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IRS Announces Qualified Disaster Treatment for Haiti

Washington — The Internal Revenue Service today issued guidance that designates the earthquake in Haiti in January 2010 as a qualified disaster for federal tax purposes. The guidance allows recipients of qualified disaster relief payments to exclude those payments from income on their tax returns. Also, the guidance allows employer-sponsored private foundations to assist victims in areas affected by the January 2010 earthquake in Haiti without affecting their tax-exempt status.

Charities usually fall into one of two categories — public charities or private foundations. Under the tax law, a private foundation that is employer-sponsored may make qualified disaster relief payments to employees affected by a qualified disaster. These payments generally include amounts to cover necessary personal, family, living or funeral expenses that were not covered by insurance. They also include expenses to repair or rehabilitate personal residences or repair or replace the contents to the extent that they were not covered by insurance. Again, these payments would not be included in the individual recipient's gross income.

Qualified disasters include presidentially declared disasters and any other event that the Secretary of the Treasury determines to be catastrophic. The IRS has determined that the earthquake in Haiti that occurred this month is an event of catastrophic nature for purposes of the federal tax law.

The IRS will presume that qualified disaster relief payments made by a private foundation to employees and their family members in areas affected by the earthquake in Haiti to be consistent with the foundation's charitable purposes.