

109TH CONGRESS
1ST SESSION

H. R. 1134

To amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments.

IN THE HOUSE OF REPRESENTATIVES

MARCH 7, 2005

Mr. FOLEY (for himself, Mr. JINDAL, Mr. PORTMAN, Mr. JEFFERSON, Mr. McCREERY, Mr. GALLEGLY, Mr. ISTOOK, Mr. COLE of Oklahoma, Ms. ESHOO, Mr. FITZPATRICK of Pennsylvania, Mr. LUCAS, Mr. SHAW, Mr. CARDIN, Mr. BECERRA, Mrs. JOHNSON of Connecticut, Mr. HERGER, Mr. CAMP, Mr. POMEROY, Mr. NUSSLE, Mr. ENGLISH of Pennsylvania, Mr. THOMPSON of California, Mr. HULSHOF, Mr. LEWIS of Kentucky, Mr. BRADY of Texas, Mr. CANTOR, Ms. HART, Mr. CHOCOLA, Mrs. CHRISTENSEN, Mr. FEENEY, Mr. MILLER of North Carolina, Mr. STRICKLAND, Ms. HARRIS, Mr. MILLER of Florida, Mr. WILSON of South Carolina, Ms. BORDALLO, Mr. SULLIVAN, Mr. MEEK of Florida, Mr. BILIRAKIS, Mr. BOUSTANY, Mr. GENE GREEN of Texas, Mr. RYUN of Kansas, Mr. BOUCHER, Mrs. JO ANN DAVIS of Virginia, Mr. ROGERS of Kentucky, Mr. ETHERIDGE, Ms. WATSON, Mrs. MYRICK, Mr. KUHL of New York, Mr. RUPPERSBERGER, Mr. SMITH of New Jersey, Mr. BARTLETT of Maryland, Mr. KENNEDY of Minnesota, Mr. SOUDER, Mr. BACHUS, Mr. GILLMOR, Mr. MELANCON, Mr. TIAHRT, Mr. FORD, Mr. BISHOP of Georgia, Mr. RENZI, Mr. REICHERT, Mr. BUTTERFIELD, Mr. ALEXANDER, Mr. WEXLER, Mr. PRICE of North Carolina, Mr. McCAUL of Texas, Mr. WELDON of Florida, Ms. ROS-LEHTINEN, Mr. LINCOLN DIAZ-BALART of Florida, Mr. MARIO DIAZ-BALART of Florida, Mr. CALVERT, Mr. LANTOS, Mr. CULBERSON, Mrs. NAPOLITANO, Mrs. CAPITO, Mr. BLUMENAUER, Mr. SHUSTER, Mr. CRENSHAW, and Mr. MACK) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide

for the proper tax treatment of certain disaster mitigation payments.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PROPER TAX TREATMENT OF CERTAIN DIS-**
 4 **ASTER MITIGATION PAYMENTS.**

5 (a) **QUALIFIED DISASTER MITIGATION PAYMENTS**
 6 **EXCLUDED FROM GROSS INCOME.—**

7 (1) **IN GENERAL.—**Section 139 of the Internal
 8 Revenue Code of 1986 (relating to disaster relief
 9 payments) is amended by adding at the end the fol-
 10 lowing new subsections:

11 “(g) **QUALIFIED DISASTER MITIGATION PAY-**
 12 **MENTS.—**

13 “(1) **IN GENERAL.—**Gross income shall not in-
 14 clude any amount received as a qualified disaster
 15 mitigation payment.

16 “(2) **QUALIFIED DISASTER MITIGATION PAY-**
 17 **MENT DEFINED.—**For purposes of this section, the
 18 term ‘qualified disaster mitigation payment’ means
 19 any amount which is paid pursuant to the Robert T.
 20 Stafford Disaster Relief and Emergency Assistance
 21 Act (as in effect on the date of the enactment of this
 22 subsection) or the National Flood Insurance Act (as
 23 in effect on such date) to or for the benefit of the
 24 owner of any property for hazard mitigation with re-

1 spect to such property. Such term shall not include
2 any amount received for the sale or disposition of
3 any property.

4 “(3) NO INCREASE IN BASIS.—Notwithstanding
5 any other provision of this subtitle, no increase in
6 the basis or adjusted basis of any property shall re-
7 sult from any amount excluded under this subsection
8 with respect to such property.

9 “(h) DENIAL OF DOUBLE BENEFIT.—Notwith-
10 standing any other provision of this subtitle, no deduction
11 or credit shall be allowed (to the person for whose benefit
12 a qualified disaster relief payment or qualified disaster
13 mitigation payment is made) for, or by reason of, any ex-
14 penditure to the extent of the amount excluded under this
15 section with respect to such expenditure.”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Subsection (d) of section 139 of such
18 Code is amended by striking “a qualified dis-
19 aster relief payment” and inserting “qualified
20 disaster relief payments and qualified disaster
21 mitigation payments”.

22 (B) Subsection (e) of section 139 of such
23 Code is amended by striking “and (f)” and in-
24 serting “, (f), and (g)”.

1 (b) CERTAIN DISPOSITIONS OF PROPERTY UNDER
2 HAZARD MITIGATION PROGRAMS TREATED AS INVOLUN-
3 TARY CONVERSIONS.—Section 1033 of such Code (relat-
4 ing to involuntary conversions) is amended by redesi-
5 gnating subsection (k) as subsection (l) and by inserting
6 after subsection (j) the following new subsection:

7 “(k) SALES OR EXCHANGES UNDER CERTAIN HAZ-
8 ARD MITIGATION PROGRAMS.—For purposes of this sub-
9 title, if property is sold or otherwise transferred to the
10 Federal Government, a State or local government, or an
11 Indian tribal government to implement hazard mitigation
12 under the Robert T. Stafford Disaster Relief and Emer-
13 gency Assistance Act (as in effect on the date of the enact-
14 ment of this subsection) or the National Flood Insurance
15 Act (as in effect on such date), such sale or transfer shall
16 be treated as an involuntary conversion to which this sec-
17 tion applies.”.

18 (c) EFFECTIVE DATE.—

19 (1) QUALIFIED DISASTER MITIGATION PAY-
20 MENTS.—The amendments made by subsection (a)
21 shall apply to amounts received after the date of the
22 enactment of this Act.

23 (2) DISPOSITIONS OF PROPERTY UNDER HAZ-
24 ARD MITIGATION PROGRAMS.—The amendments
25 made by subsection (b) shall apply to sales or other

1 dispositions after the date of the enactment of this
2 Act.

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