services performed for certain nonprofit organizations, state and local governments, and federally-recognized Indian tribes are not subject to tax under the Federal Unemployment Tax Act (FUTA). Nevertheless, FUTA does require, as a condition for approval of the state’s UI law, that such services be covered by the state’s UI law. Federal law similarly extends coverage for federal service under the Unemployment Compensation for Federal Civilian Employees (UCFE) and Unemployment Compensation for Ex-Servicemembers (UCX) programs.

The federal and state definitions of employment exclude from coverage certain types of service as well. Since 1939, railroad workers have been excluded from the federal-state UI 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.

Beyond this, the taxing provisions of 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.

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 and applies to 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. Accordingly, services provided for an “employer” are covered, and, as a result, an employer is subject to UI tax liability and its workers accrue rights to receive UI benefits.

For federal 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, FUTA applies to employing units who paid wages of \$1,500 or more

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during any calendar quarter in the current or immediately preceding calendar year, or to employing units with one or more workers on at least one day in each of 20 different weeks during the current or immediately preceding calendar year. About half of the states use this federal 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.

TABLE 1-1: DEFINITION OF EMPLOYER (IF DIFFERENT FROM FUTA 20 WEEKS/\$1,500 RULE)								
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	Any time		AR	1 employee for 10 or more days in a CY		CA	Over \$100 in quarter	
DC	Any time		HI	Any time		IN	\$1 or more in quarter	Employer liable for wages to 1 or more workers
IA	Any wages in current or preceding quarter		MD	Any time		MA	13 weeks	\$1,500 in quarter
MI	20 weeks	\$1,000 in CY	MN	Any time		MT	\$1,000 in current or preceding year	
NV	\$225 in quarter		NJ	\$1,000 in year		NM	20 weeks	\$450 in quarter
NY	\$300 in quarter		OR	18 weeks	\$1,000 in quarter	PA	Any time	
PR	Any time		RI	Any time		UT	Any time	
VI	Any time		WA	Any time		WY	Any time	

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

AGRICULTURAL LABOR—The FUTA 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 one day in each of 20 different weeks in the current or immediately preceding calendar year.

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, or processing crude gum from a living tree; or
- do housework in a private home if it is on a farm that is operated for profit.

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The term “farm” includes stock, dairy, poultry, fruit, fur-bearing animals, and truck farms, as well as plantations, ranches, nurseries, ranges, greenhouses, or other similar structures used primarily for raising 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.

FUTA excludes coverage of certain temporary agricultural services performed by aliens. However, these services are counted in determining whether an agricultural employer meets the wage or size-of-firm requirements for coverage.

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 following table describes each state’s agricultural labor provisions that differ from the FUTA provisions.

TABLE 1-2: AGRICULTURAL LABOR PROVISIONS (IF DIFFERENT FROM FUTA 20 WEEKS/\$20,000 RULE)	
CA	1 at any time and wages in excess of \$100 in a CQ
DC	1 at any time
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 years of age or younger is excluded from agricultural coverage unless the employer is covered under federal law
NY	1 at any time and wages in excess of \$300 in a CQ
PR	1 or more at any time
RI	1 or more at any time
TX	3 in at least 20 different calendar weeks of the calendar year or wages in cash of \$6,250 during a CQ
VI	1 or more at any time
WA	1 or more at any time, excluding workers attending or between terms in school; on corporate farms, does not include services performed by spouses or unmarried children under 18 years of age

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. A definition of agricultural labor, added to 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 to FUTA in 1970 changed the definition of agricultural labor, effectively extending coverage to some marginal agricultural activities. Additional amendments in 1976 added the current dollar/employment thresholds that resulted in coverage of services performed on large farms.

Determining the Employer for Agricultural Workers—Under FUTA, 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 of 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 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.

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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. The following table includes the provisions for states that do not utilize the FUTA definition for coverage of domestic service workers.

