

Attention Nonprofit Organizations:

YOUR
SUCCESS
IS OUR
GOAL



Nonprofits organizations are required to pay for unemployment claims in one of two ways:

1 State Unemployment Insurance Tax (SUI)

You pay this tax in advance, at a set rate, based on your wages and unemployment record. The funds go to the state's unemployment compensation pool to pay benefits on all statewide employees. Rates are based on a combination of the overall risk of the unemployment pool and the individual employer's experience. Any balance remaining in an employer's account participating in the state unemployment pool is non-refundable and owned by the state.

2 Reimbursement Financing

This option is available only to 501(c)(3) nonprofits. It began in 1972 when a federal law recognized that nonprofits, on average, pay more than their employees claim in benefits and thus subsidize higher turnover industries, such as retail and manufacturing. With this alternative, an employer is only liable for the actual amount of unemployment claims paid to former employees. Opting out of the state tax pool usually saves nonprofits a lot — often 30 to 50% — but this choice does subject your organization to potential risks. The largest risks are unexpected loss of funding, program closures, or during difficult economic times such as today. In effect, the law allows nonprofits to self-insure their unemployment claims.

A Safe Alternative

There is a safe alternative to paying the UI tax and self-insurance. First Nonprofit offers two different unemployment insurance programs that lets you redirect unnecessary SUI costs back into your mission:

Unemployment Savings Program:

- Lower cost than the SUI Tax
- Fixed annual cost
- An interest-bearing, proprietary reserve account owned by the nonprofit
- Stop loss insurance for each individual member account
- No pooling or shared risk
- Professional claims management
- Representation at all hearings

Bonded Service Program:

- Lower cost than the SUI Tax
- Fully insured, guaranteed cost coverage
- Fee set at a percentage of gross payroll
- Experience Credits for positive claims performance
- Multi-year coverage options
- Professional claims management
- Representation at all hearings

This information was adapted from an article by the N.C. Center for Nonprofits in Raleigh (www.ncnonprofits.org).

