Reporting insurable earnings

You're required to report your workers' insurable earnings to WCB by the end of February each year. This includes the earnings of all workers, regardless of their occupations in your business.

Insurable earnings are the gross earnings of each worker up to the annual maximum insurable amount specified by WCB's Board of Directors.

Note: Upcoming legislative changes to the *Workers' Compensation Act* remove the cap on maximum compensable insurable earnings for injured workers with a date of accident of Sept. 1, 2018 or later.

This means workers will be compensated with 90 per cent of their total net earnings, with no limit. This change does not affect employers' assessable earnings for 2018. The MIE cap used to determine employer premiums stays at $98,700.

Your WCB premiums are based on these insurable earnings, and they may include the following:

- Gross employment income you report on T4s (listed in box 14).
- Earnings of unincorporated subcontractors you hire who do not have a current WCB 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).

For farming and ranching operations, there are exemptions for who isn't covered and what earnings need to be reported. Please visit the farming coverage fact sheet or contact us at 1-866-922-9221 for more details.

The five most common errors in calculating insurable earnings

1. Contractor/subcontractor earnings

You could be responsible for workers' compensation insurance for any contractors/subcontractors you hire. If your subcontractors are not incorporated or do not have their own current WCB 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 account. The janitor is considered your worker while working for your business.

Confirm the WCB-Alberta status of any subcontractor by clicking here.

2. Wages not reported

Other earnings are sometimes overlooked because a T4 isn't issued or the earnings aren't considered to be insurable for WCB purposes.

These other earnings that should be included are casual or short-term workers, unpaid labour (a value of service is required and to be included in your insurable earnings), and tips/gratuities, regardless of the payment method. A comprehensive list of what is considered insurable earnings is included below.

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 covered by WCB unless they have applied for, and WCB has approved, optional personal coverage.

Earnings of directors are often mistakenly included when reporting workers' insurable earnings. If the directors' wages are included in total payroll (i.e. total T4 earnings), they must be deducted when calculating insurable earnings. Please see the personal coverage section of our website for more information.

Shareholders/family members—Only registered directors have the option to be covered for WCB purposes (see above). The earnings of shareholders who are not registered directors must be included when reporting insurable earnings to WCB. There is the exception for family members on farms when all of the shareholders are from the same family.

4. Excess earnings

Premiums are not paid on earnings exceeding the maximum insurable earnings (MIE) amount per worker ($98,700 for 2018). This amount is adjusted yearly by WCB's Board of Directors and is shown each year on your annual return. Gross individual earnings over the MIE should be deducted from the gross earnings.

Example: *A worker's gross earnings for 2017 was $100,000. The maximum insurable earnings for 2017 was $98,700. The employer would report $98,700 insurable earnings for this worker. The excess earnings are $1,300 and should be deducted as excess earnings in your WCB annual return.*

5. Prorating insurable earnings

If you have an account in just one industry classification, the earnings of all your workers, including administration staff, must be included in that industry.

If your 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 prorated across all industry classifications on the account.

Insurable earnings

Please report all insurable earnings. Items listed on T4 statements are insurable. 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.

- Advance from employer on future earnings
- Assets purchased
- Bonuses
- Box 71 - Status Indian
- Casual wages
- Commissions
- Convention costs (non-accountable allowances)
- Disability payment (unless worker repays employer)
- Employer Profit Sharing Plan (if included on T4s)
- Executor's fees
- Financial counselling fees (if provided by employer)
- Finders' fees—solicited (if obtaining contracts for company)
- Gifts from the employer including suggestion awards (excl. Christmas/wedding gifts <$500)
- Government sponsored programs which do not cover Workers' Compensation
- Honouraria
- Hospitalization or medical service premiums paid by the employer (only if a taxable benefit)
- Hourly wages
- Loss of income (from sickness, accident, disability or income maintenance insurance plan) if employer pays this income
- Maternity top-up benefits
- Operating benefits and ownership benefits portion of personal use of employer's automobile
- Part-time wages (scheduled, hourly wages paid to employees who do not work full-time but have a predetermined work schedule)
- Pay in lieu of notice
- Personal or living allowance paid by employer
- Personal use portion of aircraft
- Premiums on group term life insurance policy (if reported on T4)
- Prizes or promoted contests from employer (if reported on T4)
- Recreational facilities, social or athletic club fees (if taxable benefit reported in box 14 of T4)
- Remuneration received if employee is spouse of employer
- Rent—free or low rent (difference between what is charged and fair market value)
- RRSP contributions (if T4'd and paid by employer)
- Salary (monthly or annual)
- Stock option benefits (if included on T4s)—this is not insurable if recorded on T4PS as this is considered investment income.
- Temporary foreign worker
- Tips and gratuities recorded in employer records (debit/credit card transactions, T4s, etc.)
- Training-on-the-job offered by WCB
- Transportation passes (paid by employer and considered a taxable benefit)
- Travelling expenses of spouse
- Tuition fees paid by employer
- Vacation pay
- Value of service for unpaid labour

Earnings are insurable to the annual maximum amount per worker regardless of the period of time spent working during the year (e.g. two months, six months, 12 months, etc.).

If a worker is employed by two or more employers within the same year, their earnings can't 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 and may not be all-inclusive. If you have any questions about what earnings are not insurable, please contact WCB.

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

Unauthorized deductions

It's illegal to deduct from your workers' earnings either directly or indirectly to pay for any portion of a premium owed to WCB.

Financial penalties for under-reporting earnings

It's important to check your insurable earnings estimate throughout the year. If your estimate isn't accurate, you must revise it before Dec. 31 of the current year to avoid penalties.

We provide you with a 50 per cent margin of error, and 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 Dec. 31), a 10 per cent penalty plus interest (based on the bank rate as of Jan. 1, 2018, 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's myWCB online services.

Example: *Your 2017 estimate is originally $85,000. On Oct. 3, 2017, you revise it to $100,000. No further revisions occur and on Feb. 15, 2018, you report your 2017 actual insurable earnings of $160,000.*

Your maximum reportable insurable earnings without penalty or interest:

$100,000 (your last estimate received by us up to Dec. 31, 2017)	**x**	**150%** (allowable margin of error)	**=**	**$150,000**

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

$160,000 (actual 2017 earnings reported)	**–**	**$150,000** (maximum allowed before penalty applies)	**=**	**$10,000**

Penalty:

$10,000 (your excess amount)	**x**	**your premium rate**	**x**	**10% + bank interest rate** (from Jan. 1, 2018 - Feb. 15, 2018)

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 or the instalment due for 2018.