22% of Nonprofits Unaware of Exclusive Unemployment Insurance Savings Option, Finds UST

Unemployment Services Trust (UST) has found that almost a quarter of all eligible nonprofits are unaware of a valuable unemployment insurance savings option that allows them to pay only for the unemployment benefits claimed by former employees.

Santa Barbara, CA (PRWEB) April 17, 2012 -- The Division of Nonprofit Research at Unemployment Services Trust (UST) has found that approximately 1 in 4 nonprofits are unaware of a valuable unemployment tax savings option available exclusively to 501(c)(3) agencies. The study, which was released at the end of the 1st quarter, surveyed almost 300 nonprofit agencies and identified how nonprofits understand their unemployment tax options.

Enacted in 1972 through groundbreaking federal legislation, the exclusive unemployment savings option allows 501(c)(3) agencies to opt out of their state tax-rated unemployment system and become a self-reimbursing employer. As a self-reimbursing employer, the nonprofit organization pays the state only for the benefits paid out to their former employees. On average, most employers pay about $2.00 in taxes for every $1.00 in actual unemployment benefits paid out. By paying only their own dollar-for-dollar claims nonprofits can stop overpaying and cut down on overall operating costs.

While this option presents a substantial savings for many nonprofits, it can also present a cash flow risk due to the volatility of claims activity in a weakened economy or during a period of unexpected layoffs. In order to effectively reduce unemployment costs, self-reimbursing employers must either commit themselves to reviewing all of the unemployment claims presented to the state, a challenging process many don’t have the resources to commit to and which the state regularly overpays millions in error for, or find a trusted source to review and handle their claims.

Through the study, the Division of Nonprofit Research found that 64% of all nonprofit organizations acting as self-reimbursing employers handle their unemployment costs through third party trusts or other programs. Typically, these third parties help provide protection from the ups and downs of layoff costs.

With a steep rise in unemployment insurance tax-rates already forecasted over the next 10 years, it is more and more financially sound for eligible nonprofit employers to opt out of their state’s unemployment system and become a self-reimbursing employer. Although smaller nonprofits with fewer than 10 employees are usually safer staying with the state tax system (since one claim could cost more than they have paid in taxes), for most mid- to large nonprofits self-reimbursing is going to end up much less costly than paying taxes in the long run.

“Our research findings are surprising because so many qualified agencies don’t know they have the option to leave their state unemployment tax-rated system, or that they can significantly reduce the amount of money they are paying every year in unemployment taxes. We’ve found that typically an agency that opts out of the state tax-rated system to join UST saves $99.74 per employee in taxes, which adds up to thousands of dollars each year” stated Adam Thorn, who oversees the Division of Nonprofit Research at UST.

Founded by nonprofits, for nonprofits, the Unemployment Services Trust is the largest unemployment trust in the nation, providing a safe, cost-effective alternative to paying state unemployment taxes. Visit
www.chooseUST.org to request a savings evaluation and find out whether self-reimbursing is right for your 501(c)(3).
Contact Information
Megan Maulhardt
Unemployment Services Trust
http://www.ChooseUST.org
888-249-4788

Online Web 2.0 Version
You can read the online version of this press release here.