TABLE 1-3: DOMESTIC SERVICE PROVISIONS (IF DIFFERENT FROM FUTA \$1,000 RULE)	
CA	Covers in-home supportive services provided under the Welfare and Institution Code; does not include an in-home support provider paid via public funds and who is the service recipient's minor child, parent, or spouse
DC	At least \$500 in quarterly wages
HI	Excludes domestic in-home and community-based services for a person with developmental and intellectual disabilities under the Medicaid home and community-based services program or when provided to individuals ineligible for Medicaid and performed by an individual in the employ of a recipient of social service payments unless the individual is an employee and not an independent contractor of the recipient of social service payments under FUTA
NY	At least \$500 in quarterly wages
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	At least \$500 in quarterly wages

EMPLOYER-EMPLOYEE RELATIONSHIP

Most state laws contain strict tests to determine whether an individual is an employee or independent contractor. Generally, a key factor is whether there is sufficient absence of control by an employer, such that the worker is not classified as an employee, but rather an independent contractor. Many states use criteria commonly called the “ABC” test under which service for remuneration is considered employment, and the worker is deemed an employee unless each of the following factors are met:

- A. The worker is free from direction or control in the performance of the work;
- B. 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
- C. The individual is customarily engaged in an independent trade, occupation, profession, or business.

Other states have variations of the “ABC” test. For example, in some states only the “A” and “C” tests apply.

The Internal Revenue Service (IRS) uses a test built upon common law rules to determine whether direction and control exists in an employer/employee relationship, and to what degree. A few states use this IRS test instead of the “ABC” test. The IRS test is an analytical tool that evaluates the totality of the relationship; there is no set threshold of factors that must be met or not met in determining the employer/employee relationship. The IRS test looks at three basic types of evidence:

- Behavioral: Facts that illustrate whether there is a right to direct or control how the worker performed the specific task as opposed to what task the worker performed;
- Financial: Facts that illustrate whether there is a right to direct or control how the business aspects of a worker's activities are conducted; and
- Relationship: Facts that illustrate how the parties perceive their relationship to each other; whether the worker's activity is part of a regular business activity; employee benefits; and the intent of the parties.

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Factors of lesser importance include whether the work is part-time or full-time, the place of the work, and hours of work. None of the factors is singularly determinative, and some factors may not apply to certain occupations. The degree of importance of each factor may vary depending on the occupation.

The different tests used in states are listed in the following table.

TABLE 1-4: 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		AL				Master-servant ¹
AR				IRS test	AZ				Entity employing test
CA	X	X	X	Other tests for specific occupations ²	CO	X		X	
CT	X	X	X		DC				Contract of hire
DE	X	X	X		FL	X	X	X	X ²
GA	X		X	IRS Determined	HI	X	X	X	
IA	X			Contract of hire	ID	X		X	
IL	X	X	X		IN	X	X	X	IRS test
KS	X				KY				Master-servant ¹ ; by judicial interpretation
LA	X	X	X		MA	X	X	X	
MD	X	X	X		ME	X	X	X	
MI				IRS test ³	MN			X	Master-servant ¹
MO				Common law right to control ⁴	MS	X			Master-servant ¹
MT				Independent contractor exemption certificate	NC				Contract creating employee relationship
ND				IRS test	NE	X	X	X	Contract creating employee relationship
NH	X	X	X		NJ	X	X	X	
NM	X	X	X		NV	X	X	X	

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TABLE 1-4: 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
NY				Contract of hire	OH	X			Contract of hire
OK				IRS test	OR	X		X	
PA	X				PR	X	X	X	
RI	X	X	X		SC				Contract of hire
SD	X		X		TN				IRS test
TX				Common law	UT	X		X	
VA ⁵				IRS test	VI	X	X	X	
VT	X	X	X		WA	X	X	X	
WI				Statutory factors ⁶	WV	X	X	X	Contract of hire
WY	X			X ⁷					

¹ **AL, KY, MN, and MS** - master-servant refers generally to the employer's right of direction and control.

² **CA and FL** - 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 by the job rather than by time; 5) parties do not believe they are creating a master and servant relationship; 6) principal not in business; and 7) principal does not supply the instrumentalities, tools, and the place of work for the person doing the work.

³ **MI** - an individual from whom an employer is required to withhold federal income tax will be prima facie considered to perform services in employment.

⁴ **MO** - uses the IRS test for taxi-cab and rider referral service providers.

⁵ **VA** - the provision of personal protective equipment does not factor into classification of worker for coverage.

⁶ **WI** - direction and control and independent business (*i.e.* A and C) tests used for governmental and nonprofit entities, loggers, and truckers.

