

PUBLICATION

Haitian Relief: New Law Permits Acceleration of Charitable Deduction for Cash Contributions

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The President signed Public Law 111-126 on January 22, 2010, allowing taxpayers to claim an accelerated charitable deduction for certain contributions made in 2010 for the relief of victims of the January 12 earthquake in Haiti. Under the new law, cash donations made after January 11, 2010, but before March 1, 2010, may be treated as being paid by the taxpayer on December 31, 2009, thereby accelerating a charitable deduction. Taxpayers will have the option of treating the donation as occurring in either 2009 or 2010.

The contribution must otherwise meet the requirements of Section 170 of the Internal Revenue Code to be deductible, meaning in essence that taxpayers must itemize their deductions in order to take advantage of the accelerated deduction. Also, the charitable contribution percentage limitations and carryover rules will apply. Contributions must be made in cash to qualify for the accelerated deduction; contributions of property will not qualify. The IRS has clarified that cash contributions include contributions made by check, credit card, debit card, or cellular phone text message. Taxpayers wishing to claim the accelerated deduction should be careful to make donations only to qualified charities and for the specific purpose of the relief of victims of the Haiti earthquake. The accelerated deduction is available to both corporate and individual taxpayers.

If you have any questions about the accelerated charitable deduction, please contact one of the attorneys in the Firm's Tax Department.