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CLIENT ALERT

HAITI

A QUALIFIED DISASTER AREA AND DONATIONS DEDUCTIBLE

On Friday, January 22, 2010 the Internal Revenue Service designated the earthquake in Haiti as a “qualified disaster area.” As a result, victims of the earthquake who receive qualified disaster relief payments will be able to exclude those payments from income. The notice also allows employer-sponsored private foundations to assist their employees in areas affected by the earthquake without jeopardizing their tax-exempt status.

Qualified disaster relief payments are:

1. To or for the benefit of an individual to reimburse or pay reasonable and necessary personal, family, living or funeral expenses (not otherwise compensated for by insurance or otherwise) incurred as a result of a qualified disaster, or
2. To reimburse or pay reasonable and necessary expenses (not otherwise compensated for by insurance or otherwise) incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents to the extent that the need for such repair, rehabilitation or replacement is attributable to a qualified disaster.

Also on Friday, President Obama signed into law the Haiti Assistance Income Tax Relief Act. The new law allows taxpayers to deduct contributions made for the relief of victims in areas affected by the January 12th earthquake in Haiti on their 2009 tax returns instead of on their 2010 returns. To be eligible for an accelerated deduction, the contributions must be made after January 11, 2010, and before March 1, 2010, and meet the requirements of a donation to a charitable organization.

The act also allows such donations to be substantiated by a telephone bill showing the name of the donee organization, the date of the contribution and the amount of the contribution.

January 25, 2010

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