

The Gulf Oil Spill and Your Taxes

Information and Help for Individuals and Businesses

From the Internal Revenue Service

“We encourage anyone who has an issue with the IRS to contact us and explain their hardship, and we will work with them to find a solution. We’ll do everything we can under current law to help taxpayers.”

IRS Commissioner Doug Shulman

Current law: BP payments for lost income are taxable in the same way the wages or business income these payments are replacing would have been. The law treats compensation for lost wages or income differently for tax purposes than compensation for physical injuries or property loss, which generally are nontaxable.

Every person can have unique financial circumstances: The IRS encourages taxpayers to review their tax situation or talk with their tax preparer about the implications of payments or compensation from the oil spill.

www.IRS.gov: Information is available in a question-and-answer format on a special section of the IRS website. Type *Gulf Oil Spill* in the search box to locate the information center. The IRS is closely monitoring the situation in the Gulf, and additional information will be added to IRS.gov as it becomes available.

Contact the IRS:

- Special services toll-free phone line – 866-562-5227 (7 a.m. to 10 p.m. local time)
- Face-to-face help – Check local directories or visit **www.IRS.gov**, search *Local Office* for Taxpayer Assistance Centers nationwide

More help:

- Assistance of the Taxpayer Advocate Service for those taxpayers experiencing economic harm, who are seeking help resolving tax problems that have not been resolved through normal channels. Check local listings or call 877-777-4778.
- Postponement of collection actions in certain hardship cases.
- Added flexibility for missed payments on installment agreements and offers in compromise for previously compliant individuals having difficulty paying. IRS employees will be permitted to consider a taxpayer’s current income and potential for future income when negotiating an offer in compromise.
- Accelerated levy releases for taxpayers facing economic hardship.

Other resources:

- www.DisasterAssistance.gov
- IRS Publication 547: Casualties, Disasters and Thefts
- IRS Publication 584: Casualty, Disaster and Theft Loss Workbook

