Does Your Nonprofit Employ Four or More? Know Your Unemployment Obligations

Although 501(c)(3) nonprofit organizations in Georgia are exempt from federal unemployment taxes (FUTA), they may still have to pay state unemployment taxes. Nonprofit organizations are responsible for unemployment insurance coverage if they employ four or more workers in each of 20 different weeks during a calendar year. At least one officer or director must be included in the count, regardless of whether the officer or director is an employee.

Nonprofit organizations that meet this requirement have an option as to how they manage their unemployment insurance. Like for-profits, they can pay for unemployment claims through Georgia’s unemployment tax system commonly known as SUTA (State Unemployment Taxes and rates). Under this system, unemployment taxes are paid on a regular basis by the employer as a percentage of payroll through a method known as the “contributory” method.

Alternatively, nonprofits can opt for the “reimbursable” method under which the organization chooses to self-insure unemployment claims and would not pay SUTA. Instead, in the event that unemployment benefits are paid to former employees, the nonprofit would reimburse the Georgia Department of Labor for the actual costs of those benefits that were paid by the State. Nonprofits that elect the reimbursable method are often required by the Department of Labor to make a cash deposit or post a surety bond.

All employers, including nonprofit organizations, must register with the Department of Labor as soon as they make their first payroll. And nonprofits that reach the four employee count must either begin to pay state unemployment tax or file an election to choose the reimbursable method.

For more information about unemployment insurance for Georgia nonprofits, click here.