Helping Hurricane Katrina Victims

Treasury and IRS Encourage Businesses to Establish Leave Donation Programs to Help Hurricane Katrina Victims

The IRS is encouraging employers to establish Hurricane Katrina Relief leave donation programs, and is providing special tax treatment to support such programs. Under a leave donation program, employees can elect to forgo their vacation, sick or personal leave in exchange for the employer making cash payments to a qualified tax-exempt organization providing relief for victims of Hurricane Katrina.

Benefits for Employees:
These programs provide employees with a way to help Hurricane Katrina victims without needing to make a cash contribution. The benefit is available regardless of whether an employee normally takes the standard deduction or itemizes. For employees who have extra vacation, sick or personal leave balances or who just simply want to provide more to the Hurricane Katrina relief effort, a leave program makes it easier for them to help the Hurricane Katrina victims go about the difficult task of rebuilding their lives.

Benefits for Employers:
The employer may take either a charitable or business deduction for the amount sent to the charity. The amounts contributed are not subject to employment taxes.

Employers must follow the guidelines below but no IRS approval is required. A leave donation program can be adopted and administered easily.

Program Guidelines:
The cash contribution by the employer must be:

- Made to a qualified tax-exempt organization;
  Qualified tax-exempt organizations include religious, charitable, and educational organizations. IRS Publication 78, which is available on the World Wide Web at **http://www.irs.gov/charities**, contains a list of most qualified tax-exempt organizations.

- Dedicated to Hurricane Katrina relief;
  The contributions should be made only to organizations involved in providing Hurricane Katrina relief, and earmarked for that purpose.

- And paid to the organization by December 31, 2006
  By extending the program through 2006, employees who don't have any vacation, sick or personal leave remaining this year, can participate next year when they earn more leave.

For more information, on the World Wide Web go to IRS.gov and click on the Hurricane Katrina relief page.

IRS
Department of the Treasury
Internal Revenue Service
www.irs.gov