

## Resource List: Temporary Tax Measures Enacted After Previous Hurricanes

**In 2005, Hurricane Katrina devastated the Gulf Coast, especially Louisiana, Mississippi and Alabama. Twenty five days after the Hurricane came ashore on the Gulf coast; President Bush signed into law the Katrina Emergency Tax Relief Act of 2005 that provided temporary tax measures that were mostly designed to assist individuals affected by the storm. The provisions included in that legislation are listed in the following table.**

<b>Katrina Emergency Tax Relief Act of 2005, Public Law 109-73</b>		
<b>Provision</b>	<b>Description</b>	<b>Relevant Sec(s)</b>
Tax-Favored Withdrawals from Retirement Plans for Relief Relating to Hurricane Katrina	Provides an exception to the 10-percent early withdrawal tax in the case of a qualified Hurricane Katrina distribution from a qualified retirement plan, a 403(b) annuity, or an IRA. Income attributable to a qualified Hurricane Katrina distribution may be included in income ratably over three years, and the amount of a qualified Hurricane Katrina distribution may be recontributed to an eligible retirement plan within three years.	sec. 101 of the Act
Recontributions of Withdrawals for Home Purchases Cancelled Due to Hurricane Katrina	In general, a distribution received from a 401(k) plan, 403(b) annuity, or IRA in order to purchase a home in the Hurricane Katrina disaster area may be recontributed to such a plan, annuity, or IRA in certain circumstances.	sec. 102 of the Act
Loans from Qualified Plans for Relief Relating to Hurricane Katrina	Provides special rules in the case of a loan from a qualified employer plan to a qualified individual made after the date of enactment and before January 1, 2007.	sec. 103 of the Act
Plan Amendments in Connection with Hurricane Katrina	Permits certain plan amendments made pursuant to the changes made by the provisions of Title I of the Act, or regulations issued thereunder, to be retroactively effective.	sec. 104 of the Act
Work Opportunity Tax Credit for Hurricane Katrina Employees	Provides that a “Hurricane Katrina employee” is treated as a member of a targeted group for purposes of the work opportunity tax credit.	sec. 201 of the Act
Employee Retention Credit for Employers Affected by Hurricane Katrina	Provides a credit of 40 percent of the qualified wages (up to a maximum of \$6000 in qualified wages per employee) paid by an eligible employer to an eligible employee.	sec. 202 of the Act
Temporary Suspension of Limitations on Charitable Contributions	In the case of an individual, the deduction for qualified contributions is allowed up to the amount by which the taxpayer’s contribution base exceeds the deduction for other charitable contributions. In the case of a corporation, the deduction for	sec. 301 of the Act

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	qualified contributions is allowed up to the amount by which the corporation's taxable income exceeds the deduction for other charitable contributions. The charitable contribution deduction up to the amount of qualified contributions paid during the year is not treated as an itemized deduction for purposes of the overall limitation on itemized deductions.	
Additional Personal Exemption for Housing Hurricane Katrina Displaced Individuals	Provides an additional exemption of \$500 for each Hurricane Katrina displaced individual of the taxpayer.	sec. 302 of the Act
Increase in Standard Mileage Rate for Charitable Use of Vehicles	Allows a taxpayer who uses a vehicle in providing donated services to charity solely for the provision of relief related to Katrina to compute the taxpayer's charitable mileage deduction using a rate equal to 70 percent of the business mileage rate in effect on the date of the contribution, rather than the charitable standard mileage rate generally in effect under section 170(i) (14 cents per mile).	sec. 303 of the Act
Mileage Reimbursements to Charitable Volunteers Excluded From Gross Income	Reimbursement by an organization described in section 170(c) to a volunteer for the costs of using a passenger automobile in providing donated services to charity solely for the provision of relief related to Katrina is excludable from the gross income of the volunteer up to an amount that does not exceed the amount that would be computed using the business standard mileage rate, provided recordkeeping requirements are satisfied.	sec. 304 of the Act
Charitable Deduction for Contributions of Food Inventory	Any taxpayer, whether or not a C corporation, engaged in a trade or business is eligible to claim the enhanced deduction for donations of food inventory.	sec. 305 of the Act and sec. 170 of the Code
Charitable Deduction for Contributions of Book Inventories to Public Schools	Extends the present-law enhanced deduction for C corporations to qualified book contributions.	sec. 306 of the Act and sec. 170 of the Code
Exclusion for Certain Cancellations of Indebtedness by Reason of Hurricane Katrina	Provides that gross income of a qualified individual does not include any amount which would otherwise be includible in gross income by reason of a discharge (in whole or in part) of nonbusiness debt if the indebtedness is discharged by an applicable entity.	sec. 401 of the Act