⁷ **WY** - individual must represent services to the public as being in self-employment or as an independent contractor, and individual must be able to substitute another individual to perform the services.

EMPLOYMENT

For UI purposes, employment is generally defined as the performance of any services, of whatever nature, by an employee for the person employing the individual. 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 are explored in the following section.

LOCATION OF EMPLOYMENT

Localization of Work—In general, workers are covered by the UI law of the state in which the work is performed. To avoid duplicate coverage or no coverage at all when a worker works for one employer in more than one state, states agreed in the early days of the UI program on how to determine which state would cover such workers. These provisions of states' UI laws are called "localization of work" provisions.

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Historical Note: Model state legislation to put this agreement into effect was developed by the U.S. Department of Labor and incorporated into all states' UI laws in the 1940s. The government of Canada agreed to the localization of work provisions in 1947. Additional guidance was provided in the September 1950 edition of the Manual of State Employment Security Legislation. Unemployment Insurance Program Letter (UIPL) 20-04 was issued in 2004 to address additional concerns, such as telecommuting.

Localization of work provisions under state law are ordinarily applied in the following sequence. The “base of operations” is the place from which the individual starts work and to which the individual customarily returns in order to receive instructions from the employer.

- Is the individual's service localized in this state or some other state?
- If the individual's service is not localized in any state, does the individual perform some service in the state in which the base of operations is located?
- If the individual does not perform any service in the state in which the base of operations is located, does the individual perform any service in the state from which the service is directed or controlled?
- If the individual does not perform any service in the state from which the service is directed and controlled, does the individual perform any service in the state in which they live?

Election of Coverage of Services Performed Outside of 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, most states require residence in the state of election.

Coverage of Services Performed Outside the United States—Prior to the 1970 FUTA amendments, 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, except when such services are performed in a contiguous country with which the United States has an agreement relating to UI (Canada).

Election of Coverage Through Reciprocal Coverage Arrangement—If none of the localization of work tests determine the state in which a worker is covered, most state laws allow the employer, all of its employees, and all states involved to sign an agreement for the services to be covered by a state. An employer may cover all the services of such a worker in any state in which any part of the service is performed, the state of residence, or the state in which the employer maintains a place of business. A few states do not participate in these arrangements.

All 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 laws governing coverage generally incorporate the federal exclusions, although nothing in federal law requires them to do so. For workers excluded from coverage under federal law, states may elect to provide coverage under state law or to allow employers to voluntarily elect coverage of these workers.

Also, most state laws provide that any service taxed by FUTA is covered under state law. States may elect to not cover services that are taxed by FUTA; however, when they do, the employer is subject to the full FUTA tax for these services without benefit of any federal tax credit. See Chapter 2, *Financing*, for more information on this topic.

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The following table provides an overview of some of the significant exclusions from the definition of employment used by states. Insurance agents on commission are provided as a categorical exemption in FUTA. The other three categories are not explicitly excluded from coverage under FUTA, though the identified states have elected to not cover such services.

TABLE 1-5: SIGNIFICANT EXCLUSIONS FROM COVERAGE									
State	Insurance Agents on Commission	Real Estate Agents on Commission	Casual Labor Not in Course of Employer's Business	Part-Time Service for Nonprofit Organizations Exempt from Federal Income Tax ¹	State	Insurance Agents on Commission	Real Estate Agents on Commission	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	AK	X	X	X	X ²
AZ	X	X	X	X	AR	X	X	X	X
CA		X	X	X	CO	X	X	X	X
CT	X	X	X	X	DE	X	X		
DC	X		X	X	FL	X	X	X	X
GA	X	X	X		HI	X	X	X	X ²
ID	X	X			IL	X	X		X
IN	X		X	X	IA		X		
KS	X	X	X	X	KY	X	X	X	X
LA	X	X	X	X	ME	X	X		X ¹
MD	X	X	X	X	MA	X	X	X	X
MI	X	X		X	MN	X ³	X ³	X	
MS	X	X	X	X	MO	X	X		
MT	X	X	X		NE	X	X	X	X
NV		X			NH	X	X	X	X
NJ	X	X			NM	X	X		
NY	X	X			NC	X	X	X	X
ND	X	X	X	X	OH	X		X	X
OK	X	X			OR	X	X	X	
PA	X	X	X		PR		X	X	
RI	X ³	X	X	X	SC	X	X	X	X
SD	X			X	TN	X	X		
TX	X	X			UT	X	X	X	X
VT	X	X	X	X	VA	X	X	X	X
VI			X		WA	X	X	X	
WV	X				WI	X	X		X
WY		X	X						

¹ All states - this exclusion is limited to remuneration of less than \$50 in any CQ, except in **AK** (less than \$250), and **ME** (less than \$150).

