



MEMORANDUM

TO: VLCT Members
FROM: Ted Brady – Executive Director, VT League of Cities & Towns
DATE: September 15, 2023
RE: ACT 76 – New Unemployment Mandate for Small Nonprofits

In 2023 the Vermont legislature passed H.217 which became law on June 20, 2023. ACT 76 requires, among other provisions, that ALL nonprofit entities, including municipal entities such as cities, towns, villages and various districts, must participate in unemployment insurance *regardless* of how many individuals they employ. Previously, municipal entities that employed four or fewer individuals were exempted from participating in unemployment insurance. That exemption will no longer apply, and **effective July 1, 2024, ALL nonprofits, regardless of size, MUST be registered with the VT Department of Labor to participate in unemployment insurance.** These requirements include reporting wages on a quarterly basis, reporting new hires and paying any unemployment claims for which your entity is liable as a result of employee separations.

Although your organization may already be participating in unemployment insurance, either directly through the state or as a member of VLCT's Unemployment Insurance (UI) Trust, we are asking you to **please help spread the word about this new requirement to other small, nonprofit municipal entities** (libraries, fire departments, housing authorities, etc.) that are associated with your city, town, village or district. Our communications will only reach so far within the scope of our membership, and we hope all of you can help broaden our outreach as there will likely be financial penalties from the state for municipal entities that fail to register by the required deadline above.

Municipal entities have the option of participating as either a **taxable** or a **reimbursable** entity with the state for unemployment insurance.

Taxable entities who newly register with the state:

- Will be assigned a "new employer" 1% tax rate.
- Will pay quarterly contributions to the state based on taxable payroll (capped annually by the state).
- Are also subject to federal unemployment taxes.
- Will have their unemployment claims paid directly out of the state's UI Trust Fund.
- **Reimbursable** employers who newly register with the state:
 - Are not required to pay state or federal unemployment taxes.
 - Are exempt from any quarterly contributions to the state.
 - **Must** pay back the state in full for any unemployment claims that arise associated with individuals which were employed by their group.

Regardless of whether your organization participates as a taxable or a reimbursable entity, you are required to report your quarterly wages to the state or you will be subject to fines and penalties.

VLCT will release additional reminders and communications in the future as next year's deadline approaches. Details in those communications will include:

- Information on upcoming educational webinars from the VT Department of Labor.
- The definition of an "employee" with respect to unemployment provisions.
- Guidance on weighing the potential benefits or drawbacks of participating as either a reimbursable or taxable entity for unemployment insurance.
- Instructions for groups on registering with the VT Department of Labor.

Be on the lookout for future communications both from VLCT and also the Vermont Department of Labor. In the meantime, please feel free to contact VLCT's Benefit Programs Administrator, Kelley Avery (kavery@vlct.org) with any questions regarding the new unemployment insurance requirements under ACT 76. Kelley administers VLCT's UI Trust, and is well-versed in the realm of unemployment administration.

Thank you in advance for helping us get the word out on this new legislation, and thank you for your continued support of VLCT's programs and services!