

## **Premium Reporting Accountability and Self-Employment Income Reporting Workgroup**

### **Background**

The statute and Employment Security Department's rules on both Paid Family and Medical Leave and WA Cares Fund are intended to align to support consistency in employer reporting and administration of premium collection. One area where the statute does not align is enforcement authority for premium collection. Because of this, ESD does not have authority to require employers to be accountable for participating in WA Cares Fund. There is no current avenue for ESD to collect penalties from employers who do not report wages nor to apply interest to unpaid premiums from employers.

In addition, people who are self-employed may be incentivized to underreport their earnings because the benefit for WA Cares is not dependent on the amount of money a person contributes. Clarifying the expectations for a process and required documentation that ensures accurate premium collection would assist in increased accountability for accurate reporting by self-employed workers.

### **Workgroup Recommendations**

#### **Premium Reporting Accountability**

Adopt for WA Cares Fund the premium accountability measures contained in the PFML statute, namely PFML authority 50A.45.

#### **Self-Employment Income Reporting**

The Commission makes recommendations to the Employment Security Department (ESD) for the following rule amendments and policy changes:

- As ESD does for PFML, ESD will require quarterly earnings reports from individuals who are self-employed and elect coverage for WA Cares. The department will assess premiums each quarter based on reported net profit. It is recommended that at the end of each taxable year, elected covered participants verify income that was reported to appropriately apply accurate premium assessment and "true up" any misreported income and to amend WAC 192-915-015 to require this. The workgroup recommends

accomplishing this is by aligning annual net profit, to which WA Cares premium is applied, with Line 2 of an individual's federal Schedule SE and requiring annual uploading of [Schedule SE](#).

- Communicate with those who elect coverage that they will be expected to report net income quarterly and true up annually on the basis of their Schedule SE.