



Explore Ways to Save

YOU MAY BE OVERPAYING STATE UNEMPLOYMENT INSURANCE BY OVERLOOKING AN OPPORTUNITY TO SELECT A DIFFERENT METHOD OF COVERAGE.

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

1 Through the state unemployment insurance tax (SUI) as businesses do. You pay this in advance at a set rate based on your unemployment record. The funds go to the state's unemployment compensation benefit fund. States generally calculate the nonprofit and for-profit tax rates the same way with the same percentages, even though nonprofits typically have lower staff turnover. Money collected this way goes into a nonrefundable state reserve account.

2 Through reimbursement financing — an option available only to nonprofits. You repay the state only for the actual amount of unemployment claims paid to former employees. This option began in 1972 when a federal law recognized that nonprofits usually pay more than their employees claim in benefits and thus subsidize higher turnover industries, such as retailing. Opting out of the state tax system usually saves nonprofits a lot — often 40 to 60%. You can spread payments into four installments. However, this choice does subject your organization to potential risks. The largest risks are sudden layoffs due to an unexpected loss of funding, a disaster, and during difficult economic times. In effect, the law lets nonprofits self-insure their unemployment benefits.

A Safe Alternative

There is a safe alternative to paying the UI tax out there: You can join one of First Nonprofit's unemployment administration programs:

1 The Unemployment Savings Program:

- ▼ Proprietary reserve account that earns interest
- ▼ Stop loss insurance
- ▼ Reimburses the state for the actual claims paid to your former employees, instead of paying the tax upfront.
- ▼ Is generally less expensive than paying the SUI tax.
- ▼ Provides professional claims management.
- ▼ Is hassle free because we handle all the paperwork.
- ▼ Savings allows you to redirect funds to programs.

2 The Bonded Service Program:

- ▼ Fully insured, guaranteed cost coverage
- ▼ Lower costs than the SUI Tax.
- ▼ Saves you time because we pay all unemployment benefit charges.
- ▼ Has a fixed annual cost with multi-year coverage options.
- ▼ Gives you precise allocation of costs to your various funding sources.
- ▼ Provides professional claims management.
- ▼ Consolidates all unemployment insurance under a single-cost structure.

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



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