

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 8/30/01****Release No: IR-2001-75****HOLOCAUST SURVIVORS MAY EXCLUDE
CERTAIN RESTITUTION PAYMENTS FROM INCOME**

WASHINGTON – The Internal Revenue Service announced today it will implement safeguards to ensure that Holocaust victims, their heirs or estates receive the full benefit of restitution payments currently being made by European governments and industries.

The 2001 Economic Growth and Tax Relief Reconciliation Act excluded from income taxes the restitution payments received after Jan. 1, 2000. Taxpayers should not include these payments as income when filing federal tax returns.

“The victims and their families already have paid a terrible price,” said John Dalrymple, IRS Commissioner of Wage and Investment. “We are doing everything we can to make sure the recipients know that no taxes are due on the payments.”

The IRS will revise the 2001 instructions for Form 1040 and Publication 17, its main tax guide for individuals, to inform Holocaust victims or their heirs about the income exclusion. Revisions also will be made to Publication 553, which will highlight tax law changes for 2001, and Publication 525, which will define taxable and nontaxable income.

In addition, IRS employees at tax time will be on alert for this issue. Tax preparation volunteers and tax specialists also will be informed through updated training manuals.

The Conference on Jewish Material Claims Against Germany (Claims Conference) is overseeing the distribution of an estimated 60,000 restitution payments to individuals residing in the United States. Those payments are coming from a reparation fund recently established by Germany. There also are other on-going payments from countries and industries that benefited from forced labor or property confiscation during the Nazi era.

“This is an important symbolic act by the U.S. government on behalf of Holocaust survivors. While no amount of money can compensate for their suffering, survivors of Nazism should be entitled to keep the full amount paid to them,” says Rabbi Israel Miller, the Claims Conference president.

(more)

Dalrymple reiterated the IRS's commitment to educating individuals about tax issues. "The IRS is committed to helping taxpayers understand and comply with tax law. We want to reach out to taxpayers and help them. In addition to questions about Holocaust restitution payments, any taxpayer who contacts the IRS with a question should be met with a high level of customer service – the kind of service they expect and deserve."

Eligible individuals with tax-related questions about restitution payments may contact the IRS toll free at 800-829-1040 or may visit the IRS Newstand at www.irs.gov to read the tax law provision.

For specific questions about compensation and restitution payments to Holocaust victims or their heirs, contact the Claims Conference at 646-536-9100 and ask for the Services Department or visit www.claimscon.org for more information about the restitution program.

x x x

H.R.1836

Economic Growth and Tax Relief Reconciliation Act of 2001

SEC. 803. NO FEDERAL INCOME TAX ON RESTITUTION RECEIVED BY VICTIMS OF THE NAZI REGIME OR THEIR HEIRS OR ESTATES.

(a) IN GENERAL- For purposes of the Internal Revenue Code of 1986, any excludable restitution payments received by an eligible individual (or the individual's heirs or estate) and any excludable interest--

(1) shall not be included in gross income; and

(2) shall not be taken into account for purposes of applying any provision of such Code which takes into account excludable income in computing adjusted gross income, including section 86 of such Code (relating to taxation of Social Security benefits).

For purposes of such Code, the basis of any property received by an eligible individual (or the individual's heirs or estate) as part of an excludable restitution payment shall be the fair market value of such property as of the time of the receipt.

(b) ELIGIBLE INDIVIDUAL- For purposes of this section, the term 'eligible individual' means a person who was persecuted on the basis of race, religion, physical or mental disability, or sexual orientation by Nazi Germany, any other Axis regime, or any other Nazi-controlled or Nazi-allied country.

(c) EXCLUDABLE RESTITUTION PAYMENT- For purposes of this section, the term 'excludable restitution payment' means any payment or distribution to an individual (or the individual's heirs or estate) which--

(1) is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign country, the United States of America, or any other foreign or domestic entity, or a fund established by any such country or entity, any amount payable as a result of a final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property;

(2) constitutes the direct or indirect return of, or compensation or reparation for, assets stolen or hidden from, or otherwise lost to, the individual before, during, or immediately after World War II by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals by European insurance companies immediately before and during World War II; or

(3) consists of interest which is payable as part of any payment or distribution described in paragraph (1) or (2).

(d) EXCLUDABLE INTEREST- For purposes of this section, the term 'excludable interest' means any interest earned by--

(1) escrow accounts or settlement funds established pursuant to the settlement of the action entitled 'In re: Holocaust Victim Assets Litigation,' (E.D.N.Y.) C.A. No. 96-4849,

(2) funds to benefit eligible individuals or their heirs created by the International Commission on Holocaust Insurance Claims as a result of the Agreement between the Government of the United States of America and the Government of the Federal Republic of Germany concerning the Foundation 'Remembrance, Responsibility, and Future,' dated July 17, 2000, or

(3) similar funds subject to the administration of the United States courts created to provide excludable restitution payments to eligible individuals (or eligible individuals' heirs or estates).

(e) EFFECTIVE DATE-

(1) IN GENERAL- This section shall apply to any amount received on or after January 1, 2000.

(2) NO INFERENCE- Nothing in this Act shall be construed to create any inference with respect to the proper tax treatment of any amount received before January 1, 2000.