

Your complete payroll guide to disaster relief

Hurricane Florence has devastated the Carolinas. Other disasters are lurking out there, too, and one of them has your name on it. Here's what you need to know about Hurricane Florence relief, and about coping with future disasters, too.

Florence-related postponed tax relief

As we go to press, the IRS has postponed filing deadlines for third-quarter Forms 941 until Jan. 31, 2019, for parts of North Carolina that are designated by FEMA as disaster areas. This relief, however, doesn't apply to Forms W-2, 1099, 3921, 3922 or 1095s.

Payroll deposits that should have been made starting on or after Sept. 7, and before Sept. 24, will be considered timely if made by Sept. 24.

Businesses, including calendar-year partnerships, that applied for filing extensions, which ran out on Sept. 17, 2018, now have until Jan. 31, 2019, to file.

Individual taxpayers who obtained filing extensions also have until Jan. 31, 2019, to file.

The IRS automatically provides filing and penalty relief to any taxpayer with an IRS address of record located in a disaster area. So you don't need to contact the IRS to get this relief. If the IRS screws up and sends you a late filing or late payment penalty notice that has an original or extended filing, payment or deposit due date that falls within the postponement period, call the number on the notice to have the penalty abated.

Call the IRS at (866) 562-5227 if you're located outside the disaster area, but can't meet a tax deadline during the postponement period because your records are located in the disaster area.

The current list of eligible localities is available on the [disaster relief](#) page on IRS.gov.

Point your browser to the IRS' [newsroom](#) for the latest.

To pay or not to pay

Nonexempts who don't come to work because of natural disasters can use their accrued time. If you allow nonexempts to use accrued time, don't include it in their regular rates when figuring their overtime rates.

Reason: It's idle time pay, which is excluded from the regular rate calculation.

If nonexempts don't have any time left, and you don't allow them to borrow time, you don't have to pay them, unless, of course, they're working from home. If they are working from home with permission, remind them to keep track of their working time. If employees are working from home without permission, pay them. However, reprimand them for not seeking permission beforehand.

Exempts must be paid for the week if they do any work during the week, including working at home. They don't need to be paid if you close for a week. If you do decide to close for a few days, and you have a *bona fide*

benefits plan, you may require exempts use accrued time.

Warning: Exempts who would run out of time due to current debiting, and those who have already run out of accrued time, must still receive their full salary.

Tax-free disaster relief

You can help employees with their FEMA-related paperwork and by giving them time off, if they need it.

You can make tax-free payments to employees who live in the disaster area, but four caveats apply:

1. Your payments must be reasonably expected to be commensurate with employees' immediate, reasonable and necessary needs
2. Employees can't be insured for those items
3. You're not paying for nonessential, luxury or decorative items
4. You're not paying lost wages.

If you've ticked all those boxes, you can make the following payments to employees:

- Temporary housing expenses
- Food expenses
- Funeral expenses
- Medical expenses
- Transportation expenses.

Assistance should be available to everyone, regardless of length of service or job category.

Even better: Employees don't have to substantiate their actual expenses to receive assistance.

Leave donations

You can allow employees to donate their unused, accrued leave to colleagues caught up in a disaster. Donors won't have income in the amount donated, but recipients will have income, valued at their current rates of pay, in the amount received. The following conditions apply:

- **Everything must be in writing:** Your plan is written, employees donate their leave in writing and employees who need it request leave in writing
- **Work must be missed:** The disaster must cause severe hardship to employees or their families that requires them to miss work. *Idea:* Aligning eligibility under a leave-sharing program with a cash-based program will make administering both easier. Recipients don't need to take the same amount of leave, but you must make a reasonable determination, based on need, regarding how much leave recipients may receive
- **It's not a bank:** Donors can't deposit more leave than they've accrued or designate recipients. Recipients can't convert donated leave into cash, but they may use leave to wipe out negative leave balances that arose from leave advanced due to the disaster. And leave deposited in response to one disaster can't be used for another disaster—unused leave must be returned to donors within a reasonable amount of time.

Charitable contributions

Disasters don't just bring out the good in people. Sometimes scammers come crawling out of the woodwork as well. Beware!

You and employees may donate cash or employees may cash in their accrued time, which you donate.

All donations should be made to reputable charities. The IRS maintains a list of approved charities, which you can access by pointing your browser [here](#).

Check your disaster recovery plan

Hurricane Florence reminds us that every organization should have a workable disaster recovery plan. After all, employees need to be paid, kids depend on child support and the federal and state governments want their tax deposits. Although each company's needs are different, here's some help getting started.

Risk assessment: Many companies have disaster recovery plans; it's up to you to determine whether yours covers Payroll. If it doesn't, you'll be writing one. Begin by defining "disaster." We've defined it rather loosely: Fires, floods, power failures, hurricanes, blizzards and worse.

Be creative. Not too long ago, backing up your computer tapes and files and ensuring there was an alternate site out of which Payroll could function was probably enough. It isn't anymore. With the web flooded with more viruses than a first-grade classroom, and more worms floating around than in a fisherman's bait bucket, it pays to think broadly, indeed.

Risk management: The second step is naming the risks to integrity of the payroll process—late or no paychecks to employees, late tax deposits, incorrect or unbalanced 941s, W-2s and 1120s. Now you have to do something.

Key: Make your policy comprehensive, up-to-date and comprehensible to those who will implement it. Policies should be flexible enough to respond to new risks as they arise. Consider the following.

- **Identify the entire process.** Payroll doesn't operate in a vacuum. Be sure to include all the departments with which you interact—Corporate tax, HR, Accounts Payable, IT, Benefits, General Ledger, Mailroom. Also include outsiders, like the company's bank and employees' banks for direct deposit and paycard issuers.
- **Identify critical functions.** These include detailing how employees' time is collected and input into the payroll system; hours-to-gross computations; gross-to-net calculations, including consideration of inflows from other departments (e.g., Accounts Payable) for such items as employee reimbursements; distributing paychecks, direct deposit advices and loading pay cards; generating reports; and handling outflows to tax authorities, child support agencies and marshals for employee liens.
- **Identify your resources.** Time clocks, manual time sheets, interactive voice response systems, PCs, outside vendors.
- **Identify alternatives.** For example, can employees or their supervisors fax, email, text or phone in their time data? Can internal reports wait until the emergency is over? For gross-to-net calculations, can you pay employees an estimate of their salaries, until a true-up is possible? If you can't pay employees in the usual medium (e.g., direct deposit), can you arrange for cashiers' checks or cash? Do you have alternative office space? Will you be able to operate out of this alternative space for as long as you need?