

September 15, 2017

Related Practices

Labor & Employment Relations

IRS Encourages Adoption of Leave Donation Programs in Response to Hurricanes Harvey and Irma

In a series of two notices, the IRS has acknowledged the extreme need for charitable relief in support of victims of Hurricanes and Tropical Storms Harvey and Irma, and has made it easier for employers to adopt favorable leave-based donation programs designed to facilitate such relief.

Employers – particularly those with employee populations who may accrue substantial leave – may, at their election, offer or expand leave-based donation programs to allow their employees to elect to forgo vacation, sick, or personal leave in exchange for cash payments that the employer makes to eligible charitable organizations.

Under the recent guidance, the IRS has indicated that it will not treat cash payments an employer makes to an eligible charitable organization in exchange for vacation, sick, or personal leave that its employees elect to forgo as gross income or wages of the electing employees (for employment and income tax purposes). To be eligible for this relief, the leave donation payment must be:

- made to one or more charitable organizations for the relief of victims of Hurricanes and Tropical Storms Harvey and/or Irma, and
- actually paid to such organization(s) before January 1, 2019.

Employers will be permitted to deduct the cash payments as business expenses.

Any employer considering adoption or expansion of leave-based donation programs should carefully vet the program's compliance with any governing state or local paid leave ordinance.

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