IR-2014-102: IRS Announces Tax Guidance Related to Ebola Outbreak in Guinea, Liberia and Sierra Leone

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WASHINGTON — The Internal Revenue Service today issued two items of guidance in response to the need for charitable and other relief due to the Ebola outbreak in Guinea, Liberia and Sierra Leone. One provides special relief intended to support leave-based donation programs to aid victims who have suffered from the Ebola outbreak in those countries. The other designates the Ebola outbreak in those countries as a qualified disaster for federal tax purposes.

Under the leave-based donation guidance, employees may donate their vacation, sick or personal leave in exchange for employer cash payments made to qualified tax-exempt organizations providing relief for the victims of the Ebola outbreak in Guinea, Liberia or Sierra Leone. Employees can forgo leave in exchange for employer cash payments made before Jan. 1, 2016. Under this special relief, the donated leave will not be included in the income or wages of the employees. Employers will be permitted to deduct the amount of the cash payment.

For example, if an American company has such a program and makes a cash donation of the value of an employee's donated leave before January 1, 2016, to an organization that is providing medical services and

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supplies for the relief of victims of the Ebola outbreak in Guinea, Liberia, or Sierra Leone, the IRS will not consider the amount of that payment as gross income or wages of the employee. Additionally, the IRS will not assert that the U.S. company can only deduct such cash payments under Internal Revenue Code section 170.

The IRS reminds taxpayers there are some simple steps they can take to ensure that their contributions go to qualified charities, and more information is available at IRS.gov.

The qualified-disaster guidance allows recipients of qualified relief payments related to the Ebola outbreak in Guinea, Liberia and Sierra Leone to exclude those payments from income on their tax returns. Under today's guidance payments generally include amounts to cover necessary personal, family, living or other qualified expenses that were not covered by insurance.

For example, if an employee living in Guinea receives reimbursement from an employer-sponsored charitable organization for medical expenses incurred by the employee as a result of the Ebola outbreak in Guinea, such reimbursement will not be included in the employee's gross income for U.S. federal income tax purposes.

Similarly, if an employee of an American company is relocated within Liberia under a quarantine order due to the Ebola outbreak in Liberia, and the American company pays for the employee's transportation, rent and living expenses related to the quarantine order, such payments will not be included in the employee's gross income for U.S. federal income tax purposes.

Today's announcement of qualified relief follows similar steps taken in other qualified disasters, such as the Japan earthquake and tsunami and the Haiti earthquake. The announcement about leave-based donation programs is similar to programs available in the aftermath of Hurricane Sandy and Hurricane Katrina.

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