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Suspension of Certain Limitations on Personal Casualty Losses	Removes two limitations on personal casualty or theft losses to the extent those losses arise in the Katrina disaster area on or after August 25, 2005, and are attributable to Katrina. First, personal casualty or theft losses meeting the above requirements need not exceed \$100 per casualty or theft. Second, such losses are deductible without regard to whether aggregate net losses exceed 10 percent of a taxpayer's AGI.	sec. 402 of the Act
Required Exercise of IRS Administrative Authority	Clarifies the scope of the Secretary's authority to suspend the time period for certain acts. Adds employment and excise taxes to those items for which the Secretary may suspend filing and payment requirements for taxpayers serving in combat zones or contingency operations, as well as taxpayers affected by Presidentially declared disasters or terroristic or military actions.	sec. 403 of the Act
Special Rules for Mortgage Revenue Bonds	Waives the first-time homebuyer requirement for qualified Katrina recovery residences by treating such residences as if they were targeted area residences.	sec. 404 of the Act
Extension of Replacement Period for Nonrecognition of Gain	Extends from two to five years the replacement period in which a taxpayer may replace converted property, in the case of property in the Katrina disaster area and compulsorily or involuntarily converted on or after August 25, 2005, by reason of Hurricane Katrina.	sec. 405 of the Act
Special Look-Back Rule for Determining Earned Income Credit and Refundable Child Credit	Permits qualified individuals to elect to calculate their earned income credit and refundable child credit for the taxable year which includes August 25, 2005, using their earned income from the prior taxable year.	sec. 406 of the Act
Secretarial Authority to Make Adjustments Regarding Taxpayer and Dependency Status for Taxpayers Affected by Hurricane Katrina	Authorizes the Secretary to make such adjustments in the application of the Federal tax laws as may be necessary to ensure that taxpayers do not lose any deduction or credit or experience a change of filing status by reason of temporary relocations caused by Katrina.	sec. 407 of the Act

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One day after President Bush signed the Katrina tax relief act, Hurricane Rita came ashore along the Texas and Louisiana coast providing further devastation to that entire region. On October 24<sup>th</sup>, Hurricane Wilma came ashore on the Gulf coast of Florida and was the second costliest hurricane to devastate Florida. On December 22<sup>nd</sup>, President Bush signed the Gulf Opportunity Zone Act of 2005 to provide additional tax and economic recovery assistance to the entire Gulf coast region from these three hurricanes. The provisions included in that legislation are listed in the following table.

<b>Gulf Opportunity Zone Act of 2005, Public Law 109-135 (Katrina, Rita, &amp; Wilma)</b>		
<b>Business Provisions</b>		
<b>Provision</b>	<b>Description</b>	<b>Relevant Sec(s)</b>
Additional first-year depreciation for GO Zone property	The provision allows an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified Gulf Opportunity Zone property.	new sec. 1400N(d)
Increase in expensing for GO Zone property	The \$100,000 maximum amount that a taxpayer may elect to deduct under section 179 is increased by the lesser of \$100,000 or the cost of qualified section 179 Gulf Opportunity Zone property for the taxable year. Provides a special rule for the reduction in the \$200,000 maximum deduction for the cost of qualified section 179 Gulf Opportunity Zone property.	new sec. 1400N(e)
Expensing for certain demolition and clean-up costs	A taxpayer is permitted a deduction for 50 percent of any qualified Gulf Opportunity Zone clean-up cost paid or incurred on or after August 28, 2005, and before January 1, 2008. The remaining 50 percent is capitalized as under present law	sec. 101 of the Act and new sec. 1400N(f) of the Code
Extension and expansion of expensing for environmental remediation costs	The provision extends the present-law expensing provision for two years (through December 31, 2007) for qualified contaminated sites located in the Gulf Opportunity Zone. Petroleum products are treated as hazardous substances for purposes of applying the expensing provision within the Gulf Opportunity Zone.	sec. 101 of the Act and new sec. 1400N(g) of the Code
Five-year NOL carryback for certain amounts related to Hurricane Katrina or the Gulf Opportunity Zone	The provision provides a special five-year carryback period for NOLs to the extent of certain specified amounts related to Hurricane Katrina or the Gulf Opportunity Zone. There are also provisions for qualified casualty losses, moving expenses, temporary housing expenses, depreciation of Gulf Opportunity Zone property, repair expenses, and other rules.	sec. 101 of the Act and new sec. 1400N(k) of the Code