² **AK** and **HI** - exclusion not limited to part-time service.

³ **MN** - does not exclude such service if performed by a corporate officer; **RI** - does not exclude such service if performed for a corporation or by industrial and debit insurance agents.

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Service for Relatives—As provided for in federal law, all states exclude service performed for an employer by a spouse or minor child. With a few exceptions, most states also exclude service of an individual in the employ of a son or daughter.

Service by 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 UI program. 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' provisions with respect to student employment.

TABLE 1-6: STUDENT EMPLOYMENT EXCLUDED FROM COVERAGE											
State	Student Nurses and Interns in Employ of a Hospital	Students Working for Schools ¹	State	Student Nurses and Interns in Employ of a Hospital	Students Working for Schools ¹	State	Student Nurses and Interns in Employ of a Hospital	Students Working for Schools ¹	State	Student Nurses and Interns in Employ of a Hospital	Students Working for Schools ¹
AL	X	X	AK	X	X ²	AZ	X	X	AR	X	X ²
CA	X	X	CO		X	CT	X	X	DE		X ²
DC	X	X ²	FL	X	X ²	GA	X	X	HI	X	X ²
ID	X	X ²	IL	X	X	IN	X	X	IA		X
KS		X ²	KY	X	X	LA	X	X ²	ME	X	X ²
MD	X	X	MA	X	X	MI		X	MN	X	X ²
MS	X	X	MO		X	MT		X	NE	X	X
NV		X	NH	X	X	NJ	X ³	X	NM		X ²
NY		X	NC		X	ND	X	X	OH	X	X ²
OK	X	X	OR	X	X	PA	X	X	PR		X ²
RI		X ²	SC	X	X	SD	X	X	TN		X
TX	X	X ²	UT	X	X	VT		X	VA	X	X ²
VI		X ²	WA		X	WV		X ²	WI	X	X
WY		X									

¹ All states exclude students in work-study programs; however, **DC** and **HI** - exclude only elementary or secondary school students.
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 CQ.

² **AK, AR, DE, DC, FL, HI, ID, KS, LA, ME, MN, NM, OH, PR, RI, TX, VA, VI, and WV** - do not exclude service by the spouse of a student in the employ of the school; all other states exclude such service.

³ **NJ** - Exclusion does not apply to service by an intern who has completed a four-year course in medical school.

Service by Patients for Hospitals—As provided for in federal law, these services may be excluded from coverage under the state law whether they are performed for a hospital operated for profit, not-for-profit, or by a state.

Service for Federal Instrumentalities—All states, except New Jersey, have provisions in their laws that permit the coverage of service performed for wholly or partially owned federal instrumentalities.

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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 is ordinarily regularly supervised, managed, directed, and controlled by such state. Most state laws currently cover such services.

Historical Note: 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—Most states allow employers to elect to cover most types of employment that are otherwise exempt under their state laws. When an employer voluntarily elects to cover these services, such individuals may use those wages to qualify for unemployment benefits.

Self-Employment—Employment, for purposes of UI coverage, is service of an employee for the person employing the individual. Therefore, it does not include self-employment.

COVERAGE OF OFFICERS OF CORPORATIONS

Under 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 (with the exception of any corporate officers for whom coverage is required under federal law) or restrictions on benefits for corporate officers. Since FUTA contains no exclusion, when states exclude these services from coverage, 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 benefit restrictions selected by certain states.

