

Haitian relief charitable deduction

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Donating to Haiti relief efforts? You may be eligible for a 2009 tax deduction

On Jan. 20, the House of Representatives passed legislation permitting taxpayers to deduct certain 2010 charitable contributions for Haiti disaster relief on their 2009 tax returns, rather than on their 2010 returns, effectively accelerating their deduction. Senate passage quickly followed on Jan. 21, and President Obama signed the bill into law on Jan. 22.

Eligibility rules

Only *monetary* contributions made Jan. 12, 2010, through Feb. 28, 2010, are eligible. This includes check or credit card donations, but not donations of stocks, bonds or other property.

Additionally, only contributions to qualified domestic charitable organizations - that is, Sec. 501(c)(3) organizations - assisting in Haiti are eligible. Donations to foreign relief organizations aren't eligible unless they have qualified U.S. affiliations.

The normal substantiation rules generally apply: Contributions must be substantiated by a bank record (such as a canceled check or credit card statement) or written documentation from the charity showing the charity's name and the amount and date of the donation. The legislation provides one special form of substantiation for Haiti relief contributions only: Donations made through cellular phones via text message can be substantiated by a phone bill, as long as it shows the charity's name and the amount and date of the donation.

Planning considerations

Both individuals and corporations can take advantage of the break. Some higher income taxpayers may be better off deferring the deductions to their 2010 returns as they may be subject to a limitation on itemized deductions in 2009 that has been repealed for 2010. The limit applies to taxpayers with 2009 adjusted gross incomes (AGIs) over \$166,800 (\$83,400 for married couples filing separately).

Taxpayers who expect to be in higher tax brackets in 2010 also may be better off deferring eligible deductions to 2010, because the deduction will save them tax at a higher rate. For example, if your marginal rate is 28% for 2009 but 33% for 2010, for every \$1,000 of deduction you defer to 2010, you'll save an additional \$50 in taxes ($28\% \times \$1,000 = \280 , $33\% \times \$1,000 = \330).

Also note that the AGI limits that normally apply to charitable donation deductions also apply here. For example, your 2009 deductions of monetary gifts to public charities can't exceed 50% of your 2009 AGI. So if you've already made 2009 donations exceeding 50% of your AGI, you won't be able to deduct otherwise eligible Haiti relief contributions on your 2009 tax return.

What's right for you?

A donation to Haiti relief efforts can make a huge difference to people in tremendous need. And now it can also make a difference in your 2009 tax bill. For more information on how to apply this break to your particular situation - or assistance determining whether you should take the charitable deduction for 2009 or 2010 - please contact Sue Weiskopf-Larson at sweiskopf@hlbtr.com.

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