



Club Tax Network

An association of Accounting firms and Law firms serving the Private Club Industry with an appreciation of the role that state and federal taxes play in the overall equation.

Did You Know?

Grants; Disaster Relief Funds For Employees

Clubs are asking about assisting employees in these difficult times. Note that this referenced ruling deals with "natural" disasters vs. "man made" disasters. In the spirit of the law, it is possible that the IRS will follow this ruling for Clubs to assist employees. Watch for the IRS to address this issue soon. In the interim, be aware the Clubs are now asking this question.

After natural disasters hit a community, there are often Club employees that need financial assistance to recover. Are grants that Club employees receive under a Club's employer program to pay or reimburse certain reasonable and necessary medical, temporary housing, or transportation expenses they incur as a result of a natural disaster, includible in the employees W-2?

No, the grant is not included in the employees W-2. Grants that are reasonably expected to be commensurate with the unreimbursed reasonable and necessary personal, living, or family expenses that a Club's employees incur as a result of a qualified disaster are not taxable. Moreover, they are paid to compensate individuals for expenses that are not compensated for by insurance or otherwise. Therefore, a Club's grant to employees is qualified disaster relief payments that are excluded from the gross income of a Club's employees.

Club Boards should adopt appropriate resolutions and review the rules prior to issuing grants.

References: Revenue Ruling 2003-12 See Club Tax Book for the full ruling under this title.

For more information contact Mitchell Stump at www.clubtax.com