TABLE 1-7: CORPORATE OFFICERS	
AK	Services are exempt only if the corporation is not a nonprofit or governmental entity and the employee is an executive officer of the corporation.
CA	Exempts services performed by an individual in the employ of a corporation of which the individual 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, provided the services performed by the officer are part-time and when the remuneration received does not exceed \$75 in any CQ.
HI	An individual will not be eligible for benefits if an owner-employee of a corporation brings about their 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% of the corporate shares, provided certain criteria are met.
IA	Exempts services performed by an individual in the employ of a corporation of which the individual is the majority or controlling shareholder and an officer, if not subject to FUTA.
ID	Permits exemption of corporate officers from coverage and permits reinstatement of corporate officers previously exempted. A corporate officer whose benefit claim is based on wages with a corporation in which they or a family member has an ownership interest is not “unemployed” and is ineligible for benefits in any week during their term of office with the corporation. However, the corporate officer is unemployed in any week not employed by the corporation for an indefinite period of time due to circumstances beyond their control or the control of a family member who has an ownership interest in the corporation; if at any time during the BY the corporate officer resumes, or returns to, work for the corporation, there is a rebuttable presumption that their unemployment was within their control, and all benefits paid are considered an overpayment. A corporation that is a public company may elect to exempt from coverage any corporate officer who is voluntarily elected or voluntarily appointed, is a shareholder of the corporation, exercises substantial control in the daily management of the corporation, and whose primary responsibilities do not include the performance of manual labor; a corporation that is not a public company may elect to exempt from coverage any corporate officer, without regard to their performance of manual labor, if the officer is a shareholder of the corporation, voluntarily agrees to be exempted from coverage, and exercises substantial control in the daily management of the corporation that has a class of shares registered with the Federal Securities and Exchange Commission.
MI	Limits to no more than 7 weeks benefits payable based on services performed in a family corporation in which the individual or their son, daughter, spouse, or parent owns more than 50% of the proprietary interest in the corporation.

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TABLE 1-7: CORPORATE OFFICERS	
MN	An individual who has been paid 4 times their WBA 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% or more interest in the employing unit; or (b) is the spouse, parent, or minor child of any individual who owns or controls 25% 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. Contracts to obtain a taxpaying employer's workforce must include coverage of corporate officers for the duration of the contract.
NJ	Excludes corporate officers and individuals with at least 5% ownership of employing business.
ND	Exempts corporate officers when ¼ 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 the officer owns 100% of the stock.
OR	Exempts services performed by corporate officers who are directors of the corporation, who have a substantial corporate 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 the individual 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.
SC	Exempts service performed by an officer of a corporation. A corporation may elect, in writing, to cover its officers and must notify its officers they are ineligible for UI benefits if the corporation does not elect to provide coverage. Coverage must be provided for at least 2 calendar years and shall terminate January 1 subsequent to the 2-year period if the employer files a written application before January 15 of that year.
WA	Exempts services performed by corporate officers unless corporation elects coverage for all officers; wages for corporate officer must be less than 25% of total base year wages to be eligible for benefits. However, this exemption does not apply to corporate officers employed by nonprofit or governmental employers.
WI	The amount of BPW used to compute total benefits payable to an individual may not exceed 10 times the individual's WBA based on the individual's employment with a corporation or a limited liability company that is treated as a corporation if ½ or more of the ownership interest in the corporation or limited liability company during the employment was owned or controlled by the individual's spouse or by the individual's parent if the individual is under age 18, or by a combination of 2 or more of them; or in the case of a corporation, if ¼ or more of the ownership interest in the corporation during the employment was owned or controlled by the individual. Also, a corporate employer having taxable payrolls less than the amount used to establish separate solvency contribution rates may elect not to have the principal officers covered if the officers have a direct or indirect substantial ownership interest in the corporation.

COVERAGE REQUIRED UNDER FEDERAL LAW

As a result of amendments to FUTA made in 1970, 1976, and 2000, certain services performed for nonprofit organizations, state and local government entities, and federally-recognized Indian tribes must be covered as a condition for approval of the state's law allowing all employers in the state to receive credits against the FUTA tax. Normally, if a state excludes services that are taxed under the FUTA, the employers providing such services must pay the full FUTA tax. However, because nonprofit organizations, state and local government entities, and federally-recognized Indian tribes are generally not subject to FUTA tax, these amendments to FUTA ensure that such services are covered under state UI law. Failure to provide this "required coverage" negatively impacts all employers in a state.

Under the "required coverage" provisions, states are required to pay UI benefits based on services performed for nonprofit organizations, state and local government entities, and federally-recognized 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 (For more information, see Chapter 5, *Nonmonetary Eligibility*).

