

President signs bill allowing 2010 Haitian relief contributions to be deducted on 2009 returns

By Kevin Jones

On January 22, President Obama signed into law 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 instead of the 2010 return. If the deduction would produce greater savings if reported in 2010, the taxpayer can simply forego the election and report the contribution in the year it was paid.

The bill also relieves certain recordkeeping requirements for Haitian relief contributions. The Act clarifies that for a cash contribution, the requirements can be satisfied by a telephone bill if it shows the name of the donee organization, the date of the contribution, and the amount of the contribution. Thus, for example, in the case of a charitable contribution made by text message and chargeable to a telephone or wireless account, a bill from the telecommunications company containing the relevant information will satisfy the recordkeeping requirement. For cash contributions made by other means, taxpayers 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.

Please contact us if you have any questions regarding this new tax provision.