

## MAKING CENTS

### IRS MAKES EXCEPTION FOR HAITI MONEY



-John P. Napolitano, CFP®, CPA, PFS, MST, RLP®

**V**ery rarely can you do something after the fact and receive a tax benefit for the prior year. That is exactly what the IRS is allowing with respect to donations made to Haiti. In most cases, the deduction is allowable on your tax return in the year that you actually made the deduction. Congress made a special exception for donations made specifically to Haiti.

The funds must be made specifically for the relief of victims in areas affected by the Jan. 12 earthquake. To be eligible for this deduction, the contribution must be made after Jan. 11, 2010 and before March 1, 2010. As with most charitable gifts, these payments must be made to a qualified charity.

To receive a tax benefit from charitable contributions, you must itemize deductions on your tax return rather than take the standard deduction. Charitable contributions are afforded similar treatment as other itemized deductions such as property taxes.

Be careful with your selection of a charity. Typically contributions made to foreign organizations are not deductible, so making sure the organization of your choice is organized in the U.S. is a safer bet.

This opportunity can be helpful for taxpayers who missed the ordinary Dec. 31 deadline for charita-

ble contributions that may still desire deductions and want to contribute to the Haiti relief efforts. As long as this contribution is made within the time deadlines, you can actually decide if you'd rather have the deduction for 2009 or 2010, but not both.

Beyond Haiti, the rules for contributions are the same as they were last year, yet still many opportunities are missed each year by taxpayers who are not aware of their options.

One of my favorites is making contributions of appreciated property. When you sell that investment, there may be a capital gains tax to pay. If you are using checks to make charitable contributions, consider

gifting some or all of the appreciated property. When you do this, you get the deduction for the full fair market value on the date of the gift and avoid any capital gains in the process. This may have some logistical or paperwork issues, but the concept has the potential to put a turbo charge into your charitable deduction.

Charitable contributions must originate from the heart, but that doesn't mean that you must ignore your brain by making that donation in the manner that may save you most.

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