

Wealth Strategies

SILVER BRIDGE INSIGHTS

WEALTH STRATEGIES

The Wealth Strategies team coordinates the delivery of wealth advisory information, strategies, and planning techniques for Silver Bridge Advisors. Working directly with clients and client advisors, the team develops customized solutions that integrate the estate, financial, and investment planning needs of our clients.

Author

Benjamin J. Ledyard, JD, AEP
Director of Wealth Strategies

Strategic Philanthropy and Tax Alert: Haiti Relief Provision

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The recent earthquake in Haiti demonstrates, as with many natural disasters that affect humanity on a massive scale, that borders dissolve in times of crisis. A newly enacted tax law allows U.S. taxpayers the opportunity to accelerate certain charitable deductions to 2009.

The Haiti Assistance Income Tax Incentive Act

Shortly after the earthquake, President Obama signed the **Haiti Assistance Income Tax Incentive Act**, which provides taxpayers who make cash contributions to a “Haiti relief” charity the option to claim a deduction on their 2009 tax return, even though the contribution is made this year. Enacted on January 22, this year's special Haiti relief provision is modeled on a 2005 law that, in the wake of the December 26, 2004 Indian Ocean tsunami, allowed taxpayers to deduct donations they made during January 2005 as if they made the donations in 2004.

"Americans have opened their hearts to help those affected by the Haiti earthquake," IRS Commissioner Doug Schulman said. "This new law provides an immediate tax benefit for the many taxpayers who have made generous donations."

In order to qualify for this provision and to receive a tax benefit, taxpayers must itemize their deductions on their 2009 return. Taxpayers who claim the standard deduction, including all short-form filers, are not eligible. Only monetary contributions—including contributions made by text message, check, credit card or debit card—made to charities after January 11 and before March 1 are eligible. Property or in-kind contributions are not eligible, according to the IRS.

The contributions must also be made specifically to qualified charities that provide relief for victims affected by the January 12 earthquake in Haiti. 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 be qualified even though they are not listed on IRS.gov.

Taxpayers have the option of deducting these contributions on either their 2009 or 2010 returns, but not both.

Keeping Good Records

As federal law requires that taxpayers keep a record of any deductible donations they make, we recommend that taxpayers maintain these records at a minimum of three years after the year of filing the return; which is generally the statute of limitations during which the IRS may audit any tax returns filed in the previous three years.

For donations by text message, a telephone bill will meet the record-keeping requirement if it shows the name of the organization, the date and amount of the contribution. For cash contributions made by other means, the IRS suggests that taxpayers keep a bank record, such as a cancelled check or a bank statement reflecting the transaction.

If you have any questions about the Haiti tax relief provision or your philanthropic goals and objectives, please contact your Silver Bridge advisor. ■

This white paper is for informational and educational purposes only. Please consult with your tax advisor and estate planning attorney for more information and to determine the appropriate strategies to address your specific situation.

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