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Five-year NOL carryback of certain timber losses	For purposes of determining the farming loss (if any) of certain taxpayers, income and loss is treated as attributable to a farming business if such income and loss is attributable to qualified timber property any portion of which is located in the Gulf Opportunity Zone or in the Rita GO Zone, and if such income and loss is allocable to that portion of the taxpayer's taxable year at certain prescribed times.	sec. 101 of the Act and new sec. 1400N(i)(2) of the Code
Special rule for Gulf Opportunity Zone public utility casualty losses	Provides an election for taxpayers to treat any Gulf Opportunity Zone public utility casualty loss as a specified liability loss to which the present-law 10-year carryback period applies.	sec. 101 of the Act and new sec. 1400N(j) of the Code
Treatment of public utility property disaster losses	Provides an election for taxpayers who incurred casualty losses attributable to Hurricane Katrina with respect to public utility property located in the Gulf Opportunity Zone.	sec. 101 of the Act and new sec. 1400N(o) of the Code
Tax benefits not available with respect to certain property	Provisions relating to additional first-year depreciation, increased expensing under section 179, and the five-year carryback of NOLs attributable to casualty losses, depreciation, or amortization otherwise provided under new Code section 1400N do not apply for certain property.	sec. 101 of the Act and new sec. 1400N of the Code
Tax-exempt bond financing for the Gulf Opportunity Zone	Authorizes the issuance of qualified private activity bonds to finance the construction and rehabilitation of residential and nonresidential property located in the Gulf Opportunity Zone. Limited to \$2,500 multiplied by the population of the respective State within the Zone.	new sec. 1400N(a)
Advance refunding of certain tax-exempt bonds	Permits an additional advance refunding of certain governmental and qualified 501(c)(3) bonds issued by Alabama, Louisiana, Mississippi, or any political subdivision thereof.	new sec. 1400N(b)
Increase the low-income housing credit cap and make other modifications	With certain property within the Gulf Opportunity Zone, income targeting rules of the low-income housing credit are applied by replacing the area median gross income standard with a national nonmetropolitan median gross income standard. The otherwise applicable housing credit ceiling amount is increased for each of the States within the Zone. The Gulf Opportunity Zone, the Rita Go Zone, and the	new sec. 1400N(c)

