

September 30, 2005

EMPLOYMENT ALERT

HURRICANE KATRINA RELIEF: LEAVE DONATION PROGRAMS

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.

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.

BENEFIT TO EMPLOYERS:

An 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. The employer should keep accurate records of the leave forgone by its employees, the cash payments made to qualified tax-exempt organizations for the relief of Hurricane Katrina victims, the names of the donee organizations, and the date of the donation.

SIMPLE GUIDELINES:

While IRS approval is not required, the IRS has established the following guidelines:

Under a leave-donation program, the employer's cash payment must be paid (1) by Dec. 31, 2006, (2) to a qualified tax-exempt organization, and (3) for the relief of victims of Hurricane Katrina.

Because of the complexities of federal and state laws governing employee benefits, employers are encouraged to review any proposed plan with its human resources and employment law experts. A copy of the IRS guidelines on Hurricane Katrina leave donation programs can be found at www.irs.gov/pub/irs-utl/katrina_q&a.pdf.

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RE: Hurricane Katrina Relief: Leave Donation Programs

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Our firm's Employment Alerts are intended to provide general information regarding recent changes and developments in the labor and employment area. These publications do not constitute legal advice, and the reader should consult legal counsel to determine how this information may apply to any specific situation.

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