

IRS News Release

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New Law Encourages Cash Donations for Midwest Disaster Relief

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WASHINGTON — Taxpayers who make qualifying cash contributions for disaster relief efforts in the Midwest could benefit from a recently passed law that suspends the percentage-of-income limits that would normally apply when taxpayers deduct the contributions on their 2008 federal tax returns.

Under the Heartland Disaster Tax Relief Act, an individual taxpayer who itemizes deductions may choose to deduct qualifying cash contributions up to 100 percent of his or her adjusted gross income, reduced by deductions for other charitable contributions. Similarly, an electing corporation may deduct qualifying cash contributions up to 100 percent of its taxable income, reduced by deductions for other charitable contributions.

Cash contributions qualify for this special treatment if they are made to a public charity for disaster relief efforts related to certain areas in [Arkansas](#), [Illinois](#), [Indiana](#), [Iowa](#), [Missouri](#), [Nebraska](#) or [Wisconsin](#). The areas must have been declared federal disaster areas on or after May 20 and before Aug. 1 of this year as a result of severe storms, tornados or flooding, and the areas must have been designated to receive individual assistance from the federal government because of the damage resulting from the disasters.

The contributions must be made no later than Dec. 31, 2008. "Cash" includes payments made by check or credit card. Qualifying cash contributions do not include payments to a supporting organization as described in section 509(a)(3) or for the establishment of a new, or maintenance of an existing, donor-advised fund.

Qualifying cash contributions of more than the amount allowed as a deduction can be carried over and deducted in succeeding tax years, subject to the normal limits. To substantiate the deduction, a taxpayer must obtain from the charity a written acknowledgment that the contribution was or will be used for relief efforts related to one or more of the Midwestern disaster areas.

In addition, deductions by individuals for qualifying contributions are not treated as itemized deductions for purposes of the overall limitation on itemized deductions. This means that, for taxpayers with higher adjusted gross incomes, the deduction for these qualifying contributions is not limited the way other itemized deductions are limited