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	Wilma Go Zone are treated as high-cost areas for purposes of the low income housing credit for property placed-in-service in calendar years 2006, 2007, and 2008. The additional credit cap available for States within the GO Zone for calendar years 2006, 2007 and 2008 may not be carried forward from any year to any other year. Each applicable State within the GO Zone must treat the additional credit cap allocable under the provision to that State as allocated before any other credit cap amounts.	
Increase in rehabilitation tax credit with respect to certain buildings located in the Gulf Opportunity Zone	The provision increases from 20 to 26 percent, and from 10 to 13 percent, respectively, the credit under section 47 with respect to any certified historic structure or qualified rehabilitated building located in the Gulf Opportunity Zone.	sec. 101 of the Act and new sec. 1400N(h) of the Code
Increased expensing for reforestation expenditures of small timber producers	The provision doubles, for certain taxpayers, the present-law expensing limit for reforestation expenditures paid or incurred by such taxpayers at certain prescribed times.	sec. 101 of the Act and new sec. 1400N(i)(1) of the Code
Gulf tax credit bonds	Creates a new category of tax-credit bonds that may be issued in calendar year 2006 by the States of Louisiana, Mississippi, and Alabama.	sec. 101 of the Act and new sec. 1400N(l) of the Code
Additional allocation of new markets tax credit for investments that serve the Gulf Opportunity Zone	Allows an additional allocation of the new markets tax credit in an amount equal to \$300 million for 2005 and 2006, and \$400 million for 2007, to be allocated among qualified CDEs to make qualified low-income community investments within the Gulf Opportunity Zone.	sec. 101 of the Act and new sec. 1400N(m) of the Code)
Representations regarding income eligibility for purposes of qualified residential rental project requirements	Operator of a qualified residential rental project may rely on the representations of prospective tenants displaced by reason of Hurricane Katrina for purposes of determining whether such individual satisfies income limitations for qualified residential rental projects and, thus, the project is in compliance with the 20–50 or 40–60 test.	sec. 101 of the Act and new sec. 1400N(n) of the Code



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<b>Individual Provisions</b>		
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Housing relief for individuals affected by Hurricane Katrina	Provides a temporary income exclusion for the value of in-kind lodging provided for a month to a qualified employee (and employee’s spouse or dependents) by or on behalf of a qualified employer.	sec. 103 of the Act and new sec. 1400P of the Code
Special rules for mortgage revenue bonds	Extends the waiver of the first-time homebuyer requirement provided by KETRA to financing provided through December 31, 2010.	sec. 104 of the Act and sec. 404 of the Katrina Emergency Tax Relief Act of 2005
Treasury authority to grant bonus depreciation placed-in-service date relief	Provides the Secretary with authority to further extend the placed-in-service date on a case-by-case basis, for certain property within the Gulf Opportunity Zone.	sec. 105 of the Act and sec. 168(k) of the Code
Tax-favored withdrawals from retirement plans relating to Hurricanes Rita and Wilma	Codifies and expands the relief provided under the Katrina Emergency Tax Relief Act of 2005 in the case of qualified Hurricane Katrina distributions to any “qualified hurricane distribution,” which is defined to include distributions relating to Hurricanes Rita and Wilma.	sec. 201 of the Act and new sec. 1400Q of the Code
Recontributions of withdrawals for home purchases cancelled due to Hurricanes Rita and Wilma	Codifies and expands the provision under the Katrina Emergency Tax Relief Act of 2005 allowing recontribution of certain distributions from a 401(k) plan, 403(b) annuity, or IRA to qualified Hurricane Rita and Hurricane Wilma distributions.	sec. 201 of the Act and new sec. 1400Q of the Code
Loans from qualified plans to individuals sustaining an economic loss due to Hurricane Rita or Wilma	Codifies and expands the special rules for loans from a qualified employer plan provided under the Katrina Emergency Tax Relief Act of 2005 to loans from a qualified employer plan to a qualified Hurricanes Rita or Hurricane Wilma individual made on or after the date of enactment and before January 1, 2007.	sec. 201 of the Act and new sec. 1400Q of the Code

