PTO / Vacation / Sick Leave Cash-Out Flow Chart

Helpful background information on this model process may be found in the City Employment Basics chapter of the HR Reference Manual.

Can any PTO/ Vacation/ Sick be “banked,” that is, carried over from year to year?

- Yes
  - Can any PTO/ Vacation/ Sick be cashed out or converted to another
    - Yes
      - Is cash out/conversion automatic, i.e. required by employer?
        - Yes
          - No. Probable constructive receipt issue. Employee must be taxed on the value he/she could have been paid as cash (or other taxable benefit) at the earliest date the cash (or other taxable benefit) could have been paid.*

        - No
          - No. No constructive receipt

    - No
      - No. No constructive receipt

- No
  - Is employee’s election made before the beginning of the calendar year in which PTO/ Vacation/ Sick is earned and the benefit is not considered “deferred compensation”?
    - Yes
      - No. No constructive receipt
    - No
      - No. No constructive receipt

*Note that this problem can be avoided if the employee makes an irrevocable election in the year prior to the year the PTO is earned.