

Paid Time Off Donation Policy

Why Offer Employees The Ability To Donate PTO?

Donating PTO is a great way to encourage employees to donate because it enables them to contribute without having to provide cash out of pocket. It is also a good way for a company to reduce its liability for having too much unused PTO on the books. Some things to consider before offering this as an option to employees:

- Does the corporation have enough cash on hand to pay out the PTO donated?
- Is there a limit to how much PTO each employee can donate?
- What is the time frame for when an employee can donate their PTO (i.e., is it at a specific time of year, or is it a total amount that can be donated per fiscal or calendar year)?
- Will the company designate the organization(s) an employee can support through their PTO or can the employee choose for themselves (as long as it fits within the 501(c)(3) guidelines).

Entrepreneurs' Foundation of Silicon Valley Community Foundation recommends that there still be enough PTO on the books for the employee to use should they need or want it. For example, some companies only allow employees to donate PTO if they have over two-weeks of PTO accumulated

How Does Donating PTO Work?

The company should treat donating PTO as if it were paying out an employee's vacation to the employee, and is processed the same in all ways except that instead of the check being written to the employee, it is written to a charitable organization.

Because the donated amount is compensation earned by the employee the company must remit employer payroll taxes and withhold employee payroll taxes from it. The gross amount gets reported as compensation on the W-2's, but the net amount is what is contributed to the charitable organization.

Employees are able to claim this donation as a charitable deduction for their personal tax purposes. The contribution should be noted on the pay stub, just like other payroll notations. This is the employee's proof of the charitable contribution.

Please note: Entrepreneurs' Foundation of Silicon Valley Community Foundation is not a tax, payroll or HR compensation expert, so as always with these kinds of things, you should double check with your in-house experts.

Paid Time Off Donation Policy Example:

[Company name] has created a way for employees to donate unused PTO to a charitable organization to encourage and promote its employees in their philanthropic endeavors. [Company name] will convert up to _____ hours of an employee's unused PTO to cash per year, which will be sent via check to a charitable organization of the employee's choice. [CONVERSELY THE COMPANY CAN DESIGNATE ONE OR A FEW CHARITABLE ORGANIZATIONS TO WHICH THE EMPLOYEE CAN DONATE. THIS IS OFTEN THE CASE IF THE COMPANY IS ONLY MAKING THE POLICY AVAILABLE FOR DISASTER RELIEF EFFORTS, FOR EXAMPLE.] Eligibility requirements are below.

In order to request a PTO donation, please complete the PTO donation form and have it signed by your supervisor.

Proof of donations will be noted on the employee's pay stub, and may be used as a charitable contribution for personal tax purposes. Converted PTO is subject to all the same employer and employee payroll taxes as the employee's salary and will be reported on the employee's W-2.

Eligibility:

Donors:

- All [company name] active, part- or full -time regular employees are eligible to participate in the PTO donation program.
- An employee may only donate PTO when they have accrued over _____ weeks. Only PTO that is over _____ weeks may be donated so that the employee has enough PTO left in case they need or want it.
- The maximum amount of PTO an employee can donate per [DESIGNATED TIME FRAME] is _____ hours.

PTO Donations:

- The organization/project receiving the donation must be a public educational institution; or tax-exempt 501(c)(3) nonprofit organization as recognized by the Internal Revenue Service.
- The organization/project being funded must have a nonreligious primary purpose.
- The organization/project may not discriminate against race, religion, gender or creed.
- The gift may not be used for such purposes for which donors, their families or other individuals designated by the donor receives a direct benefit; this includes payment for services, tuition, books and student fees.

Paid Time Off Donation Request Form

Date of request: _____

Employee name: _____

Manager's name: _____

Amount of PTO you wish to donate: _____

Charitable Organization Information:

Name: _____

Contact: _____

Phone: _____

Email: _____

Address: _____

City/State/Zip: _____

Website: _____

Federal Tax ID number: _____

Employee signature

date

Manager's signature

date

HR signature

date

SUBMIT COMPLETED FORM TO: _____