



HAITI EARTHQUAKE RELIEF

Special Report

Highlights

- ✓ Accelerated Tax Benefit
- ✓ Monetary Contributions Only
- ✓ February 28 Donation Deadline
- ✓ Relaxed Substantiation for Texting Donations

Inside

Contributions.....	1
Haiti Contributions	1
Substantiation	2

Congress Approves Accelerated Tax Deduction For Haiti Earthquake Relief

Taxpayers making monetary contributions in early 2010 to help Haiti after the devastating January 12 earthquake will be able to claim a deduction on their 2009 federal tax returns. The House of Representatives unanimously passed H.R. 4462 on January 20 to allow taxpayers to claim a charitable deduction on their 2009 returns for qualified Haiti disaster relief contributions made after January 11, 2010 and before March 1, 2010. The Senate approved the measure on January 21, and President Obama is expected to sign it when it reaches the White House.

Impact A similar provision was enacted after the 2004 Indian Ocean tsunami.

Comment Additional tax incentives to help Haiti may be in the pipeline. One proposal in Congress would extend an expired provision that allows an enhanced deduction for donations of food inventory.

Comment The bill is an incentive to individuals who itemize their deductions. It does not provide an incentive to individuals who do not itemize their deductions and consequently cannot claim a deduction for their charitable contributions. Charitable contributions by corporations are also covered under the bill.

CONTRIBUTIONS

Generally, contributions to qualified charitable organizations are deductible by individuals for the tax year in which the contribution was made. Individuals who itemize their deductions may deduct qualified contributions made in 2009 to charitable organizations on their 2009 returns filed in 2010.

HAITI CONTRIBUTIONS

The bill makes a special exception to the general rule for monetary donations to help Haiti recover from the January 12 earthquake. Individuals who make a monetary donation to a qualified charitable organization after January 11, 2010 and before March 1, 2010 may claim the contribution as a deduction on their 2009 or 2010 federal income tax returns. Taxpayers may not deduct contributions on both their 2009 and 2010 returns.

Impact *For tax years beginning after 2009, the limitation on itemized deductions for higher income individuals is repealed. For the 2009 tax year, the limitation is reduced by two-thirds. Consequently, some individuals may find it more beneficial to claim their contributions to Haiti earthquake relief when they file their 2010 returns in 2011 than claiming the contribution as a deduction on their 2009 returns.*

Comment

Taxpayers must itemize their deductions to take advantage of the special provision.

The contribution must be monetary to qualify for this special treatment. Donations by check or credit card qualify. Contributions of marketable securities or other property, however easily convertible into cash, cannot be accelerated. Also this bill does not waive the normal percentage limitation and carryover rules for charitable deductions.

Caution

Qualifying contributions must be made to a domestic charitable organization that is assisting Haiti. Un-

der the Code, as long as a U.S. charity collects the funds and has full control and discretion over them, their use outside the U.S. is irrelevant for itemized charitable deduction purposes. Contributions to foreign relief organizations without US affiliation are not deductible. Similarly, contributions to benefit specific individuals or families are not deductible. Unfortunately, as in past disasters, con artists reportedly are trying to profit on this tragedy; such "contributions" will not qualify, irrespective of the good intentions of the contributor.

SUBSTANTIATION

Contributions to qualified charities assisting Haiti must be substantiated. Generally, a taxpayer must have a bank record or written communication from the qualified Code Sec. 501(c)(3) charitable organization showing the name of the charity and the date and amount of the contribution.

The House bill allows one additional method of substantiation. Individuals who make monetary contributions through their cellular telephones via text message may substantiate their contributions with their telephone bills. The telephone bill must show the name of the charitable organization, the date of the contribution and the amount of the contribution.