

NONPROFIT AND/OR PUBLIC ENTITIES

NONPROFIT ENTITIES

Nonprofit entities are subject to Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance* (SDI), and state Personal Income Tax (PIT) withholding. However, nonprofit entities that have an exemption under section 501(c)(3) of the [Internal Revenue Code](#) (IRC) (law.cornell.edu/uscode/text/26) have a choice in the method of financing their unemployment costs. A nonprofit entity may elect to:

- Pay the same UI taxes under the same method as commercial employers (experience rating method), or
- Reimburse the state for the full cost of all UI benefits paid to their former employees (reimbursable method).

To elect the reimbursable method, a nonprofit employer must file a [Selection of Financing Method by a Nonprofit Organization Described in Section 501\(c\)\(3\) of the Internal Revenue Code \(DE 1SNP\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de1snp.pdf), as well as the [Nonprofit Employers Registration and Update Form \(DE 1NP\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de1np.pdf), when registering. If the DE 1SNP is filed at a later date, it will be effective the first day of the quarter in which it is filed.

Special Exclusions - Nonprofit Entities

The following persons who work for religious, charitable, educational, and other nonprofit organizations described in section 501(c)(3) of the IRC are excluded from UI and SDI coverage:

- Persons in the employ of a church or convention or association of churches.
- Persons in the employ of an organization operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.
- Duly ordained, commissioned, or licensed ministers in the exercise of their ministry. (Also excluded from PIT withholding.)

- Members of religious orders in the exercise of duties required by such order. (Also excluded from PIT withholding.)
- Persons receiving rehabilitation or compensative work in a program conducted for rehabilitation of persons whose earning capacity is impaired by age, physical or mental deficiency or injury.
- Persons receiving rehabilitation or compensative work in a program providing compensative work for persons who because of their impaired physical or mental capacity cannot be absorbed in the competitive labor market.
- Persons receiving work relief or work training in a program financed by any federal agency or agency of a state or political subdivision thereof.
- Wards or inmates of a custodial or penal institution.
- Persons under the age of 18 years in delivery or distribution to ultimate consumers of newspapers or shopping news.
- Persons selling newspapers or magazines at a fixed price to ultimate consumers if compensation is based on retention of the excess of sale price over cost from supplier.
- Persons participating in a national service program carried out using assistance provided under section 12571 of Title 42, [United States Code](#) (law.cornell.edu/uscode/text).
- Persons performing services if the compensation is less than \$50 in a calendar quarter.
- Persons performing services as elected or appointed officials in the employ of any nonprofit fraternal corporation or association if the remuneration does not exceed \$100 a month.

Nonprofit entities that have an exemption under section 501(c)(3) of the IRC may elect coverage for UI and SDI for exempt workers listed above, either for all such workers or each specific type of worker.

For additional information on elective coverage, refer to [Information Sheet: Specialized Coverage \(DE 231SC\) \(PDF\)](#) (edd.ca.gov/pdf_pub_ctr/de231sc.pdf).

*Includes Paid Family Leave (PFL).

PUBLIC ENTITIES

Public entities include:

- State of California
- County
- City
- District
- Public agency
- Public authority
- School district
- Community college district
- Instrumentalities of this state and one or more states

A public entity **must** withhold PIT and provide for UI coverage through an experience rating method or reimbursable financing method.

The SDI withholding is not required but coverage may be extended upon request under certain circumstances. For additional information, refer to the DE 231SC.

Special Exclusions - Public Entities

The following employees of public entities are excluded from UI and SDI coverage:

- Elected officials (elected officials are not considered employees of the government entity).
- Members of legislative bodies or the judiciary of a state or political subdivision of a state.
- Members of the state National Guard or Air National Guard, except persons who render such services as regular state employees.
- Persons serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or similar emergency.
- Persons in positions designated as major nontenured policymaking or advisory positions.
- Persons in policymaking or advisory positions whose duties do not require more than eight hours per week.
- Election officials and election workers who are expected to be paid less than \$1,000 for such services during the calendar year.
- Duly ordained, commissioned, or licensed ministers in the exercise of their ministry. (Also excluded from PIT withholding.)
- Members of religious orders in the exercise of duties required by such order. (Also excluded from PIT withholding.)

- Persons receiving rehabilitation or compensative work in a program conducted for rehabilitation of persons whose earning capacity is impaired by age, physical or mental deficiency or injury.
- Persons receiving rehabilitation or compensative work in a program providing compensative work for persons who because of their impaired physical or mental capacity cannot be absorbed in the competitive labor market.
- Persons receiving work relief or work training in a program financed by any federal agency or agency of a state or political subdivision thereof.
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- Persons selling newspapers or magazines at a fixed price to ultimate consumers if compensation is based on retention of the excess of sale price over cost from supplier.
- Persons participating in a national service program carried out using assistance provided under section 12571 of Title 42, United States Code.

Public entities may elect coverage for UI for exempt workers listed above, either for all such workers or each specific type of worker.

ADDITIONAL INFORMATION

For further information regarding requirements and/or exclusions for nonprofit and public entities, please contact the Taxpayer Assistance Center at 1-888-745-3886 or visit your local **Employment Tax Office** (edd.ca.gov/Office_Locator) listed in the **California Employer's Guide (DE 44) (PDF, 2.4 MB)** (edd.ca.gov/pdf_pub_ctr/de44.pdf) and on the **Employment Development Department (EDD)** (edd.ca.gov) website. Additional information is also available through the EDD's no-fee **payroll tax seminars** (seminars.edd.ca.gov/payroll_tax_seminars).

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 1-888-745-3886 (voice) or TTY 1-800-547-9565.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.