One Minute Memo®

IRS Announces Special Tax Relief to Encourage Leave-Sharing Programs for Victims Affected by Hurricane Sandy

Many employers have established "leave-sharing" programs that allow employees to donate their vacation, sick or personal days for use by co-workers who have medical emergencies or who have been adversely affected by a major disaster. An employee is considered to be "adversely affected" by a major disaster if it causes severe hardship to the employee or a family member that requires the employee to be absent from work. If the leave program satisfies applicable IRS rules, the donor employee is not taxed on the donated time. However, the employer is usually required to include the value of any donated time received in the recipient employee's taxable wages.

On November 6, 2012, the IRS announced special tax relief for leave-sharing programs designed to help victims of Hurricane Sandy. Under these programs, employees may donate their accrued vacation, sick or personal days in exchange for employer cash payments to eligible charities and other tax-exempt organizations providing relief for victims of the hurricane. The donor employee will not be taxed on the donated time, and the employer will be permitted to deduct any corresponding payments as business expenses, as long as the payments are made before January 1, 2014.

Given the number of employees who may need additional time off due to Hurricane Sandy, and in light of the special tax relief, employers may want to revise their existing leave-sharing programs, or establish new programs, to help employees and other victims impacted by Hurricane Sandy.

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