

## GO Zone Waiver, Homeowner Assistance Grant Tax Fix Pass House in Foreclosure Bill

WASHINGTON - A measure to eliminate a legal technicality that threatened hurricane recovery in Mississippi and Louisiana passed the House of Representatives today by a vote of 272 to 152. H.R. 3221, the American Housing Rescue and Foreclosure Prevention 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 thankful that these provisions were included in this important legislation to ensure that these roadblocks are finally eliminated for so many on the Gulf Coast trying to rebound from Hurricanes Katrina and Rita," said Rep. Taylor. "This will eliminate two unfair technicalities that have slowed recovery efforts for some people who are struggling to rebuild. I want to thank the House leadership as they return from their trip to the Gulf Coast for continuing to support recovery from the 2005 hurricanes."

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 eliminates the deadline to begin construction to qualify for the bonus depreciation deduction of the GO Zone Act. This applies 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 language in the provision to eliminate the GO Zone start-construction deadline is identical to the text of H.R. 5612, which was introduced by Rep. Taylor in March.

The bill also allows 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.

In May, the House passed the provision as part of the Renewable Energy and Job Creation Act of 2008, but the Senate has not yet voted on their version of the legislation. The Senate also previously passed the provision as part of their version of the Foreclosure Prevention Act of 2008.

The Senate is expected to vote on the bill in the next few days.

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

###

