Volunteer Stipends, Interns, and Employee Volunteers: Some Important Things to Know

I often speak with programs that are interested in offering cash “perks” or stipends to volunteers or want to encourage employees to help out after work in order to build their volunteer capacity. If you're thinking about offering volunteer stipends, or recruiting employees to volunteer, be sure you understand how labor laws might affect you. Below is a brief run down.

What is a "Volunteer"?

According to the US Department of Labor, volunteers are individuals who perform hours of service for religious, charitable or similar non-profit organizations without promise, expectation, or receipt of compensation (note: if you live outside the US, check your country's labor laws). In addition, all of the following must also be true:

- The entity that benefits from the service is a nonprofit (or government agency)
- The activity is less than full time
- The services are not offered as a result of coercion
- The services are typically associated with volunteer work
- No regular employees have been displaced by the volunteer
- The volunteer does not expect to be compensated

It's important to understand this definition of a volunteer because it affects what protections a worker, paid or unpaid, is entitled to. In the United States, true “volunteers,” as defined by law, are not considered employees and, therefore, are not covered by the US Fair Labor Standards Act. Similarly, paid employees, as defined by law, are not protected by the federal Volunteer Protection Act.

Volunteer Stipends

Offering stipends to volunteers can get tricky because by doing so, you may inadvertently convert your “volunteer” into an “employee.” According to the Department of Labor, if a volunteer is paid a stipend of over $500 a year or 20% more than what an employee would be paid, they must be treated as paid staff and are subject to the laws that govern employees.

If you decide to offer stipends, be sure you have the proper accounting system in place. Volunteers who receive stipends must be treated the same as paid staff, and payroll tax contributions must be withheld from their pay. This goes for in-kind benefits as well, which must be assigned fair market value.

Reimbursements for expenses incurred while volunteering are also, surprisingly, considered taxable income. Volunteer recognition gifts of limited value, fortunately, are considered a “de minimus benefit” and are not taxed.

If you decide to offer stipends to volunteers, keep the following in mind:
- Never pay more than a nominal 20% of what an employer would otherwise pay for the same service
- Do not offer benefits that other employees receive
- Make it clear if a volunteer receives more than $500 a year in compensation, they will no longer be protected from liability claims by the Federal Volunteer Protection Act