

# Reporting insurable earnings

As an employer, you are required to report your workers' insurable earnings to WCB-Alberta by the end of February each year. You must report the earnings of all workers, regardless of their occupations in your business. This includes administrative and dual function workers. Insurable earnings are the portion of your workers' gross earnings upon which your premiums are based and may include the following:

- gross employment income you report on T4s
- earnings of unincorporated subcontractors you hire who do not have a current WCB-Alberta account
- earnings of casual labourers
- a fair market value for unpaid labour, including family members
- earnings not reported in box 14 of the T4, such as tips (if recorded in your financial records), bonuses or certain other taxable benefits (refer to tables in this fact sheet).

WCB-Alberta insurable earnings are not necessarily the same as taxable income reported to the Canada Revenue Agency. Insurable earnings are based on workers' gross earnings before deductions

## *The five most common errors in calculating insurable earnings*

### 1. Contractor/subcontractor earnings

Employers who engage in the services of subcontractors could be responsible for the workers' compensation insurance for these individuals. If your subcontractors are not incorporated or do not have their own current WCB-Alberta account, you must include the labour portion of their contract in your insurable earnings.

*Example: You hire a janitor to clean your office and that person is not incorporated and does not have a WCB-Alberta account. The janitor is considered your worker while working for your business.*

To confirm the WCB-Alberta status of any subcontractor, go to:

<http://decc.wcb.ab.ca/decc/default.htm>

### 2. Casual labour

These earnings are often overlooked because a T4 earnings record is not issued or the employer does not consider the earnings to be insurable. All workers' earnings are insurable for WCB-Alberta purposes including those of casual or short-term workers.

### 3. Directors' / shareholders' earnings

**Directors-** Under the *Workers' Compensation Act* of Alberta, directors of legal entities such as corporations and associations (registered as such at Alberta Corporate Registry) are not "workers" under the Act unless they have applied for, and WCB-Alberta has approved, optional Personal Coverage as provided for under the Act.

Earnings of directors are often mistakenly included when reporting workers' insurable earnings. If the director(s)' wages are included in total payroll (i.e. total T4 earnings), they must be deducted when calculating insurable earnings.

Please see the [Personal Coverage fact sheet](#) for more information.

**Shareholders / family members** - Shareholders' or family members' wages must be included when reporting workers' insurable earnings. Only registered directors have the *option* to be covered for WCB-Alberta purposes (see above), therefore earnings of shareholders **who are not registered directors** must be included when reporting insurable earnings to WCB-Alberta.

#### 4. Excess earnings

Premiums are not paid on earnings exceeding the Maximum Insurable Earnings amount per worker (\$82,800 for 2011 and \$86,700 for 2012), which is adjusted yearly by WCB-Alberta's Board of Directors. This amount is shown each year on the employer's annual return and can be found at [http://www.wcb.ab.ca/employers/2012\\_rates.asp](http://www.wcb.ab.ca/employers/2012_rates.asp). Gross individual earnings over \$82,800 for 2011 and \$86,700 for 2012 should not be reported.

*Example: A worker's gross earnings for 2011 are \$90,000. The maximum insurable earnings for 2011 is \$82,800. The employer would report \$82,800 insurable earnings for this worker. The excess earnings are \$7,200 and are not reported.*

#### 5. Proration

WCB-Alberta classifies employer accounts by industry and not by the occupations of its workers. If you have workers' compensation in two or more industries you must keep separate insurable earnings records for the workers in each one. If a worker only works in one industry, then the earnings are reported in that industry. If the worker performs work in both industries, **the worker's earnings are allocated to each industry according to the work performed in each industry. If the worker's total earnings from all industries are in excess of the maximum insurable earnings, the excess earnings are prorated to each industry.**

*Example: A worker's gross earnings for 2011 are \$90,000, including \$27,000 from Industry A and \$63,000 from Industry B. The maximum insurable earnings for 2011 is \$82,800, so the excess earnings for this worker are \$7,200, and are not reported. Excess earnings must be prorated to each industry: Industry A excess earnings =  $\$7,200 \times \$27,000 / \$90,000 = \$2,160$ . Industry B excess earnings =  $\$7,200 \times \$63,000 / \$90,000 = \$5,040$ . The employer would report \$24,840 ( $\$27,000 - \$2,160$ ) insurable earnings for this worker in Industry A, and \$57,960 ( $\$63,000 - \$5,040$ ) in Industry B, for a total of \$82,800.*

#### Prorating administration

When an employer account has just one industry classification, the earnings of all workers, including administration staff, must be included in that industry. When an employer account is classified in more than one industry, and if earnings for administration staff cannot be directly allocated to one industry classification or another, those earnings must be pro-rated across all industry classifications on the account.

For additional information on pro-rating earnings, see our [Pro-rating insurable earnings fact sheet](#).

**Report ALL insurable earnings including:**

This list is intended as a guide for employers and may not be all-inclusive. If you have any questions about what earnings are insurable, please contact WCB-Alberta.

