

Haitian Relief Contributions Now Tax-Deductible

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On January 22, President Obama signed into law H.R. 4462, a bill that allows donors to accelerate the income tax benefits of charitable cash contributions for the relief of victims of the earthquake in Haiti.

The bill allows individuals who make charitable contributions to aid Haitian earthquake victims to elect to claim an itemized charitable deduction on their 2009 tax return (instead of having to wait until next year to claim the deductions on their 2010 tax return). The election applies only to Haitian relief contributions made in cash after Jan. 11, 2010, and before Mar. 1, 2010. If the election is made, Haiti relief donations are deductible on the 2009 return, not the 2010 return. The bill also relieves recordkeeping requirements for Haitian relief contributions. For these contributions, a telephone bill satisfies the Code Sec. 170(f)(17) recordkeeping requirements if it shows the name of the donee organization, the date of the contribution, and the amount of the contribution. See article below for additional discussion.

Notes:

- The Act doesn't change the charitable contribution percentage limitations and carryover rules. If a taxpayer takes advantage of the law, the 2009 percentage limitations of the taxpayer apply to the contribution and any excess amount is treated as a carryover of a contribution made in 2009.
- While taxpayers in States that mirror Federal tax law should expect the same tax treatment for Haiti relief contributions, taxpayers are advised to verify that this State tax treatment in facts applies.
- The law doesn't specifically define "cash contribution." However, IR 2010-12, and the explanation on IRS's website explains that this includes contributions made by text message, check, credit card or debit card.
- Presumably it also includes money contributions and those made by money order.
- A check mailed by Mar. 1, 2010 will qualify for the 2009 deduction even though the charity doesn't cash it until after that date.
- Contributions that qualify for the election.** The contributions must be made specifically for the relief of victims in areas affected by the Jan. 12 earthquake in Haiti. It appears that only contributions fully earmarked for the Haiti earthquake relief qualify for the election.
- Thus, as IR 2010-12 points out, the election only applies to contributions after Jan. 11, 2010 (i.e., after the earthquake). Further, a contribution made to a fund that generally provides relief for earthquake victims and victims of other disasters may not qualify.
- Eligible donors.** It should be borne in mind that the election is not limited to individuals. Corporations and other entities also can choose to deduct otherwise deductible earthquake relief contributions as though they were made on Dec. 31, 2009.