

Martinez & Shanken, PLLC

A Novel Way to Make COVID-19 Relief Donations

Article Highlights:

- Donating unused vacation time, sick leave and personal time
- Employer's Function
- Great Donation Opportunity

On March 13, 2020 the President issued an emergency disaster declaration under the Stafford Act as a result of the coronavirus disease pandemic. The disaster area covers all 50 states, the District of Columbia, and five U.S. Territories. As a result, and as was done in the past in the wake of major disasters, including Hurricanes Katrina, Sandy, Harvey and Maria, the IRS is providing special relief that allows employees to donate their unused paid vacation, sick leave, and personal leave time to COVID-19 relief efforts.

Here is how it works: if your employer is participating, you can relinquish any unused and paid vacation time, sick leave and personal leave for cash payments which your employer will donate to COVID-19 relief charitable organizations. The cash payment will not be treated as wages to you and your employer can deduct the amount donated as a business expense. However, since the income isn't taxable to you, you will not be allowed to claim the donation as a charitable deduction on your tax return. Even so, excluding income is often worth more as tax savings than a potential tax deduction, especially if you generally claim the standard deduction* or you are subject to AGI-based limitations.

This special relief applies to all donations made before January 1, 2021, giving individuals plenty of time to forgo their unused paid vacation, sick and leave time and have the cash value donated to a worthy cause.

This is a great opportunity to provide sorely needed help in the ongoing COVID-19 emergency without costing you anything but time. Contact your employer to make a donation. If your employer is unaware of his program refer them to [IRS Notice 2020-46](#) for further details.

If you have questions related to donating leave time for COVID-19 relief efforts or other charitable contributions, please contact this office.

*Normally, charitable contributions are deductible only if you itemize your deductions on Schedule A as part of your 1040 return. This means you wouldn't get a tax benefit from your donations if you claim the standard deduction instead of itemizing. However, the CARES Act, passed in late March, 2020, allows up to \$300 of cash charitable contributions made in 2020 to be deducted from your income even if you use the standard deduction. Of course, as noted above, you can't deduct the value of COVID-19 relief donations made through leave-based donation programs in any case. Instead the leave time is non-taxable.