

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

882



**FROM:** Human Resources Department

**SUBMITTAL DATE:**  
September 19, 2005

**SUBJECT:** Donating Leave Hours for Hurricane Katrina Victims

**RECOMMENDED MOTION:** That the Board of Supervisors approve allowing donations of leave hours to benefit Hurricane Katrina victims until December 6, 2006.

**BACKGROUND:** During the special session of the Board of Supervisors on September 8, 2005, the Board indicated their support of employees donating to charitable organizations for the relief of victims of Hurricane Katrina. Many employees have been anxious to help in any way they can. One way for employees to help is through a new leave donation program recently approved by the Internal Revenue Service (IRS). The IRS will now allow employees to turn their unused accumulated vacation or sick leave into cash to help the hurricane victims.

The Internal Revenue Service (IRS) has issued Notice 2005-68 (Attachment A), which gives guidance on how leave-based donation programs may be treated for income and employment tax purposes. Similar to the treatment of leave hours donated for the Voluntary Time Bank Program, the IRS will not consider the leave hours donated to charitable organizations for the relief of victims of Hurricane Katrina as income or wages. The IRS will allow such donations until January 1, 2007. It is important to note, however, that employees will not be able to claim such donated hours as a charitable contribution deduction on their income tax returns.

Ronald W. Komers  
Asst. County Executive Officer/Human Resources Dir.

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	

<b>SOURCE OF FUNDS:</b>	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** **APPROVE**

County Executive Office Signature

- Dep't Recomm.:  Consent
- Per Exec. Ofc.:  Consent
- Policy
- Policy

Prev. Agn. Ref.: \_\_\_\_\_ District: \_\_\_\_\_ Agenda Number: \_\_\_\_\_

3.31

Although there are a number of charitable organizations that are helping Hurricane Katrina victims, we propose that the donations from Riverside County employees be made to the American Red Cross, as this organization that has been at the forefront of the hurricane relief.

The Human Resources Department further proposes that employees be allowed to donate vacation, extra vacation, annual and sick leave hours in whole hour increments, as long as the employee retains a minimum combined total of 80 hours of leave time for his/her own use. Employees will be encouraged to carefully evaluate their own need for leave hours prior to donating for Hurricane Katrina victims, keeping in mind that employees on Short-Term Disability have a seven-day waiting period and those on Long-Term Disability have either a 30 or 60 day waiting period.

The IRS Notice states that all donations must be paid to the charitable organizations before January 1, 2007. Based on this, the County can allow donations through Pay Period 26 in 2006 (November 23 through December 6, 2006), which will give sufficient time for the County to pay the American Red Cross by January 1, 2007.

The impact to the OASIS HRMS (personnel/payroll) system will be minimal as a similar process for converting leave hours to cash is already in place.

Part III – Administrative, Procedural and Miscellaneous

Treatment of Certain Amounts Paid to Section 170(c) Organizations under Certain Employer Leave-Based Donation Programs

Notice 2005-68

In view of the extreme need for charitable relief in the aftermath of Hurricane Katrina, employers may have adopted or may be considering adopting leave-based donation programs to aid victims of this hurricane. Under these programs employees elect to forgo vacation, sick, or personal leave in exchange for cash payments an employer makes to organizations described in § 170(c) of the Internal Revenue Code (§ 170(c) organizations) for the relief of victims of Hurricane Katrina. This notice provides guidance on the treatment of these cash payments for income and employment tax purposes.

Notice 2001-69, 2001-2 C.B. 491, as modified and superseded by Notice 2003-1, 2003-1 C.B. 257, provided similar guidance in view of the extreme need for charitable relief following the September 11, 2001, terrorist attacks. This guidance is provided in view of the extraordinary damage and destruction caused by Hurricane Katrina.

The Service will not assert that cash payments an employer makes to § 170(c) organizations in exchange for vacation, sick, or personal leave that its employees elect to forgo constitute gross income or wages of the employees if the payments are: (1) made to the § 170(c) organizations for the relief of victims of Hurricane Katrina; and (2) paid to the § 170(c) organizations before January 1, 2007.

Similarly, the Service will not assert that the opportunity to make such an election results in constructive receipt of gross income or wages for employees. Electing employees may not claim a charitable contribution deduction under § 170 with respect to the value of forgone leave excluded from compensation and wages.

The Service will not assert that an employer will be only permitted to deduct these cash payments under the rules of § 170 rather than the rules of § 162. Cash payments to which this guidance applies need not be included in Box 1, 3 (if applicable), or 5 of the Form W-2.

For further information, please contact Sheldon A. Iskow of the Office of Associate Chief Counsel (Income Tax and Accounting) at (202) 622-4920 (not a toll-free call).