Advance from employer on future earnings	Pay in lieu of notice
Assets purchased	Personal or living allowance paid by employer
Bonuses	Personal use portion of aircraft
Casual Wages	Premiums on group term life insurance policy (if reported on T4)
Commissions	Prizes or promoted contests from employer (if reported on T4)
Convention Costs (non-accountable allowances)	Recreational facilities, social or athletic club fees (if taxable benefit reported in box 14 of T4)
Disability payment (unless worker repays employer)	Remuneration received if employee is spouse of employer
Employer Profit Sharing Plan (if included on T4s)	Rent - free or low rent (difference between what is charged and fair market value)
Executor's fees	RRSP contributions (if T4'd and paid by employer)
Financial counselling fees (if provided by employer)	Salary (monthly or annual)
Finders' fees - solicited (If obtaining contracts for company)	Stock option benefits (if included on T4s) This is not insurable if recorded on T4PS as this is considered investment income.
Gifts from employer including suggestion awards (excl. Christmas/Wedding gifts of < \$500)	Temporary foreign workers
Government sponsored programs which do not cover Workers' Compensation	Tips and gratuities recorded in employer records (example: debit/credit card transactions, T4s, etc.)
Honouraria	TOJ (Training on the Job) offered by WCB-Alberta
Hospitalization or medical service premiums paid by the employer (only if a taxable benefit)	Transportation passes (paid by employer and considered a taxable benefit)
Hourly wages	Travelling expenses of spouse
Loss of income (from sickness, accident, disability or income maintenance insurance plan) if employer pays this income	Tuition fees paid by employer
Maternity top up benefits	Vacation Pay
Operating benefits and ownership benefits portion of personal use of employer's automobile.	Value of service for unpaid labour
Part time wages (scheduled, hourly wages paid to employees who do not work full time but have a predetermined work schedule)	

Individuals earnings are insurable to the annual maximum amount per worker (\$82,800 for 2011 and \$86,700 for 2012) regardless of the period of time the worker was engaged during the year (i.e. two months, six months, twelve months, etc.). If a worker is employed by two or more employers within the same year, their earnings cannot be prorated between the employers. For premium purposes, each employer is treated separately.

**Non-insurable earnings (do not report the following)**

This list is intended as a guide for employers and may not be all-inclusive. If you have any questions about what earnings are not insurable, please contact WCB-Alberta.

Adult training expenses	Profit sharing premiums
Allowances of elected members	Proprietor's earnings from the proprietors own business
Armed forces travelling and separation allowances	Reimbursement of expenses
Assignment of compensation benefits (workers benefits paid to the employer where the worker continues to receive earnings from the employer while on compensation).	Rental of equipment from documented workers (does not include power saw allowance)
Capital gains income	Representation or other special allowances of ambassadors, ministers etc.
Clergy expense allowance (within reason)	Retiring allowances
Convention Costs	Room and board (work camp only)
Death benefits (i.e. if company paid money to bereaved family to cover funeral expenses or transportation of the deceased)	School teachers (with valid teaching certificate) teaching academic courses
Deferred compensation	School trustees (without special deeming order)
Directors' earnings	Severance/Separation (if based on length of service)
Dividends (paid to shareholder)	Special allowances received by persons working in foreign countries
Finders' fees (non-solicited)	Subsidized meals (if not included on T4s)
Government sponsored programs which cover Workers Compensation	Subsidized school services
Investment income (e.g. dividends and T4PS profit sharing are investment income)	Tips and gratuities (if not recorded in employer's records) (example: non-recorded cash tips paid directly to workers by customer)
Juror's fees	Trade union officials (without special deeming order)
Moving expenses	Transportation to the job
Municipal councillors (without special deeming order)	Travelling expense allowance (government and other)
Northern benefits (non-taxable isolation pay)	Unemployment insurance benefits
Partners' earnings from the partners' own business	Uniforms and special clothing/equipment
Pension and retirement benefits (like severance package given to retiring employees, e.g. one month pay for every year of service)	Voluntary activity (ensure it is not a value of service activity and that a deeming order is not in effect).
Pension plan contributions by employer	Volunteer expense allowance (*volunteer fireman up to \$500 per year)
Premiums paid by employer for private health services plan or group sickness/accident insurance plan	Workers' compensation benefits

## Unauthorized deductions

Deductions made by an employer from a worker's earnings either directly or indirectly to pay for any portion of a premium owed to WCB-Alberta are illegal under Section 139 of the [Workers Compensation Act](#).

## Financial penalties for under-reporting earnings

*Check your workers' insurable earnings estimate throughout the year.* If your estimate is not accurate, you must revise it before December 31 of the current year to avoid penalties. While we provide you with a 50 per cent margin of error, penalties are assessed on earnings that exceed this margin. This means that if your actual insurable earnings exceed 150 per cent of your estimate (as of December 31st), a 10 per cent penalty plus interest (based on the bank rate as of January 1, 2012 which carries throughout the year) is levied on the premium portion that exceeds 150 per cent of the estimate. No penalties or interest apply if your actual is less than your estimate. Revisions to your insurable earnings can be made through WCB-Alberta myWCB online services at [www.wcb.ab.ca](http://www.wcb.ab.ca).

*Example: Your 2011 estimate is originally \$85,000. On October 3, 2011 you revise it to \$100,000. No further revisions occur and on February 15, 2012, you report 2011 actual insurable earnings of \$160,000.*

*The portion of your earnings that exceed your margin of error:*

*The maximum reportable insurable earnings without penalty or interest is \$100,000 (your last estimate received by us up to December 31, 2011) X 150% = \$150,000)*

*The excess amount is therefore \$160,000 (actual earnings reported) - \$150,000 (maximum allowed before penalty applies) = \$10,000*

*Penalty = [\$10,000 x (your premium rate) x 10 per cent] + interest (from Jan 1/12 to Feb 15/12).*

*On your next invoice, you will be assessed for the earnings that exceed your estimate [(\$60,000) x (your premium rate)], plus the above penalty and interest, with the total being due in one payment.*