



# Money Grant Writing

## In the Know about VTO

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### What is VTO?

VTO is Volunteer Time Off. VTO is when companies offer paid days/time off for employees to volunteer their time for a nonprofit cause. Some VTO programs include volunteering with social enterprises that do not operate as tax-exempt nonprofit organizations.

VTO is authentic corporate social responsibility.

### Why VTO?

Often the corporate social responsibility (CSR) aspects of company policy are monetary or in-kind service or product partnerships with organizations directly associated with causes near and dear to the hearts of C-level employees and Boards of Directors. VTO provides an opportunity to expand CSR to causes and activities more widely championed by the entire employee force.

For smaller companies, VTO provides a way to incorporate CSR activities into their business model with minimal financial commitment or outlay of inventory.

### Why is VTO so valuable?

Many are surprised to find out that volunteer hours go beyond “feel good” and “free labor” concepts. Each volunteer hour is valued at an hourly rate; the rate fluctuates slightly year-to-year. Most recently, volunteer hours were valued at a rate of \$28.54 (4/20/21).

### What are the advantages for companies that offer VTO?

- Recruitment - job seekers are more likely to vet and join a company that aligns more closely with their personal values whenever possible
- Retention - employees appreciate VTO, and VTO policies can aid in retention when employees feel engaged and empowered with a company's team because of strengthened loyalty
- Workplace culture - VTO often doubles as a team-building event, and employees can also be and feel like part of the solution, resultant in higher overall workplace satisfaction and improved overall communication within the workplace
- Improved bottom line - employee engagement improves the company's bottom line through reduced turnover, improved morale, increased productivity, and heightened engagement
- Corporate visibility - estimates show that employees who participate in corporate-encouraged givebacks are four times as likely to talk about their volunteer efforts and spread the good word about your company; additionally, 85% of consumers have a more positive image of philanthropic companies

These can impact your business on so many levels, from sales to public relations to hiring and employee satisfaction levels. It costs a lot less to pay an employee for a few hours of volunteer work than it does to place them, and it costs a lot less to keep a customer because of your company's community outreach than it does to replace the one that left because of no community engagement. Companies with engaged employees outperform those without

by up to 202%.

### **Are there tax benefits related to VTO?**

There are no direct tax deductions tied to the fiscal components of VTO. A company cannot convert the payroll dollars paid from VTO efforts to tax deductions or credits.

However, greater employee engagement can lead to increased matching gifts through other corporate social responsibility programs. Employees often add or increase their work-related contribution to a corporate giving program when volunteering firsthand. This, in turn, can boost the company's tax deduction through matching funds, up the allowable percentage of its yearly taxable income.

### **Why aren't the payroll dollars associated with VTO tax deductible?**

Simply, a "gift of services," including volunteer time, is not tax-deductible. The best explanation might be that the IRS is concerned about exchanges of cash and assets between donors and charities. Cash and assets are both quantifiable (dollars and cents) and uniform (your dollar is worth the same as my dollar). When no cash (such as a donation) or assets (such as an in-kind donation of a product) transfer from the business to a qualifying charity, the IRS, for tax purposes, does not recognize a gift as having taken place.

### **Do many companies offer VTO?**

Yes. The Society of Human Resources estimates about 21% of American companies offer VTO.

### **Are only large corporations participating in VTO?**

No. Businesses (micro to mega) and sole proprietorships understand the value of VTO and actively participate.

### **What is the average VTO commitment per employee?**

For companies with a formal policy, eight hours is the average amount of paid volunteer time off granted per year.

### **Can my small business make a difference?**

Yes, about 75 percent of small business owners donate some portion of their profits—about 6 percent on average—to charitable organizations each year.

### **How can nonprofit organizations take greater advantage of the growing VTO trend?**

- Seek out businesses in your community that offer VTO programs, either formal or informal plans
- Consider VTO collaborations as an additional revenue stream—volunteer hours are not only invaluable labor and support for stretched staff and tight budgets but can also add up to significant matching funds for grant opportunities
- The value of volunteer hours can also boost credibility and visibility for your organization
- Add VTO components or partnership roles to current programs and projects

### **501(c)3 tax-exempt organizations vs. social enterprise:**

An organization operating as a charitable entity with tax-exemption (501(c)3 status offers the most significant benefits for VTO programs. There are other tax-exemption statuses, but 501(c)3 makes up the majority of the tax-exempt category. A social enterprise is a commercial organization that has specific social objectives that serve its primary purpose.

Social enterprises seek to maximize profits while maximizing benefits to society and the environment. Their profits are principally used to fund social programs.

### **How does the tax-exempt or social enterprise designation affect the benefits of VTO?**

The recruitment, retention, employee engagement, and visibility benefits can be realized when including either model in a VTO program. However, any tax benefits that might subsequently be advantageous to a business only come through nonprofit programs or projects for which the employees volunteer. Additionally, any tax benefits an individual (employee) might claim are only allowable through a volunteer effort for an organization recognized as tax-exempt by the IRS, known as a qualified organization.

### **Can mileage associated with the volunteer activity be reimbursed to employees who participate in VTO?**

Yes. Businesses *can* reimburse their employees at a rate of 54.5 cents per mile (or up to the allowable annual rate set by laws). However, for tax purposes, volunteer mileage (for business or individual calculations) is fixed at 14 cents per mile for work with a qualified organization.

### **How does my company develop a VTO plan?**

1. A VTO plan can be formal or informal
2. Choose the impact you want to make – If you want employees to be engaged, they should have some part in the decision-making process when selecting the cause(s) the company will support
3. Realistically estimate your company's capacity to fulfill the VTO commitment – Consider the size of your staff and their roles within the business, the time periods away for the job (a couple of hours at a time or a full day, for example), the type and scope of assistance your employees can provide for the impact(s) (labor, professional consultation, instruction/training, etc.)
4. Decide whether a group volunteer effort fits best or if employees will choose individual times to volunteer for proposed causes
5. Partner with the local organization(s) on their programs and/or projects which align with the impact your company has committed to make

For more information about grant proposal writing, please contact Tarra Nystrom at [SMARTMoneyGrantWriting@gmail.com](mailto:SMARTMoneyGrantWriting@gmail.com).