Why a Not-for-Profit Should Address the Tax Reform Impact on Their Total Compensation Offerings

No, I didn't hit my head and wake up and realize that Not-For Profits (NFPs) now pay taxes. However, as a result of the recent tax law changes, a substantial number of for-profit companies not only provided a one-time bonus, some were, also, quick to act and announced increases to:

- Minimum wage
- Salaries
- Retirement benefits
- Investment in training employees

NFPs were already faced with challenges in competing with their for-profit counterparts and the tax law changes did not help close the difference. NFPs may have to take even a more critical look at their offerings and proactively address this issue.

How should a NFP react at this point?

- *Review Total Compensation Offerings* – The objective is to not compete head on with salaries and bonuses. Alternately, developing more attractive options surrounding non-salary related opportunities, such as PTO, schedule flexibility, low-cost benefits, and life-style total compensation packages, should be addressed.

- *Develop Alternate Retirement Plan Strategies* – The goals of these changes is to provide higher contributions rates for longer-tenured employees vs. providing the same for level for all employees.

- *Refine Strategy of Across-the-Board Compensation Increases* – With limited compensation budgets, considering the benefits of providing a more merit-based system vs. across-the-board increases, may be of value

- *Retention Bonus Plans* – Although historically viewed as a giveaway, NFPs may consider the benefits of this strategy including some type of longer term retention component (e.g., 50% of the otherwise payable bonus would be deferred until retirement or some other future event).

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My blog, in fall of 2017 discussed the need for a total compensation philosophy, and the impact of tax reform on their for-profit counterparts makes these issues an even more critical focus.

Please share your thoughts!

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