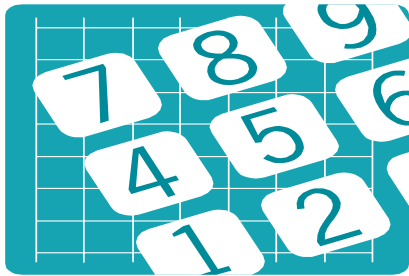


# compUpdate



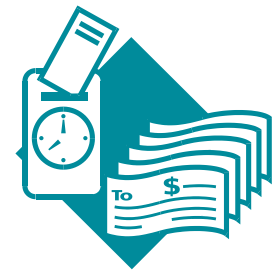
## Preparing your payroll report

### Accurate payroll reporting could save you money

One way to possibly avoid paying more than your fair share for workers compensation insurance is to report your payroll accurately. The premium you pay should represent the proper exposure – no more, no less. However, in order to report accurately, you need to know **what** to report. In this edition of *compUpdate*, we hope to help you better understand payroll reporting and highlight some areas where you could possibly save money.

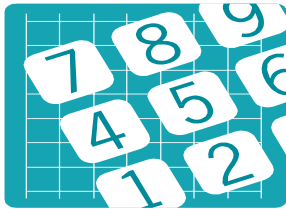
### Keep detailed, accurate records

Before we get started, we want to stress one of the most important things you can do that could help lower your workers compensation costs: Keep accurate, detailed records. Workers comp premium is based on **actual** paid gross payroll – or total remuneration paid. Knowing what you paid, whom you paid, and for what you paid could impact your premium. Detailed record keeping could reduce your premium, or at least cut down on any surprises at annual audit time. As you read this newsletter, it probably will become apparent just how important accurate records are.



### Who makes the rules?

In Idaho, the Department of Insurance regulates and approves rates for all insurance companies. Idaho's law requires all comp insurers be a member of a rating organization. All insurers must, by law, use the basic manual rates, rules, and classifications provided by the rating organization. All workers compensation insurers must provide their statistical information to a rating organization so that the Idaho rates can be developed. The National Council on Compensation Insurance is the rating organization for Idaho.



# Preparing your payroll report

## IDAHO STATE INSURANCE FUND

1215 W. State Street, PO Box 83720  
Boise, IDAHO 83720-0044  
Phone (208) 332-2100 - (800) 334-2370

Policy Number #####  
Report ID #####  
Issue Date MM/DD/YYYY  
Anniv Rate Date MM/DD/YYYY

### PAYROLL REPORT

**1** DUE DATE: MM/DD/YYYY

Cancellation may be initiated if report is not received by the due date

POLICY NAME  
ANY STREET  
ANY CITY ID 83700

UNDERWRITING DEPARTMENT  
UNDERWRITER'S NAME  
208/332-XXXX

**2** REPORT PAYROLL FOR: 01/01/2002 to 03/31/2002

Location: 2) BUSINESS LOCATION 1

<b>5</b> Class Code	Description	<b>6</b> Rate	<b>7</b> Payroll
801700	STORE: RETAIL NOC	1.45	_____ .00
801700	STORE: RETAIL NOC	1.45	_____ .00
	Covered officer: FIRST NAME 1 LAST NAME 1		
801700	STORE: RETAIL NOC	1.45	_____ .00
	Covered officer: FIRST NAME 2 LAST NAME 2		

Location: 2) BUSINESS LOCATION 1

<u>Class Code</u>	<u>Description</u>	<u>Rate</u>	<u>Payroll</u>
801700	STORE: RETAIL NOC	1.45	_____ .00

**3** NOTE\*\*\* Report only the straight time portion of overtime wages.

**4** Report uninsured contractors, subcontractors, contract labor and piece work in the appropriate class code with regular employee payroll.

ALL POLICIES ARE CONTINUOUS UNTIL CANCELLED

I certify the information given above is correct

Signature Title Phone Fed. I.D. No.

**8** \*\*DO NOT SEND PAYMENT WITH YOUR REPORT - A STATEMENT WILL FOLLOW\*\*

**1 Due date:** All policyholders must report payroll at some time depending on their payment plan – some monthly, some quarterly, some annually. The report form is sent to policyholders near the end of the reporting period. The due date to return the form is the 21st of the month. The completed form must be received in the Boise office by the due date, or procedures to cancel the policy for failure to report payroll could begin. Cancellation could result in having to undergo the application process – and its paperwork – but more importantly, it could result in a lapse in coverage.

**2 Payroll reporting period:** Here is where you will find the period of time for which we are requesting payroll. Report all wages **paid** during this time frame rather than **accrued**.

**3 NOTE\*\*\* Report only the straight-time portion of overtime wages:** This small note could produce big savings for you. Incorrect reporting of overtime is a common error we see, and it is usually an error that costs the policyholder. Overtime can be figured at straight time pay if the employer’s records show separately by employee and in summary by class of work the amount paid for overtime work. If overtime is paid at the rate of 1½ times, reduce the portion of overtime by one-third. If double-time is paid, reduce the portion of overtime by one-half.

**4 Report uninsured contractors, subcontractors, contract labor and piece work:** Here’s another area where you could save money. If you hire contractors or subcontractors, obtain their certificates of insurance for workers compensation. Coverage should be verified with subcontractors’ insurers, even if policy numbers are provided. Certificates should also be kept current from year to year.

If you have questions about subcontractors and coverage, contact your underwriter or the Fund’s Audit Department. Additional information about contractors is available in our Summer 2001 issue of *compUpdate*, available on our Web site at [www2.state.id.us/isif/compUpdate/audits01.htm#contractor](http://www2.state.id.us/isif/compUpdate/audits01.htm#contractor).

