

# Alabama Department of Revenue

Information Release  
Sept. 16, 2005

## Alabama Follows Federal Treatment of Leave-Donation Programs

*Montgomery*—The Alabama Department of Revenue announced today that Alabama will follow the IRS in its tax treatment of employer-sponsored leave-donation programs, aimed at assisting Hurricane Katrina victims.

Alabama's tax laws permitting the charitable deduction for state purposes are directly tied to the federal code section authorizing the deduction at the federal level.

Under the qualified leave-donation programs, employees may donate their unused vacation, sick, or personal leave time in exchange for employer cash payments made to qualified tax-exempt organizations providing relief for victims of Hurricane Katrina. IRS rules provide that participating employees will not be required to include the value of their donated leave as part of their gross income or wages, and as a result, will not claim the value of the donated leave as a charitable contribution.

Employers will be allowed to deduct the amount of the cash payment from their Alabama taxable income, provided the cash contributions are made to a qualified tax-exempt organization before Jan. 1, 2007.

The IRS will provide guidance to employers wishing to participate in the employer-sponsored leave-donation program. For additional information, visit the IRS Web site at [www.irs.gov](http://www.irs.gov) and view a copy of IRS Notice 2005-68, *Treatment of Certain Amounts Paid to Section 170(c) Organizations under Certain Employer Leave-Based Donation Programs*.