

# United States Senate

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## Senators seek tax relief for flood and tornado victims in the Midwest

WASHINGTON — Senators Chuck Grassley, Tom Harkin, Dick Durbin, Norm Coleman, Claire McCaskill, Kit Bond, Richard Lugar, Amy Klobuchar and Evan Bayh have filed an amendment to the housing legislation that's pending in the Senate. The amendment is a tax relief measure designed to help people and communities in Midwestern states hard hit this year by floods, tornados and severe storms.

The senators said the Midwestern Disaster Tax Relief bill is modeled after tax legislation that Congress passed to help victims of the tornado in Kiowa County, Kansas in 2007 and Hurricanes Katrina, Rita and Wilma in 2005. The new proposal contains provisions that would let disaster victims withdraw money from retirement plans without tax penalties, suspend limits on tax incentives for charitable contributions, create tax-exempt bond authority to help rebuild infrastructure, remove limitations on deducting casualty losses due to natural disaster, and allow additional depreciation and increased amounts for expensing property to help businesses.

“Tax relief has been important and helpful to tornado and hurricane victims in recent years, and it's just as important for people in Iowa and other Midwestern states this year who have been wiped out by flooding and tornados, including an EF5 tornado in Parkersburg, Iowa,” Grassley said. “The sooner Congress acts on this disaster tax relief, the better. People are working day and night to put their lives and their communities back together. There's so much hurt, but people are determined to get through it and rebuild. Given the enormity of the loss in Iowa, I hope Congress can find a way to act quickly to help through tax relief, along with other measures.”

“Iowans and our neighbors in the Midwest have endured a tough year with floods, tornadoes and other natural disasters,” Harkin said. “While the storms may be behind us, many families have experienced huge losses - loss of their homes, belongings and livelihoods. Communities large and small are facing the daunting task of rebuilding their entire infrastructure. Now is the time to offer relief and assistance to the people of Iowa and the Midwest.”

“As residents continue to battle the flooding back home in Illinois, I will continue to work in Washington to see that they have access to every federal recovery tool,” Durbin said. “Tax relief has proven to be extremely useful in helping people and communities get back on their feet after a major disaster. I hope Congress will act swiftly so Illinoisans will have immediate access to relief funds as soon as the President makes a disaster declaration for Illinois.”

“Missourians are in a world of hurt right now. Many of our small communities, thousands of businesses and homes, have been devastated by rising flood waters. This amendment will help to make sure that America’s heartland will have the resources they need to recover from the floods,” McCaskill said.

“Too often, Missourians are reminded of nature’s tremendous devastating power,” Bond said. “These provisions will help Missourians and other Midwestern families recover after being hard-hit by Mother Nature. It is critical that we provide our communities the resources they need to get back on their feet.”

“Disasters can take away lives; they can destroy homes; and they can wipe away roads and bridges. But in America, we won’t let them take away our spirit of community,” Klobuchar said. “At a time like this, local communities should not be expected to fend for themselves – this relief will help these communities begin to recover and rebuild from the devastating flooding in the Midwest.”

“In the last several weeks, thousands of residents in Indiana, like so many across the Midwest, have had their lives chaotically disrupted by storms, tornadoes and floods,” Bayh said. “Time is not our ally in getting resources to ravaged communities. Congress must move quickly to pass this legislation, and then we must act to appropriate additional funds, to deliver critical aid to storm victims so they can rebuild their homes, their businesses and their lives.”

Below is a summary of the amendment filed this morning. The legislation would benefit Iowa, Illinois, Missouri, Indiana, Kansas, Minnesota, Wisconsin, Michigan and Arkansas.

Summary of the provisions in the Midwestern Disaster Tax Relief amendment  
(Senate amendment 5035 to the Dodd-Shelby amendment to the housing bill)

Provisions in Senate Amendment 5035 are based on the relief provided for prior disasters.

