

TO: Our Clients and Friends
FROM: Grossman Yanak & Ford LLP
DATE: February 5, 2010
RE: Tax Incentives for Contributions to Haitian Relief Efforts

On January 22, 2010, President Obama signed into law a tax incentive for taxpayers who make cash contributions to aid in the Haitian earthquake relief efforts. The law provides that if a deductible cash contribution is made after January 11, 2010, and before March 1, 2010, for relief of victims in areas affected by the earthquake, such contributions may be treated as made on December 31, 2009. “Americans have opened their hearts to help those affected by the Haiti earthquake,” said IRS Commissioner Doug Shulman. “This new law provides an immediate tax benefit for the many taxpayers who have made generous donations.”

Taxpayers may choose to deduct cash contributions to Haiti on their 2009 or 2010 income tax returns, but not both. The accelerated deduction is available for all cash contributions to support the relief efforts in Haiti that would otherwise be deductible in 2010. Taxpayers should consider whether it will be more beneficial to deduct the contribution in 2009 or 2010. For example, if a taxpayer expects to be in a higher tax bracket in 2010, it could be more advantageous for them to deduct the contribution in 2010, as it would provide a greater tax benefit. However, the time value of money must be considered prior to such a decision. No tax benefit for contributions to the Haitian earthquake relief efforts are available to taxpayers who do not itemize.

Because many donations are being made via text messaging, the new law contains a special provision that allows a telephone bill to satisfy the recordkeeping requirements that apply to cash contributions if it shows the name of the donee organization and the date and amount of the contribution. Cash donations under \$250 made by other means may generally be substantiated by a cancelled check or credit card statement, but it is best to obtain an acknowledgement letter from the charitable organization for donations of any amount.

Taxpayers should remember to provide contribution information, including amounts and dates paid, to their tax preparers with their other 2009 income tax information. The fastest way to receive benefits for donations is to file tax returns electronically and choose to have the refund directly deposited. Refunds may take as few as 10 days and can be directly deposited into a savings, checking or brokerage account.

Before contributing to a charitable organization, taxpayers should verify that the organization qualifies to receive deductible contributions. Publication 78, *Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986*, lists most eligible organizations with the exception of churches, which are usually exempt without filing an application. Taxpayers should note that contributions made to foreign organizations are generally not deductible.

The following charities have been highly rated by the American Institute of Philanthropy and are currently accepting donations to aid the earthquake victims in Haiti:

- American Red Cross
- CARE
- International Medical Corps
- Mercy Corps
- World Vision
- American Refugee Committee
- Church World Service
- International Rescue Committee
- Operation USA

Please contact your GYF representative should you have any questions relative to any contributions made for this relief effort.

GROSSMAN YANAK & FORD LLP