

# Tax Treatment of Lower Manhattan Grants

## Timeline

September 30, 2002 – Reps. Maloney, Elliot Engel, Jose Serrano, Gary Ackerman, Steve Israel, Ed Towns, and Greg Meeks sent a letter to U.S. Treasury Secretary Paul O'Neill and IRS Commissioner Charles O. Rossotti urging that they immediately declare the over \$1 billion in aid, tax exempt. Senators Schumer and Clinton took similar action.

October 8, 2002 – it was reported that the IRS had decided not to tax residents of lower Manhattan for recovery about \$281 million in grants, but had yet to make a decision on the small business grants of approximately \$772 million. Later it is discovered that the IRS could not guarantee that all individuals would be exempt from taxation.

October 10, 2002 – Maloney introduces legislation to protect lower Manhattan businesses and residents from having to pay any taxes on 9/11 recovery assistance (HR 5624 - the "September 11th Assistance Tax Clarification Act" has 15 cosponsors).

November 7, 2002 – the IRS decides to tax 9/11 recovery grants for small businesses in lower-Manhattan and is ambiguous about the taxation of individuals.

April 3, 2003 – Maloney re-introduces legislation, now HR 1620 with 9 cosponsors.

September 9, 2003 – Maloney amendment to Transportation-Treasury Appropriation:

- bars any funds from being used to collect tax liability on the grants for personal or business property damaged Sept 11.
- This amendment would only limit IRS's ability to collect the taxes for one year so it is largely symbolic. Next year grant recipients would still owe the money so Congress would have to bar the use of funds for collection of these taxes again or the recipients would have to pay the taxes.