



Important Notice

September, 2005

New York Tax Relief Relating to Leave-Donation Programs for Victims of Hurricane Katrina

IRS Notice 2005-68 provides guidance to employees who donate their vacation, sick, or personal leave in exchange for employer cash payments made to qualified tax-exempt organizations in support of the relief efforts for Hurricane Katrina victims. The notice also provides guidance to employers making the cash payments. According to the notice, employees do not have to include the cash payments in income, employees cannot claim a charitable deduction for the payments, and the employer may take a deduction for the cash payments.

New York State will provide similar relief to employees and employers making the cash payments to qualified tax-exempt organizations in support of Hurricane Katrina relief efforts. Therefore, employees who elect to forgo vacation, sick, or personal leave in exchange for cash payments made by an employer before January 1, 2007, to qualified tax-exempt organizations for the relief efforts of Hurricane Katrina will not have to pay New York State, New York City, or Yonkers income taxes on the cash payments, and cannot claim a charitable deduction for the cash payments. In addition, the cash payments will not be deemed wages subject to New York State, New York City, or Yonkers income tax withholding. Furthermore, employers will treat the payments on their New York income and corporate franchise tax returns in the same manner that they treat the payments on their federal tax returns.