Individual Provisions

Tax Favored Early Withdrawals - permits individuals in disaster areas to take distributions of up to \$100,000 without being subject to 10% penalty, the distributions can be taken into income over 3 years, and individuals can re-contribute the amounts within 3 years and claim refunds on any resulting tax.

Re-Contribution of Withdrawals for Home Purchases - permits individuals in disaster areas to re-contribute hardship distributions taken out to construct or purchase a home tax-free.

Loans from Qualified Plans - raises the limits on the amount individuals can take out of their qualified retirement plan in the form of a loan to \$100,000 or 100% of the individual's account balance (whichever is less) for victims with homes in the disaster areas.

Exclusion for Certain Cancellations of Indebtedness – permits victims to exclude from income cancellation of nonbusiness debts secured by property in the disaster areas.

Suspension of Personal Casualty Loss Limits - removes two limitations on personal casualty losses

Employee Retention Credit - provides a credit for employers to pay employees of businesses that were inoperable until they became operational again.

Representations regarding Income Eligibility for Qualified Residential Rental Projects - allows operators of qualified residential rental projects to rely on the representations of prospective tenants.

Expansion of Hope Scholarship and Lifetime Learning Credit - expands credits for students attending eligible institutions in the disaster areas.

Exclusion for Employer Provided Housing - provides temporary income exclusion for employer provided housing.

Special Look-Back Rule for EIC and Refundable Child Credit - permits victims to look at prior year's income for purposes of calculating EIC and child credits if income through 2005 was less than income in 2004.

Secretarial Authority to Adjust Taxpayer and Dependency Status for Taxpayers – permits IRS to adjust dependent residency requirements for certain credits.

Mortgage Revenue Bonds - waives first-time homebuyer requirement for residences in the disaster areas and raises permitted loan amount from \$15,000 to \$150,000 for homes in these areas.

### Business Provisions

Extension of Replacement Period for Nonrecognition of Gain - extends replacement period for converted property from two to five years for property in the disaster areas.

Tax-exempt bonds - creates additional tax-exempt bond authority to help rebuild infrastructure in the disaster areas.

Low Income Housing – relaxes rules for low income housing credits.

Additional Depreciation - allows additional first-year depreciation.

Expensing of Property - allows increased amounts for expensing of property.

Expensing for Demolition and Clean-up - permits 50% deduction for demolition and expenses which otherwise would have to be capitalized.

Expensing of Environmental Remediation Costs ("brownfields") - allows expensing for qualified

contaminated sites.

Increase in Rehabilitation Credit - increases credit for rehabilitation of a certified historic structure or qualified rehabilitated building.

Five-year NOL Carryback for Certain Amounts - allows for casualty losses, employee moving expenses, employee temporary housing expenses, depreciation, and certain repair expenses to be carried back five years.

Tax Credit Bonds - creates new category of tax credit bonds that may be issued in Louisiana, Mississippi and Louisiana.

New Markets Tax Credit - allows additional allocation of new markets tax credit.

Treasury Authority to Extend Bonus Depreciation - permits Treasury to grant bonus depreciation placed in service date relief on a case-by-case basis.

### Charitable Giving Incentives

Temporary Suspension of Limitations on Charitable Contributions - permits essentially unlimited charitable contributions for individuals and corporations with restriction that corporate contributions must be for relief efforts.

Additional Personal Exemption for Housing Victims - allows taxpayers who housed displaced victims for at least 60 days to claim an exemption amount of \$500 for up to for displaced individuals.

Increase in Standard Mileage Rate for Charitable Use of Vehicles - allows individuals participating in relief efforts to claim 70% of business mileage rate.

Exclusion from Income of Mileage Reimbursements for Charitable Volunteers - permits individuals to exclude tax reimbursements from charities for use of their personal cars in relief efforts.

Enhanced Deduction for Donations of Food and Book Inventory – extends the enhanced deductions that expired in 2007.