

RESOLUTION NO. 1708

A RESOLUTION ESTABLISHING A VACATION DONATION PROGRAM TO AID VICTIMS WHO HAVE SUFFERED FROM THE EXTRAORDINARY DESTRUCTION OF HURRICANE KATRINA.

WHEREAS, the federal Department of the Treasury and Internal Revenue Service on September 8, 2005, announced special relief to encourage leave-based programs to aid victims of Hurricane Katrina, and

WHEREAS, under these programs employees may donate vacation in exchange for employer cash payments made to qualified tax-exempt organizations providing relief for the victims of Hurricane Katrina (IRC section 170(c), and

WHEREAS, under IRS Notice 2005-68, employees can forego leave in exchange for employer cash payments to qualified tax-exempt organizations providing relief for Hurricane Katrina victims, said employees do not have to include the donated leave in their income but may not claim a charitable contribution deduction under section 170 with respect to the value of forgone leave excluded from compensation and wages, and employers will be permitted to deduct the amount of the cash payment, and

WHEREAS, several employees of the City of Anacortes have requested the ability to participate in such a leave-based donation program to aid victims of Hurricane Katrina, and the City Council desires to provide City employees the opportunity to aid their fellow Americans,

NOW, THEREFORE, IT IS HEREBY RESOLVED by the City Council of the City of Anacortes, Washington as follows:

Section 1. There is hereby established a leave-based donation program to be known as the Hurricane Katrina Leave-Based Donation Program (“Program”). The Human Resources Director and Finance Director shall be responsible for administering the Program and shall accept donations October 3 – 14, 2005.

Section 2. The purpose of the Program is to enable employees of the City of Anacortes to donate accrued vacation leave in exchange for an employer cash payment being made to qualified tax-exempt IRC section 170 (c) organizations providing relief for the victims of Hurricane Katrina. Under the provisions of IRS Notice 2005-68 (attached hereto), participating employees do not have to include the donated leave in their income.

Section 3. Employees may, subject to the following conditions, donate through the Program a specified amount of vacation leave to a qualified tax-exempt IRC section 170 (c) organization or organizations by executing an irrevocable leave donation directive form, which form shall be furnished by the Human Resources Director: (1) an employee may donate no more than a total of twenty-four (24) hours of accrued vacation leave ; (2) the donor employee's annual vacation leave balance must not fall below twenty-four (24) accrued hours immediately following any such donation; (3) donations shall be in one (1) hour increments of leave; (4) all donations of vacation leave shall be entirely voluntary; and (5) donations, once made, are irrevocable.

Section 4. The Finance Director, or designee, shall be responsible for the monitoring of Program donations, shall adjust leave balances to reflect donations made, and recommend budget amendments if needed for City Council action.

PASSED AND APPROVED this 19th day of September, 2005.

CITY OF ANACORTES

H. Dean Maxwell, Mayor

ATTEST

Wanda Johnson, City Clerk-Treasurer



September 14, 2005

To: Mayor Maxwell & Council Members
From: Emily Schuh, Human Resource Director
Subject: Vacation Donation Program to Aid Victims of Hurricane Katrina

Background: On September 8, 2005 the federal Department of the Treasury and Internal Revenue Service announced a special relief program to encourage the establishment of leave based programs to aid victims of Hurricane Katrina. Many otherwise willing employees do not have readily expendable resources to donate to this relief effort or would like to donate more. These leave programs allow such donations by converting earned leave into charitable cash donations.

Discussion: Employees of the City of Anacortes have requested the ability to participate in a leave donation program. This proposed resolution would authorize the City to allow employees to donate up to 24 hours of their accrued vacation leave to a qualified 170(c) tax-exempt organization.

Scope: All employees with accrued vacation balances that exceed 24 hours would be eligible to participate. Participation is completely voluntary. This program is not recurring. It would remain in effect for a two week period only.

Financial Impact: None. The City will actually benefit directly by saving employment taxes.



September 26, 2005

To: City Employees

From: Emily Schuh, Human Resource Director

Subject: Vacation Donation Program to Aid Victims of Hurricane Katrina

Background: On September 8, 2005 the federal Department of the Treasury and Internal Revenue Service announced a special relief program to encourage the establishment of leave based programs to aid victims of Hurricane Katrina. On September 19, 2005 City Council adopted a resolution authorizing the establishment of a leave program to benefit victims of Hurricane Katrina. The leave program allows employees to donate accrued vacation leave into a tax-free donation to the charity of their choice (within specific parameters).

Program Specifics:

- The program is voluntary.
- Employees may donate up to 24 hours of their accrued vacation leave to a qualified 170(c) tax-exempt organization of their choice. The city will remit cash payments to each relief organization selected by participating employees.
- The City will exchange the employee's vacation into a cash payment made directly to the charitable organization. The amount paid will be on an hour-for-hour basis, based upon the donating employee's hourly rate of pay.
- Taxes will not be withheld on the donated leave so employee may not claim a charitable contribution deduction on their income taxes.

Donation Specifics:

- An employee may donate no more than a total of twenty-four (24) hours of accrued vacation leave.
- The donor employee's annual vacation leave balance must not fall below twenty-four (24) accrued hours immediately following any such donation.
- Donations shall be in one (1) hour increments of leave
- All donations of vacation leave shall be entirely voluntary
- Donations, once made, are irrevocable.
- The donating employee's vacation leave balance will be reduced by the number of hours the employee elects to donate.

Schedule: Donations form will be accepted October 3-14, 2005.

**Voluntary and Irrevocable Vacation Leave Donation Directive
(Hurricane Katrina)**

As authorized by Resolution No. 1708¹, I _____ (print name), direct the donation of _____ hours of vacation leave to

First Choice:

Name of Charity _____
Address _____
City, State ZIP _____

Proof of Tax Exempt Status verified by Human Resources. ² ____ yes ____ no

Second Choice

Name of Charity _____
Address _____
City, State ZIP _____

Proof of Tax Exempt Status verified by Human Resources. ____ yes ____ no

I understand that the effect of my donating this amount of vacation leave will be to enable the City of Anacortes to make a cash payment to the qualified tax exempt relief organization I have designated above which is providing relief to victims of Hurricane Katrina. I understand the amount of the cash payment will be on an hour-for-hour basis, based upon my hourly rate of pay.

I understand that this donation is irrevocable and that my accrued vacation leave balance will immediately be reduced by the number of vacation hours I have elected to donate.

I further understand the Internal Revenue Service has stated that I will not be able to claim a charitable contribution deduction with respect to the value of this donated leave, but also that I do not have to include the donated vacation time as income. I understand that the relief organization designated above will not be given my identity as a donor, but that each organization receiving funds through this leave donation program will be advised by the City that the donations have come from the employees of the City of Anacortes.

Employee Signature

Date

Completed forms must be submitted to Human Resources by October 14, 2005.

¹ Resolution 1708 limits the amount of leave a City employee may donate under this program to twenty-four (24) hours of vacation leave. Also, the donor employee is not allowed to donate vacation leave in an amount which will reduce the employee's accrued vacation leave balance below twenty-four (24) accrued hours immediately following any such donation.

² Human Resources will review Publication 78, *Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986* to check the eligibility of your charity request. This is a list of organizations eligible to receive tax-deductible charitable contributions. Employees are encouraged to provide an alternate organization in case their first choice is not included on the list or to provide documentation of their charity's tax exempt status.

PROCESSING BY FINANCE
(For Office Use Only)

Date application received _____

Verified Hours Available to Donate _____(yes or no)

Date vacation balance updated in EDEN _____

Date check issued _____

Check number _____