



TaxNewsFlash

United States



No. 2021-061
January 29, 2021

IRS provides recordkeeping relief; increased deduction limits for corporate cash contributions for disaster relief

The IRS today issued a release about the temporary increased limit—up to 100% of a corporation’s taxable income—for cash contributions paid by corporations for relief efforts in “qualified disaster areas.”

The IRS also announced it was offering a temporary waiver of certain recordkeeping requirements for corporations that otherwise qualify for the increased deduction limit.

As explained in today’s IRS release—[IR-2021-27](#)—the “Taxpayer Certainty and Disaster Tax Relief Act of 2020” (enacted December 27, 2020, as part of the “Consolidated Appropriations Act, 2021”) temporarily increased the limit to 100% of taxable income for contributions paid by corporations, in cash, for relief efforts in qualified disaster areas.

- Qualified contributions must be paid by the corporation during the period beginning on January 1, 2020, and ending February 25, 2021.
- Cash contributions to most charitable organizations qualify for this increased limit.
- Contributions made to a supporting organization or to establish or maintain a donor advised fund do not qualify.
- An additional substantiation requirement applies for qualified contributions. For corporations electing this increased limit, a corporation’s contemporaneous written acknowledgment must include a “disaster relief statement” stating that the contribution was used, or is to be used, by the eligible charity for relief efforts in one or more qualified disaster areas.

Today’s IRS release explains because of the timing of the new law (that is, enacted at the close of 2020), some corporations may have obtained a contemporaneous written acknowledgment that lacks the disaster relief statement. The IRS stated that it will not challenge a corporation’s deduction of any qualified contribution made before February 1, 2021, solely on the grounds that the corporation’s contemporaneous written acknowledgment does not include such a disaster relief statement.

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