

# New York State Unemployment Insurance

In general, virtually all employed persons in New York are covered by unemployment insurance. However, New York State's Unemployment Insurance law provides exclusions from coverage for certain persons rendering services to not-for-profit corporations including United Methodist churches. Section 563 (2) excludes services rendered to a non-profit organization by the following:

- a) a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order,
- b) a lay member elected or appointed to an office within the discipline of a bona fide church and engaged in religious functions;
- c) a person employed at a place of religious worship as a caretaker or for the performance of duties of a religious nature, or both, unless voluntary election has been made pursuant to the provisions of section five hundred sixty-one of the Unemployment Insurance Law.

Generally, the excluded persons include the pastor, sexton/custodian, organist and choir/music director. Other persons may also be excluded depending on the facts and circumstances in the case.

The church must cover employees that perform non-religious services for unemployment insurance. Such staff would include, among others, administrative secretaries, local church treasurers and financial secretaries that are paid by the local churches for their services ("covered wages").

Many churches will have only excluded persons in their employ and do not even have to register with the [New York State Department of Labor](#). These churches will become liable for unemployment insurance as of the first day of any quarter in which they pay \$1,000 or more in covered wages. The church must then register with the Department of Labor and begin unemployment insurance coverage for any non-excluded staff.

For example, a church hires a part time administrative secretary for the first time in its history. (The pastor is the only other person paid by the church.) The secretary is paid \$500 per month and begins work on Feb. 1. The church is liable for unemployment payments effective Jan. 1 since the secretary will be paid \$1,000 in the Jan. 1 through March 31 quarter.

If the secretary started work on March 1, the church would become liable on April 1 since the \$1,000 threshold will be met in the April 1 through June 30 quarter.

Generally, unemployment insurance is paid into an account held by the New York State Department of Labor at a specified percentage of each covered employee's wages up to a cap. The percentage rate is based on unemployment claim experience of the individual employer and the losses of the entire state fund. (The account is only a bookkeeping function for the Department of Labor. If you pay into the account and have no claims, your percentage rate will go down. However, you are not entitled to any refunds of amounts in the account.)

New York provides a special option for churches (as well as other non-profit organizations) whereby they may elect to provide direct reimbursement of unemployment claims instead of paying into an account each quarter. Since most churches are unlikely to ever have an unemployment claim filed against them, this method is generally the least costly option.

However, the decision to elect this option must be weighed carefully because the entire cost of each and every valid claim for unemployment insurance benefits will be directly billed to the church at the time the claim is paid. If a church experiences a series of valid claims in a short period of time, it can create an unexpected financial burden.

Electing the benefit reimbursement option can only be done at certain times. A church already registered with the Department of Labor, and paying unemployment insurance may elect this option by submitting a written request before the calendar year in which it is to be effective. If a church has just become liable for unemployment insurance for the first time, it may elect this method by submitting a written request within 30 days after the calendar quarter in which the church becomes liable.

Churches are strongly encouraged to obtain published materials from the [Department of Labor](#) and make sure there is a clear understanding of the pros and cons of this option before making an election to use it.