COVERAGE

Federal law permits states to exclude from this required coverage all of the exclusions from employment available for private employers. Moreover, additional exclusions are available for nonprofit organizations, state and local government entities, and federally-recognized Indian tribes. These include services performed:

- by an individual receiving rehabilitation help in a facility that carries out programs for individuals whose earning capacity is impaired by age, physical or mental deficiency, or injury;
- 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 in the following sections relating to nonprofit organizations and state and local government entities.

State law is also required to give nonprofit organizations, state and local government entities, and federally-recognized Indian tribes a choice concerning benefit financing. They can pay taxes as employers do or they can reimburse UI benefits paid that are attributable to services performed for them. (For more information, see Chapter 2, *Financing*).

NONPROFIT ORGANIZATIONS—State coverage is required for services performed for religious, charitable, or educational nonprofit organizations, but only when such organizations employ four or more workers over 20 weeks during a specific year. 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. The following table lists the states that have expanded their coverage provisions beyond federal requirements.

Table 1-8: STATES COVERING ORGANIZATIONS WITH ONE OR MORE EMPLOYEES					
Arkansas	California	Connecticut	District of Columbia	Hawaii	Idaho
Iowa	Maryland	Massachusetts	Michigan	Minnesota	Montana
New Hampshire	New Jersey	New Mexico	Oregon	Pennsylvania	Puerto Rico
Rhode Island	Virgin Islands	Washington			

Additional Exclusions for Nonprofit Organizations—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:

- 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; or
- 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.

COVERAGE

Additional Exclusions for Governmental Entities—Since federal law includes no size-of-firm restrictions for governmental entities, as it does for nonprofit organizations, generally all services for governmental entities must be covered. There are, however, certain types of services 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;
- 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 declared emergency; or
- 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 eight or fewer hours a week.

Most states have opted to exclude all types of services mentioned previously. For states that do not exclude all of the aforementioned types of services, the following table shows which services are excluded under state law.

TABLE 1-9: STATE AND LOCAL GOVERNMENTS - SERVICE EXCLUDED FROM COVERAGE					
State	Elected Officials	Legislators and Members of Judiciary	Members of State National Guard and Air National Guard	Temporary Emergency Employees	Policymaking and Advisory Positions
AK	X	X	X	X	
AR	X	X	X		X
FL	X	X		X	X
GA	X	X	X		X
MT	X				
NE	X	X	X	X	
NV			X		
WA	X		X		X

INDIAN TRIBES—Amendments to FUTA made in 2000 added federally-recognized 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. The same permissible exclusions from coverage 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 tax exemption and may lose coverage.

UNEMPLOYMENT COMPENSATION FOR FEDERAL CIVILIAN EMPLOYEES AND FOR EX-SERVICEMEMBERS

Two federal UI programs – one for federal civilian employees and the other for ex-servicemembers are provided by federal law (5 U.S.C. 8501 et seq.). Under agreements entered into between the Secretary of Labor and the state UI agencies, the federal programs of unemployment compensation for federal civilian employees and for ex-servicemembers 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.

COVERAGE

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;
- there was subsequent private covered employment in the state in which the covered federal employment was performed; or
- the worker resides when filing the claim if the last official duty station was outside the United States.

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)—States must follow guidance from the U.S. Department of Labor in operating the program, including the use of the annual Federal Schedule of Remuneration, to determine UCX benefit eligibility.

In general, ex-servicemembers must be honorably discharged and have completed their first full term of service to qualify for UCX. However, ex-servicemembers who did not complete their first full term of service, were separated under honorable conditions, and were separated for certain “acceptable narrative reasons” may also qualify for UCX. Some “acceptable narrative reasons” for separation require 365 days of service to be applicable. Narrative reasons for separation are found in Block 28 of the DD Form 214, Certificate of Release or Discharge from Active Duty. A consolidated list of acceptable narrative reasons for separation from the military for UCX claim purposes is attached to UIPL No. 30-20; (this list applies to separations that occurred after September 24, 2020). For separations that occurred on or before September 24, 2020, the consolidated list of acceptable narrative reasons that apply are located in an attachment to UIPL No. 09-10.

Members of the National Guard and Reserves must have 180 days of continuous active service and be separated under honorable conditions to qualify for UCX benefits.