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### **APA Applauds Rule Change to Expedite Hurricane Donations Through Payroll** IRS Reinstates Rules for Employee Donations to Hurricane Victims

San Antonio, TX – (September 14, 2005) The American Payroll Association (APA) applauds the decision by the Internal Revenue Service (IRS) to reinstate rules that allow employees to donate leave time through their employer to provide financial assistance for victims of Hurricane Katrina.

In a recent letter to IRS officials, the APA asked IRS to reinstate the leave-donation rules, which the government applied for 15 months after 9/11. The rules let employees donate their vacation, sick or personal leave in exchange for employer-made cash donations to qualified tax-exempt organizations providing relief for the victims of natural and man-made disasters.

The IRS responded quickly by issuing Notice 2005-68, which allows employees to forgo leave in exchange for employer cash payments to qualified tax-exempt organizations providing relief to Hurricane Katrina victims made before January 1, 2007. The donated leave will not be taxed as income to the donating employees, and employers will be permitted to deduct the amount of the cash payment as a business expense under IRC §162.

“These rule changes will make it easier for employees to make donations,” said Scott Mezistrano, CPP, APA’s Senior Manager of Government Relations. “We appreciate the IRS responding so quickly to help those in need.”

Mezistrano, an official with the APA, a national non-profit organization representing 22,000 payroll professionals across the United States, believed the rules will aid countless people throughout the Gulf Coast Region.

## **Changes Expedite Hurricane Donations through Payroll / Add 1**

“The IRS Notice encourages employee donations by conferring tax advantages without requiring employees to claim deductions on their personal returns.” said Mezistrano.

Under the IRS rules, the employee gets immediate relief from both income taxes and the employee’s share of FICA (Social Security and Medicare) taxes. The amount of FICA taxes saved would vary, depending on the employee’s income. (For the amount of donated leave, employees earning less than \$90,000 in 2005 save FICA taxes at a rate of 7.65%; employees earning more save FICA taxes at a rate of 1.45%.)

The APA also encouraged the IRS to allow employees to designate portions of their accrued leave for their employers to pass on to fellow employees affected by Hurricane Katrina as nontaxable disaster relief payments.

Employees should contact their payroll department for guidelines on how to make a donation. Visit the American Payroll Association’s Web site at [www.americanpayroll.org/news/hurricane.html](http://www.americanpayroll.org/news/hurricane.html) for more payroll-related disaster relief information.

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