Katrina Emergeny Tax Relief Act HR 3768

- Signed into law on Friday
- Provides a number of benefits to taxpayers directly in the Katrina area
- But also provides some that can impact taxpayers outside the area

Katrina Emergeny Tax Relief Act HR 3768

- Benefits of General Application
  - Katrina Employees eligible for Work Opportunity Credit
    - 40% of wages paid in the first year to each employee, limited to first $6,000 of wages (§51(a),(b))
    - Applies nationwide for hires from August 28 to December 31, 2005 (in disaster area is available for a full two year period) (Act §201(a))
    - "Reasonable identification" will be allowed to substitute for certification otherwise required under §51(d)(12) (Act §201(c))

Katrina Emergeny Tax Relief Act HR 3768

- Benefits of General Application
  - Katrina Employees eligible for Work Opportunity Credit
    - Hurricane Katrina Employee is someone who had a principal place of abode in the core disaster area on August 28, 2005 and is hired during the appropriate period (depending on whether hired in the disaster area or outside it)
  - Charitable contribution limits raised (Act §301)
    - Individuals—no 50% limit or AGI phase out on qualified contributions

Katrina Emergeny Tax Relief Act HR 3768

- Benefits of General Application
  - Charitable contribution limits raised
    - Corporations—no 10% limit on qualified contributions
    - Qualified contributions
      - Paid in cash between August 25, 2005 and December 31, 2005 (Act §301(d)(1)(A))
      - For a corporation only must be paid towards Katrinia relief effort (Act §301(d)(1)(B))
      - Taxpayer elects to make use of this provision
      - Does not include payments to certain segregated funds or accounts if taxpayer retains direct or indirect control (Act §301(d)(2))

Katrina Emergeny Tax Relief Act HR 3768

- Benefits of General Application
  - Charitable contribution limits raised
    - Elections made separately for members of partnerships and S corporations (Act §301(d)(3))
  - Charitable mileage raised from 14¢ a mile to 70% of standard business rate for mileage after August 25, 2005 through December 31, 2005 rounded to next highest cent (34¢ is what I compute)
  - Special rules for donations of food and books

Katrina Emergeny Tax Relief Act HR 3768

- Victims Directed Provisions
  - If have clients in affected area, study the bill
  - Liberalized qualified plan loan and distribution rules
  - Spread of period of inclusion in tax for distributions related to Katrina economic loss
  - 3 year period to repay up to $100,000 of distributions
  - Extended casualty loss replacement period
  - Removal of $100 floor and 10% AGI limit on casualty loss
  - Remember, these only apply in limited cases