

IRS News Release

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Hurricane Grant Guidelines Now Available

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WASHINGTON — The Internal Revenue Service today released a notice, designed to help eligible homeowners who received federal reimbursement grants stemming from Hurricanes Katrina, Rita or Wilma, take advantage of a new tax provision.

Notice 2008-95 provides guidelines to homeowners who received these grants, including the Louisiana Road Home Grants and the Mississippi Development Authority Hurricane Katrina Homeowner Grants.

The Housing and Economic Recovery Act, enacted this summer, included the new provision, aimed at helping grant recipients who previously claimed hurricane-related disaster-loss deductions on their main home. The new law gives affected homeowners the option of adjusting previously claimed deductions by treating their federal reimbursement grants as reimbursement for the losses they suffered on their main home from Hurricanes Katrina, Rita or Wilma.

Before this change, homeowners who claimed casualty loss deductions and received grants in a later tax year as reimbursement for the loss were required by law to pay tax on part or all of the grant to compensate for the tax benefit of the prior deduction. While individual circumstances varied, this meant that some taxpayers ended up paying more tax on the grant than they saved by claiming the deduction.

The notice explains how eligible taxpayers can amend prior-year returns to reduce the casualty loss deduction by the amount of the grant, and explains that taxpayers have one year to pay back any resulting tax due, penalty-free and interest-free. To qualify for this relief, these amended returns must be filed by July 30, 2009, and the entire resulting tax due paid by July 30, 2010, in most cases. The notice also provides special instructions for those taxpayers who have already filed an amended return.

Taxpayers should write the words, "Hurricane Grant Relief" in dark, bold letters at the top of their amended return, [Form 1040X](#), and mail it to: Internal Revenue Service Center, Austin, TX 73301-0255. Amended returns cannot be filed electronically.

The IRS cautioned that, although filing an amended return may be a good option for many, it won't necessarily be the right choice for everyone. The agency urges affected taxpayers and their representatives to consider carefully which option is best under their particular circumstances.