

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

IRS Announces Qualified Disaster Treatment for Japan

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Washington – The Internal Revenue Service today issued guidance that designates the earthquake and tsunami in Japan in March 2011 as a qualified disaster for federal tax purposes. This guidance affects recipients of disaster relief payments as well as employer-sponsored private foundations.

The guidance allows recipients of qualified disaster relief payments to exclude those payments from income on their tax returns. Also, the guidance allows employer-sponsored private foundations to assist employee victims in areas affected by the March 2011 earthquake and tsunami in Japan without affecting their tax-exempt status.

Charities usually fall into one of two categories – public charities or private foundations. Under the tax law, a private foundation that is employer-sponsored may make qualified disaster relief payments to employees affected by a qualified disaster. These payments generally include amounts to cover necessary personal, family, living or funeral expenses that were not covered by insurance. They also include expenses to repair or rehabilitate personal residences or repair or replace the contents to the extent that they were not covered by insurance. Again, these payments would not be included in the individual recipient's gross income.

Qualified disasters include Presidentially declared disasters, as well as other catastrophic events. Because of its catastrophic nature, the IRS has determined that the earthquake and tsunami in Japan that occurred last month is a qualified disaster for purposes of the federal tax law. The IRS has made similar determinations regarding prior international disasters, such as the Haitian earthquake in 2010 and the Indian Ocean tsunami in 2004.

The IRS will presume that qualified disaster relief payments made by an employer-sponsored private foundation to employees and their family members in areas affected by the earthquake and tsunami in Japan are consistent with the foundation's charitable purposes.

Today's guidance does not affect individuals interested in contributing to victims of the Japan earthquake and tsunami. The IRS reminds taxpayers that there are some simple steps they can take to ensure that their contributions go to charities eligible to receive tax-deductible contributions. [More information](#) is available at www.irs.gov