



KROKIDAS & BLUESTEIN LLP

**CLIENT ALERT**

**HOUSE PASSES BILL TO ASSIST NONPROFITS IN OFFSETTING COSTS OF UNEMPLOYMENT**

On July 9, 2020, the House of Representatives passed the Protecting Nonprofits from Catastrophic Cash Flow Strain Act (the “Act”) aimed at assisting nonprofits forced to lay off workers during the pandemic. The Act clarifies that state unemployment insurance systems are not required to collect the portion of unemployment obligations financed by the federal government under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”).

Many nonprofit organizations opt to reimburse state unemployment insurance systems for the cost of unemployment claims rather than making advance contributions to finance such benefits through unemployment taxes. Such organizations are referred to as “reimbursing employers.” Reimbursing employers have been hit hard by costs associated with layoffs that have resulted from the COVID-19 pandemic.

Congress recognized this problem and included in the CARES Act a provision through which the federal government will pay to state unemployment insurance systems 50% of the unemployment costs of reimbursing employers. Pursuant to guidance issued by the Department of Labor implementing the CARES Act, however, reimbursing employers have been required to pay to state unemployment systems 100% of unemployment claims before the state unemployment systems can receive the 50% payment from the federal government, which payment enables the state unemployment systems to reimburse employers.

The Act effectively rescinds the Department of Labor’s rule, and allows states to provide relief under the CARES Act without requiring reimbursing employers to first pay the full cost of unemployment claims. The Act also contains a safe harbor provision allowing states to issue reimbursements or reduce the amount required to be paid for claims filed before passage of the Act. Before passage by the House, the Act was passed by the Senate on July 2, 2020, and now goes to the President to be signed.

If you have any questions about the Protecting Nonprofits from Catastrophic Cash Flow Strain Act, please contact Attorneys Elka Sachs, [esachs@kb-law.com](mailto:esachs@kb-law.com), or Eric Reustle, [ereustle@kb-law.com](mailto:ereustle@kb-law.com).