

# Law Offices of Robert J. Varak

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## U.S. Government Enacts Special 2009 Tax Benefits For Donors To Haitian Relief

Congress has provided a special financial incentive to help respond to the Haitian earthquake on January 12. On January 22, President Obama signed into law H.R. 4462, a bill that allows donors to accelerate the income tax benefits of making charitable contributions for the relief of victims of the earthquake.

Taxpayers who itemize deductions on their 2009 return qualify for this special tax relief provision. Only cash contributions made to these charities after January 11, 2010, and before March 1, 2010, are eligible. Taxpayers, who are probably already working on their 2009 income tax returns, which are due on April 15, can benefit from their donations almost immediately.

The new law applies only to cash (as opposed to property) contributions. Cash, however, includes contributions made by text message, check, credit card or debit card. The contributions must be made specifically for the relief of victims in areas affected by the January 12 earthquake in Haiti. **Taxpayers have the option of deducting these contributions on either their 2009 or 2010 returns, but not both. To get a tax benefit, taxpayers must itemize their deductions on Schedule A. Those who claim the standard deduction, including all short-form filers, are not eligible.**

Taxpayers should be sure their contributions go to qualified charities. Most organizations eligible to receive tax-deductible donations are listed in a searchable online database available on IRS.gov under "Search for Charities." Some organizations, such as churches or governments, may also be qualified even though they are not listed on IRS.gov. The FBI has issued an alert about dozens of "scam charities" trying to solicit funds and profit privately from this tragedy. Donors can find out more about organizations helping Haitian earthquake victims from agencies such as USAID. Bear in mind, however, that contributions to foreign organizations generally are not deductible (see IRS Publication 526).

Federal law requires that taxpayers keep a record of any deductible donations they make, but the rules have been relaxed somewhat for these limited purposes. For donations by text message, a telephone bill will meet the recordkeeping requirement if it shows the name of the donee organization, the date of the contribution and the amount of the contribution. For cash contributions made by other means, donors should keep a bank record, such as a cancelled check or a receipt from the charity showing the name of the charity and the date and amount of the contribution.

Note that the Act does not change the otherwise applicable charitable contribution percentage limitations and carryover rules. In addition, while state rules tend to follow federal, taxpayers should independently verify that similar state treatment will be accorded.

Speak to your accountant or tax professional regarding additional details.