Certificates can be requested from the Fund’s Certificate Unit by calling (208) 332-2138 or 1-888-253-0149. You may also contact the Industrial Commission at 1-800-950-2110 for proof of insurance.

If you cannot provide certificates, you may be responsible for the contractors’ and subcontractors’ exposure and can be billed accordingly. Here’s how to report uninsured contractors:

If your contract with the uninsured contractor is for:

<b>Contract</b>	<b>Reportable payroll</b>
Labor only .....	100% of the contract price
Labor & materials not itemized .....	At least 50% of contract price
Labor & itemized materials .....	100% of the labor part of the contract
Labor & heavy equipment .....	33 1/3% of the contract price (tractors, backhoes, heavy trucks, etc.)

**5 Class Code and Description:** Your policy was assigned a classification either at the inception of your policy or during the past policy year by the Underwriting Department. This classification is based on National Council on Compensation Insurance. The purpose of the classification procedure is to assign the one basic classification that best describes the business of the employer within a state. Subject to certain exceptions, each classification includes all the various types of labor found in a business. It is the business that is classified, not the individual employments, occupations, or operations within the business. NCCI has established about 600 business classifications.

It is possible to achieve some savings with the proper division of payroll. Once again, however, you will need to keep good records to take advantage. Some employees may qualify for the division of payroll between two or more

basic classification. These employees may perform duties directly related to more than one properly assigned classification, according to NCCI Rule 1-D-3. Their payroll may be divided among the properly assigned classifications provided that:

- ***The classification can be properly assigned to the employer according to the rules of the classification system.***
- ***The employer maintains proper payroll records, which show the actual payroll by classification for that individual employee.***
- ***Records must reflect actual time spent working within each job classification and an average hourly wage comparable to the wage rates for such employees within the employer's industry.***
- ***Estimated or percentage allocation of payroll is not permitted.***

**Note:** If payroll records do not show the actual payroll applicable to each classification, the entire payroll of the individual employee must be assigned to the highest rated classification that represents any part of his or her work.

Two major types of businesses that can benefit from a division of payroll are construction and erection operations and farming.

**Construction operations:** Reporting payroll for construction or erection operations is done by each distinct type of operation and must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation. If separate payroll records are not maintained for any construction or erection operation, the highest rated classification that applies to the job or location where the operation is performed must be assigned. If a construction or erection operation is included in the scope of another classification, a separate code must not be assigned.

Uninsured subcontractors covered under the principal or general contractor's policy are classified on the basis of the classifications that would apply if the work were performed by the principal's own employees.

**Farm operations:** Farm operations can also have a division of payroll for each separate and distinct type of commercial operation, if separate payroll records are maintained. If payroll records of the farm classification are not clear, and separate payroll records are not maintained, the entire payroll of the farm must be segregated on the basis of proportionate acreages.

Each farm classification includes:

- ***All employees***
- ***Drivers***
- ***All normal repair and maintenance of buildings or equipments performed by the employees of the insured***
- ***Operation usual and incidental to a farm, such as maintenance of livestock for family use, family orchard or truck garden, hay or grain crops raised for the purpose of maintaining work animals on the farm and outside domestic workers at the farm location. Each farm classification excludes inside domestic workers at the farm location.***

**6 Rates:** The rate that appears on your payroll report is a rate per \$100 of payroll. Round all payroll to the highest dollar.

**7 Payroll:** Using your payroll records and general ledger, determine the **actual** gross payroll you **paid** during this reporting period.

State Insurance Fund  
1215 West State Street  
P.O. Box 83720  
Boise, ID 83720-0044  
(208) 332-2100  
(800) 334-2370

#### E-mail addresses:

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*Audit:* Audit@isif.state.id.us

*Claims:* Claims@isif.state.id.us

*Risk Management:* RiskManage@isif.state.id.us

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*Manager's Office:* Administration@isif.state.id.us

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[www2.state.id.us/isif/](http://www2.state.id.us/isif/)

ANTI-FRAUD HOTLINE 1-800-448-ISIF (4743)

*continued from inside*

Someone new to workers compensation may think "payroll" simply means the hourly wages paid to an employee. In the workers compensation system, however, "payroll" means "remuneration," and "remuneration" means money or substitutes for money.

In general, reportable payroll, or remuneration, includes:

- **Gross wages/salaries (before any benefit plans, i.e. 401(k) or cafeteria plans)**
- **Commissions and draws against commissions**
- **Bonuses**
- **Holiday, vacation and sick pay**
- **Piecework, profit-sharing, or incentive plans**
- **Payments or allowance for hand tools**
- **Rental value of an apartment or house provided to employees**

A complete list of NCCI payroll inclusions and exclusions was published in our Summer 2001 *compUpdate* and is available on our Web site at [www2.state.id.us/isif/compUpdate/audits01.htm#payroll](http://www2.state.id.us/isif/compUpdate/audits01.htm#payroll).



## Preparing your payroll report

**8 Do not send payment with your report:** We will use the payroll information provided to calculate the premium you owe, and we will send you a statement.

To finish the payroll report, review all information for accuracy. If there are changes or corrections to this report, please contact us or make note of the information on your report and submit it to the State Insurance Fund.

*The above guidelines will help you to report the actual gross payroll in the correct classification. As you can see, accurate record keeping will save you money. You can reduce overtime payroll if you can show the overtime separate and you can take advantage of different rates per classification for employees, if you have maintained accurate records.*

*If you need additional information or have questions about reporting payroll and audit services, please contact our office.*