

## **Bipartisan legislation would clarify CARES Act UI relief for nonprofits**

A new bill introduced in the Senate would give nonprofits and other entities that are "reimbursing employers" unemployment insurance help upfront rather than reimbursement later.

On June 19, Senators Chuck Grassley (R-Iowa), Sherrod Brown (D-Ohio), Tim Scott (R-S.C.), and Ron Wyden (D-Ore.) introduced bipartisan legislation aimed at helping nonprofits and other entities to remain financially viable during the COVID-19 pandemic. The Protecting Nonprofits from Catastrophic Cash Flow Strain Act would ensure that nonprofits, state and local governments, and federally recognized Indian tribes that operate as "reimbursing employers" under state unemployment insurance (UI) systems are able to receive the UI relief available under the CARES Act without bearing onerous cash flow burdens that threaten liquidity, according to its sponsors.

**Reimbursing employers.** Many nonprofits operate as "reimbursing employers," meaning that they pay their share of unemployment taxes by reimbursing states for 100 percent of the unemployment benefits collected by their former employees. Because reimbursing employers would be unable to cover all of their unemployment costs, the CARES Act allows nonprofits to reimburse only 50 percent to the states while the federal government covers the other 50 percent.

**DOL guidance.** However, guidance issued by the Department of Labor in April requires states to collect 100 percent of unemployment costs from nonprofits up front and reimburse them later, putting a further strain on organizations hit hard by COVID-19.

**Helping nonprofits.** The Protecting Nonprofits from Catastrophic Cash Flow Strain Act would clarify that nonprofits are only required to provide only 50 percent in payments up front. The net cost to the employer and the federal government would remain the same, but the clarification would free up much-needed money to help nonprofits stay afloat, the bill's sponsors explained.

For many nonprofit employers, the requirement to pay 100 percent of their UI bills before securing relief exacerbates the financial impact of historically high claims triggered by the pandemic, increasing the risk of further layoffs, closures, or substantial reductions in services. The proposed legislation would enable states to provide the CARES Act's 50-percent emergency relief to reimbursing employers without requiring that these nonprofits or other entities must pay their *full bill* first.