



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

June 2, 2010

Number: **2010-0165**
Release Date: 9/24/2010

CONEX-120525-10

UIL: 165.04-00

The Honorable Mark Warner
United States Senator
180 West Main Street
Abingdon, VA 24210

Attention:

Dear Senator Warner:

I apologize for the delay in responding to your letter dated April 16, 2010, on behalf of your constituent, . asked for an update of our position on the federal income tax treatment of amounts paid to repair damage to personal residences resulting from corrosive drywall building materials.

We recognize that this issue has a significant impact on and family, as well as many others in . We are continuing to evaluate the interim guidance that the Consumer Product Safety Commission released, as well as other, more recently released, information from that agency. We are also evaluating the multi-district litigation proceeding in the U.S. District Court, Eastern District of Louisiana as we determine if this damage qualifies as a casualty loss under section 165 of the Internal Revenue Code. We are doing this as quickly as we can under the circumstances. We are also consulting with the Treasury Department's Office of Tax Policy to determine if we should publish guidance to address and resolve tax questions surrounding this issue.

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I appreciate your continued attention to this issue. If you have any questions, please contact _____ or me at _____.

Sincerely,

Christopher F. Kane
Branch Chief, Branch 3
(Income Tax and Accounting)

Enclosure: Copy of Letter