

Public Law 109-7
109th Congress

An Act

To amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments.

Apr. 15, 2005
[H.R. 1134]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PROPER TAX TREATMENT OF CERTAIN DISASTER MITIGATION PAYMENTS.

(a) **QUALIFIED DISASTER MITIGATION PAYMENTS EXCLUDED FROM GROSS INCOME.**—

(1) **IN GENERAL.**—Section 139 of the Internal Revenue Code of 1986 (relating to disaster relief payments) is amended by adding at the end the following new subsections:

26 USC 139.

“(g) **QUALIFIED DISASTER MITIGATION PAYMENTS.**—

“(1) **IN GENERAL.**—Gross income shall not include any amount received as a qualified disaster mitigation payment.

“(2) **QUALIFIED DISASTER MITIGATION PAYMENT DEFINED.**—For purposes of this section, the term ‘qualified disaster mitigation payment’ means any amount which is paid pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date) to or for the benefit of the owner of any property for hazard mitigation with respect to such property. Such term shall not include any amount received for the sale or disposition of any property.

“(3) **NO INCREASE IN BASIS.**—Notwithstanding any other provision of this subtitle, no increase in the basis or adjusted basis of any property shall result from any amount excluded under this subsection with respect to such property.

“(h) **DENIAL OF DOUBLE BENEFIT.**—Notwithstanding any other provision of this subtitle, no deduction or credit shall be allowed (to the person for whose benefit a qualified disaster relief payment or qualified disaster mitigation payment is made) for, or by reason of, any expenditure to the extent of the amount excluded under this section with respect to such expenditure.”.

(2) **CONFORMING AMENDMENTS.**—

(A) Subsection (d) of section 139 of such Code is amended by striking “a qualified disaster relief payment” and inserting “qualified disaster relief payments and qualified disaster mitigation payments”.

(B) Subsection (e) of section 139 of such Code is amended by striking “and (f)” and inserting “, (f), and (g)”.

(b) CERTAIN DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS TREATED AS INVOLUNTARY CONVERSIONS.—Section 1033 of such Code (relating to involuntary conversions) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) SALES OR EXCHANGES UNDER CERTAIN HAZARD MITIGATION PROGRAMS.—For purposes of this subtitle, if property is sold or otherwise transferred to the Federal Government, a State or local government, or an Indian tribal government to implement hazard mitigation under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date), such sale or transfer shall be treated as an involuntary conversion to which this section applies.”.

(c) EFFECTIVE DATE.—

26 USC 139 note.

(1) QUALIFIED DISASTER MITIGATION PAYMENTS.—The amendments made by subsection (a) shall apply to amounts received before, on, or after the date of the enactment of this Act.

26 USC 1033 note.

(2) DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS.—The amendments made by subsection (b) shall apply to sales or other dispositions before, on, or after the date of the enactment of this Act.

Approved April 15, 2005.

LEGISLATIVE HISTORY—H.R. 1134:

CONGRESSIONAL RECORD, Vol. 151 (2005):

Mar. 14, considered and passed House.

Apr. 13, considered and passed Senate, amended.

Apr. 14, House concurred in Senate amendment.