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Plan amendments relating to Hurricane Rita and Hurricane Wilma relief	Codifies and expands the ability to make retroactive plan amendments under the Katrina Emergency Tax Relief Act of 2005 to apply to changes made pursuant to new section 1400Q of the Code, or regulations issued thereunder.	sec. 201 of the Act and new sec. 1400Q of the Code
Employee Retention Credit for Employers Affected by Hurricanes Katrina, Rita, and Wilma	Codifies the employee retention credit provisions that were enacted in the Katrina Emergency Tax Relief Act of 2005, and eliminates the provision that restricted the credit to employers of not more than 200 employees.	sec. 201 of the Act and new sec. 1400R of the Code
Temporary Suspension of Limitations on Charitable Contributions	Codifies the provisions in the Katrina Emergency Tax Relief Act of 2005, and extends the definition of qualified contributions, in the case of corporations, to include contributions for relief efforts related to Hurricanes Rita and Wilma.	sec. 201 of the Act and new sec. 1400S(a) of the Code
Suspension of Certain Limitations on Personal Casualty Losses	Codifies the Katrina Emergency Tax Relief Act of 2005 rule for Katrina casualty losses and expands it to include losses that arise in the Rita disaster area attributable to Rita and losses that arise in the Wilma disaster area attributable to Wilma.	sec. 201 of the Act and new section 1400S(b) of the Code
Required Exercise of IRS Administrative Authority	Any administrative relief from required acts (e.g., filing tax returns, paying taxes, or filing a claim for credit or refund of tax) provided to taxpayers determined to be affected by the Presidentially declared disaster relating to Hurricanes Katrina, Rita, and Wilma shall be for a period ending not earlier than February 28, 2006.	sec. 201 of the Act and new sec. 1400S(c) of the Code
Special Look-Back Rule for Determining Earned Income Credit and Refundable Child Credit	Codifies the Katrina election. Expands the rule governing Katrina elections to permit certain qualified individuals affected by Hurricane Rita and Hurricane Wilma to make similar elections.	sec. 201 of the Act and new sec. 1400S(d) of the Code
Secretarial Authority to Make Adjustments Regarding Taxpayer and Dependency Status	Codifies the Secretarial authority with respect to Katrina. Expands the Secretary's authority to make adjustments in the application of the Federal tax laws with respect to Katrina to include taxpayers affected by Rita and Wilma.	sec. 201 of the Act and new sec. 1400S(e) of the Code
Special Rules for Mortgage Revenue Bonds	Residences located in the Gulf Opportunity Zone, the Rita GO Zone, or the Wilma GO Zone are treated as targeted area residences for purposes of section 143,	sec. 201 of the Act and new sec.



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	with the modifications described below. First-time homebuyer rule is waived and purchase and income rules for targeted area residences apply to residences located in the specified areas that are financed with qualified mortgage bonds.	1400T of the Code
Gulf Coast Recovery Bonds	Expresses the sense of Congress that the Secretary designate one or more series of obligations issued under Title 31 as “Gulf Coast Recovery Bonds” in response to Hurricanes Katrina, Rita, and Wilma.	sec. 301 of the Act
Election to Treat Combat Pay as Earned Income for Purposes of the Earned Income Credit	Extends the present-law rule relating to combat pay and the earned income credit for one year (through December 31, 2006).	sec. 302 of the Act and sec. 32 of the Code
Expansion of Hope Scholarship and Lifetime Learning Credit for students in the Gulf Opportunity Zone	Temporarily expands the Hope and Lifetime Learning credits for students attending an eligible education institution in the Gulf Opportunity Zone.	sec. 102 of the Act and new sec. 1400O of the Code
Modifications of Suspension of Interest and Penalties Where IRS Fails to Contact Taxpayer	Exception for listed transactions and undisclosed reportable transactions also applies to interest accruing on or before October 3, 2004. However, taxpayers remain eligible for the present-law suspension of interest if the year in which the underpayment occurred is barred by the statute of limitations (or a closing agreement). Taxpayers may also remain eligible with respect to a transaction if the Secretary determines that the taxpayer has acted reasonably and in good faith with respect to that transaction. Taxpayers may also remain eligible for the present-law suspension of interest by participating in the IRS settlement initiative with respect to that transaction.	sec. 303 of the Act and sec. 6404(g) of the Code
Authority for Undercover Operations	Provision extends for one year the present-law authority of the IRS to use proceeds from undercover operations to pay additional expenses incurred in conducting undercover operations.	sec. 304 of the Act and sec. 7608 of the Code

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Disclosure of tax information to facilitate combined employment tax reporting	Extends for one year the present-law authority for the combined employment tax reporting program.	sec. 305 of the Act and sec. 6103(d)(5) of the Code
Disclosure of return information regarding terrorist activities	Extends for one year the present-law terrorist activity disclosure provisions.	sec. 305 of the Act and sec. 6103(i)(3) and (i)(7) of the Code
Disclosure of return information to carry out income contingent repayment of student loans	Extends for one year the present law authority to disclose return information for purposes of the income-contingent loan repayment program.	sec. 305 of the Act and sec. 6103(l)(13) of the Code