



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

ACQUISITION
AND SUSTAINMENT

MEMORANDUM FOR COMMANDER, UNITED STATES CYBER
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES SPECIAL OPERATIONS
COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION
COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING)
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Allowability of Contractor Costs – Donation of Unused Leave in Response to the
COVID-19 National Emergency

On June 11, 2020, the Internal Revenue Service (IRS) issued IRS Notice 2020-46, allowing employees to donate unused leave to charitable organizations that are providing assistance in response to the COVID-19 National Emergency declared by President Trump on March 12, 2020. These donations of leave will not constitute taxable income for the employee. Furthermore, the IRS permits employers to treat these employee donations as either ordinary and necessary business expenses or charitable contributions. This IRS guidance applies to payments made to charitable organizations before January 1, 2021.

Payments for vacation and personal, but not for sick leave, represent an allowable compensation cost under Federal Acquisition Regulation (FAR) 31.205-6, "Compensation for Personal Services," rather than an unallowable contribution under FAR 31.205-8, "Contributions or Donations." In concert with the IRS guidance, this cost allowability treatment extends to payments made before January 1, 2021.

Please ensure this guidance receives the widest possible dissemination within the defense acquisition community. Questions may be directed to Mr. John Burns 571-372-6181 or john.h.burns.civ@mail.mil.

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Defense Pricing and Contracting