



*This article presents general guidelines for Georgia nonprofit organizations as of the date below and should not be construed as legal advice. Always consult an attorney to address your particular situation.*

## **Unemployment Insurance for Nonprofit Organizations**

Although 501(c)(3) nonprofit organizations in Georgia are exempt from federal unemployment taxes (FUTA) they may still be responsible for paying state unemployment taxes. This article helps you stay in compliance with state unemployment requirements while alerting you to an option only available to nonprofits.

### **Unemployment Insurance Tax Account**

Georgia employers, including nonprofit organizations, are required to set up an unemployment insurance tax account in Georgia if they have *any* employees, regardless of the number of employees or the duration that the employees have been employed. The [Application for GDOL Tax Account or Status Change \(DOL-1A\)](#) is available from the Georgia Department of Labor website and upon filing, the Department of Labor will provide the organization with a Georgia DOL Account Number. All organizations must file the DOL-1A immediately after payment of their first Georgia payroll. Late filing may result in penalties, accrued interest, and collection fees. Setting up an unemployment insurance tax account does not automatically mean that the employer will be responsible for paying unemployment taxes.

### **State Unemployment Insurance**

A 501(c)(3) nonprofit organization is responsible for paying state unemployment if it employs four or more workers in each of 20 different weeks during a calendar year. Nonprofits with fewer workers do not have to pay unemployment insurance and their employees are not eligible for unemployment payments. When counting the number of workers, include all officers who perform services. If no officers perform services, at least one officer must be included in that count whether they are paid or not.

If a nonprofit has fewer than four employees when it initially files the DOL-1A but later adds staff, it must file another DOL-1A as soon as it reaches the four employee threshold. At that time, it must also choose between the Contribution Method and the Reimbursable Method (see below). Failure to file a revised DOL-1A once the four employee threshold is reached may result in penalties, accrued interest, and collection fees.

### **State Unemployment Insurance Option One: Contribution Method**

Nonprofit organizations that are required to pay unemployment insurance have an

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option as to how they manage it. Like for-profits, they can pay for unemployment insurance 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 "contribution" method.

### **State Unemployment Insurance Option Two: Reimbursable Method**

Alternatively, nonprofits can opt for the "reimbursable" method. By choosing to become a reimbursable employer, the nonprofit organization is choosing to *self-insure* their unemployment claims and would not pay SUTA on payroll. 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.

### **Reimbursable Method: Process**

Nonprofit organizations electing the reimbursable method may be required to file either a cash deposit, surety bond, or acceptable securities with the Georgia Department of Labor.

In order to take advantage of the reimbursable method, the organization must submit a written request at least 30 days before the end of the calendar year to the Georgia Department of Labor Adjudication Section:

Georgia Department of Labor  
Adjudication Section  
Suite 850  
148 Andrew Young International Blvd., N.E.  
Atlanta, GA 30303-1751  
(404) 232-3301

The decision to select either the reimbursable method or the contribution method is not permanent and can be modified every two calendar years as long as there are no unpaid debts or taxes owed by the employer.

Organizations that have elected the reimbursable method will receive a Reimbursable Employer Quarterly Bill whenever benefit payments are to be reimbursed. This bill reflects payments disbursed to former employees and payments must be paid to the Department of Labor within 30 days to avoid interest charges.

### **Which option is best for you?**

When choosing between the reimbursable method or the contribution method, it is important to keep in mind that under the reimbursable method the nonprofit will have to reimburse the State for any unemployment payments disbursed to former employees. If your nonprofit has a track record of low turnover then it's possible that the

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reimbursement method will save your organization money over time. On the other hand it's important to remember that there is greater risk in using the reimbursable method; in the event that your organization experiences higher than average turnover then you might wind up with a higher unemployment insurance expense than if you had chosen the contribution method. Also keep in mind that the reimbursable method leads to less predictable expenses than the contribution method.

For frequently asked questions regarding unemployment insurance, visit the [Georgia Department of Labor website](#).

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