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January 2010

Dear Clients and Friends,

New law allows early deduction for Haiti relief donations

A law signed by President Obama on January 22 lets you take an early tax deduction for contributions you make for earthquake relief to Haiti. And if you use your cell phone to donate via a text message, the new law gives you an easier method for substantiating your contribution.

If you itemize deductions on your tax return, you may elect to take a charitable deduction on your 2009 return for Haiti contributions made after January 11, 2010, and before March 1, 2010. Claiming a 2010 contribution on your 2009 return will give you an earlier tax benefit, though you may also wait until you file your 2010 return to take the deduction.

Here are other important details.

- * The contributions must be made specifically for relief related to the January 12, 2010, earthquake in Haiti.
- * The contributions must be made to qualified charities, rather than to specific individuals.
- * Only cash contributions qualify for the earlier 2009 deduction option; contributions of property or goods do not qualify.
- * Contributions made to foreign charities generally don't qualify.
- * You'll need records to substantiate any deductible donations you make. But a special easing of the rules will allow you to use your telephone bill as substantiation for donations made by text message. The phone bill must show the name of the organization receiving your donation, the date of the contribution, and the amount you gave. For other donation methods, you'll need a bank record or written communication from the charity.
- * If you claim a Haiti relief deduction on your 2009 return, you may not also claim the same donation on your 2010 return (which you'll be filing in 2011). To decide whether to take the deduction on your 2009 or 2010 return, run the numbers to see which year will give you the bigger tax savings. For 2009, higher-income taxpayers have a limit on their total itemized deductions. This limit is eliminated for 2010, so the deduction could actually provide a bigger tax break if taken on your 2010 tax return.

For additional information or filing assistance, please contact our office.

Respectfully,

John L. Abitante CPA, MST