

Taylor, Melancon, Cazayoux Announce GO Zone Waiver, Road Home Tax Fix Passes Committee

WASHINGTON - A measure to eliminate a legal technicality that threatened hurricane recovery in Mississippi and Louisiana has today passed the House Committee on Ways and Means.

GO Zone Start-Construction
Deadline Waiver, Road Home Tax Fix Included in Broader Tax Bill

WASHINGTON - A measure to eliminate a legal technicality that threatened hurricane recovery in Mississippi and Louisiana has today passed the House Committee on Ways and Means. The Energy and Tax Extenders Act of 2008 also contains a provision to allow grant recipients who deducted their loss after Hurricanes Katrina and Rita to amend previous tax returns to ensure that the grants will not be considered taxable income.

"I am grateful to Chairman Rangel and the Ways and Means Committee for allowing these common sense measures to be part of the Energy and Tax Extenders Act," said Rep. Taylor. "Projects have been delayed while businesses waited for water, sewer, streets, seawalls and other public infrastructure to be restored. It is unfair that businesses that are not yet able to begin construction would be exempt from receiving this deduction. I am certain that these measures will help stimulate the recovery of the Gulf Coast."

"Louisianians who are still struggling to rebuild their homes need a helping hand, not another tax bill from the government," said Rep. Melancon. "By making sure no one is stuck paying taxes on their Road Home grant, this bill will right a wrong that is both unfair and yet another roadblock to our full recovery. I sincerely thank Chairman Rangel for listening to us in the Gulf Coast delegation who have been sounding the alarm about the Road Home tax problem, and then responding with both compassion and common sense."

"There is no reason that people who deducted their loss after the hurricanes should be punished by being forced to pay taxes on their Road Home grant," said Rep. Cazayoux.

"We need to encourage rebuilding after the hurricanes, not make it more difficult. These measures will allow people to rebuild without having to overcome unnecessary hurdles."

The Gulf Opportunity (GO) Zone Act of 2005 allows a bonus depreciation tax deduction for property placed in service before Dec. 31, 2010

in the five Mississippi counties and seven Louisiana parishes that suffered the most damage from the hurricanes. However, in 2006 when Congress extended the deadline for finishing construction projects, it did not extend the Dec. 31, 2007 deadline to begin construction. Because of this, only projects that broke ground by the end of 2007 are eligible for the bonus tax deduction.

The bill would eliminate the deadline to begin construction to qualify for the bonus depreciation deduction of the GO Zone Act. This would apply the same language to the GO Zone Act as the language in the New York Liberty Zone Act, which allowed businesses and employees in the area damaged by the 9/11 terrorist attacks to be eligible for a tax deduction. The Liberty Zone had no deadline to begin construction, only a deadline to place property in service.

The bill also would allow grant recipients in Mississippi and Louisiana who previously deducted their loss after the 2005 hurricanes from their taxes to be able to amend previous returns, rather than be forced to count the grant as current taxable income. By law, a grant recipient who did not deduct their loss cannot have their grant taxed as income. This measure would ensure that no grant recipients would be forced to count the grant as taxable income.

The Senate's version of this bill, the Alternative Minimum Tax and Extenders Tax Relief Act of 2008, has been referred to the Senate Committee on Finance. The Senate had previously approved both recovery measures as part of its version of the Foreclosure Prevention Act of 2008, but the Senate and House have not yet reached an agreement on the bill.

Facts about the Go Zone Act of 2005:

The GO Zone Act of 2005 allowed a first-year 50 percent depreciation tax deduction for property placed in service in the Katrina and Rita disaster area by Dec. 31, 2007.

The placed-in-service deadline for nonresidential real property and residential rental property was Dec. 31, 2008. Construction projects had to begin by Dec. 31, 2007 to qualify for the deduction.

The Tax Relief and Health Care Act enacted in December 2006 extended the place-in-service deadline for the GO Zone bonus depreciation deduction in counties and parishes that had damage to 60 percent or more of their housing units.

Property must be placed in service by Dec. 31, 2010 to qualify for the deduction, but the deduction will be based on the construction completed at the end of 2009.

The 2006 act did not extend the deadline for construction to begin, so only those projects that broke ground before the end of 2007 currently are eligible for the deduction.

The five counties of Mississippi and seven parishes of Louisiana where the GO Zone bonus depreciation deduction was extended:

Mississippi: Hancock, Harrison, Jackson, Pearl River, Stone

Louisiana: Calcasieu, Cameron, Orleans, Plaquemines, St. Bernard, St. Tammany, Washington