

Nonprofit Interns

Why is it Important to Understand Nonprofit Internships?

Interns can be terrific additions to a nonprofit's capacity building journey, but it's important to clarify whether interns are unpaid *volunteers* or paid *employees* – or something in between. In particular, there could be unintended consequences if an intern receives a stipend that could transform a volunteer intern into what the Department of Labor would consider an *employee*, resulting in a risk that the nonprofit could owe back wages (to pay the intern at least minimum wage) and back taxes.

Download our Checklist for Nonprofits on recruiting interns.

Frequently Asked Questions about Nonprofit Internships

How does receiving a stipend turn an intern into an employee?

A stipend is compensation for services provided to the nonprofit. Those who perform work in exchange for compensation are either employees or independent contractors, their payments and tax withholdings from wages is regulated by the Department of Labor (federal and state).

If a nonprofit provides a "stipend" to a "volunteer" intern – that is sending a mixed message to the Department of Labor. (Compensation in excess of \$600 must be reported on an IRS Form 1099 per rules for independent contractors.)

While there are some exceptions, most employees must receive minimum wage in accordance with federal and state law. One exception under federal Department of Labor rules is for trainees, who, assuming they qualify, do not have to be paid minimum wage (and thus may receive a stipend that amounts to less than minimum wage). To be considered a "trainee" the internship must benefit the Intern – not the employer. The requirements are described in Department of Labor Fact Sheet #71: *Internship Programs Under The Fair Labor Standards Act*, issued last year. (While written primarily as guidance for for-profit business concerns, the Fact Sheet also applies to nonprofit workplaces that pay interns.) Nonprofits that pay interns a stipend below minimum wage should be familiar with this Fact Sheet and document how their internship program satisfies the criteria so that the intern can be classified as a trainee.

What if a nonprofit does not pay its interns?

When interns are unpaid, it's a good idea to clarify that they are indeed "volunteers" and protect the nonprofit from liability risks by clarifying the interns' non-employee status in writing at the beginning of their summer tenure.

Why should a nonprofit draft a written position description that clearly describes the internship as a volunteer position?

1. **Ambiguity creates risk:** If it is ambiguous whether an intern is an employee or a volunteer there is always a risk that nonprofit could be liable for back wages and penalties for failing to withhold taxes from wages. Know your state's laws governing wages and hours of work and determine whether your nonprofit's interns fall under the definition of volunteer or employee in your state.
2. **Manage the risk of accidents/injuries to the intern:** In some states "volunteers" are not covered by workers' compensation insurance, so if the intern is injured "on the job" status as a volunteer could prevent him/her from being compensated for injuries. In contrast, if the nonprofit has "volunteer accident insurance" the intern's medical expenses could be covered. It makes sense to let the intern know whether s/he has insurance coverage upfront instead of delivering the bad news - "You're not covered" - after an accident.
3. **Clarify which policies apply to your interns:** One example: volunteers may be reimbursed for expenses related to the services they provide the nonprofit.

Additional Resources

- Blue Avocado published a comprehensive article on the legalities of nonprofit internships.
- From the Nonprofit Risk Management Center archives: Summer interns: Volunteers or Employees?
- Law For Change has a helpful article on the legalities of internships, paid and unpaid.