



# Committee On Finance

Max Baucus, Ranking Member

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## NEWS RELEASE

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## **Baucus, Grassley, Thomas, and Rangel Announce Legislative Intent for Implementation of Tsunami Tax Relief**

(WASHINGTON, D.C.) Today, leadership of Congress' tax writing panels issued the following legislative intent governing the implementation of H.R. 241, the Indian Ocean Tsunami Relief Act. The measure passed the Senate and House on Thursday and was signed by the President last Friday.

U.S. Senator Max Baucus (D-Mont), Ranking Member of the Senate Finance Committee applauded support for the legislation.

"This great tragedy has united countries around the world to help those affected by this catastrophe," Baucus said. "I commend Congress and the President for moving quickly on this legislation. Americans will now be appropriately awarded for their generosity this year."

Ways and Means Chairman Bill Thomas (R-Calif) also offered support for the legislation.

"For Americans contributing to Tsunami relief through January 31, 2005, this legislation will enable them to accelerate the time frame for deducting these cash donations. It is a way the U.S. government can help support Americans who have given record-level contributions to this recovery effort," said Thomas.

Chairman Charles Grassley (R-Iowa) of the Senate Finance Committee said, "Taxpayers might wonder whether the organizations they're donating to qualify for charitable deductions. The IRS has a new, improved search feature to verify organizations' eligibility. It's available at [www.irs.gov](http://www.irs.gov) under Publication 78. Generally, donations to American non-profit groups, churches, mosques, and synagogues qualify, but contributions to foreign organizations don't. Thanks to the IRS' work, taxpayers should be able to determine eligible organizations without much trouble. I also continue to urge taxpayers not to give money to groups they don't recognize and haven't researched. The IRS, the Better Business Bureau Wise Giving Alliance, GuideStar, the Independent Sector, and others have resources online to guide giving. A little homework can make sure taxpayers give their money to the needy, not the greedy, and get the tax break they've earned."

In general, under present law, taxpayers may claim an income tax deduction for charitable contributions. The charitable deduction generally is available for the taxable year in which the contribution is made. For taxpayers whose taxable year is the calendar year, the tax

benefit of a charitable contribution made in January often is not realized until the following calendar year when the tax return is filed.

The Act permits taxpayers to treat charitable contributions of cash made in January 2005 for the purpose of relief of victims of the Indian Ocean tsunami as contributions made on December 31, 2004. Thus, the effect of the Act is to give taxpayers the opportunity to accelerate the tax benefit for calendar year taxpayers who make tsunami-related charitable contributions of cash in January 2005. Under the Act, such taxpayers may realize the tax benefit of such contributions by taking a deduction on their 2004 tax return.

- The Act applies only to charitable contributions of cash, whether by an individual or a corporation. Marketable securities and other property are excluded from the Act. Contributions made by credit card generally are treated as contributions of cash made at the time of the charge.
- Under the Act, taxpayers may choose whether to treat a contribution made in January 2005 as made on December 31, 2004, or as made in January of 2005. However, the deduction may be claimed only with respect to one taxable year. Taxpayers taking advantage of the Act are advised to make a notation to that effect on their 2004 tax return.
- The Act does not change any other present law rules with respect to charitable contributions. For example, the contribution must be a charitable contribution as defined in the Internal Revenue Code. Thus, the contribution must be made to an eligible organization, which, as under present law, generally does not include contributions to foreign organizations.
- The Act does not change the percentage limitations and carryover rules of present law. If a taxpayer takes advantage of the Act, the 2004 percentage limitations of a taxpayer apply to such contribution and any excess amount is treated as a carryover of a contribution made in 2004.
- Under the Act, contributions must be made for the Indian Ocean tsunami-related disaster relief. The taxpayer must substantiate that the contribution is made for such purpose. For example, a receipt from a charity acknowledging that a contribution is intended to be used for tsunami-related purposes generally would be sufficient. Other forms of substantiation could include a taxpayer making a notation on the taxpayer's check of the intended use of the contribution. However, such a notation generally would not establish that the contribution was made for tsunami relief if the donee organization was not involved in assisting victims of the disaster. Other contemporaneous evidence showing the taxpayer's intent may be used.
- Taxpayers are not permitted under the Act to allocate a portion of a contribution to more than one taxable year. Thus, taxpayers are required to treat the entire contribution as made in January 2005 or as made on December 31, 2004. A taxpayer who makes multiple contributions may treat each contribution separately. For example, a taxpayer making three separate gifts of \$100 each may treat two gifts as made on December 31, 2004, and one gift as made on the actual date of gift (in January 2005).

- The Act applies only for purposes of the income tax.

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