

Summary of the Disaster Tax Relief Act of 2019

This bill includes the following tax relief provisions for individuals and businesses affected by federally declared disasters that occurred between January 1, 2019 and April 15, 2019, including flooding in Nebraska and Iowa and tornadoes in Alabama:

Special disaster-related rules for use of retirement funds

Qualified individuals may make early withdrawals from retirement accounts to help with expenses as they seek to rebuild their lives without incurring a 10-percent early withdrawal penalty. Withdrawals must be taken within six months after the bill's enactment date. If people wish to put the money back into their retirement plans, they have a three-year period to do so. To the extent any amount withdrawn is required to be included in income, the amount can be spread ratably over a three-year period.

Individuals who withdrew money from a retirement plan in order to purchase or construct a home in a disaster area, but did not do so because of a disaster, may contribute the withdrawn amount back into their retirement plan within six months after the bill's enactment date.

The limit on the amount of a loan from a retirement plan to a qualified individual that will not be treated as a distribution is increased from \$50,000 to \$100,000 for loans made within six months after the bill's enactment date. The repayment date for loans to qualified individuals is delayed for one year if certain requirements are met.

Employee retention credits for employers affected by qualified disasters

In general, eligible employers may deduct 40% of an eligible employee's qualifying wages (capped at \$6,000 per employee) paid after the employer's business becomes inoperable because of a qualified disaster and before it resumes significant operations. For this purpose, qualified wages include those paid to eligible employees regardless of whether the employees perform any services, perform them at a different location, or perform them at their regular location but before significant operations have resumed.

Temporary increase in the limitation on qualified charitable contributions

Current tax law provides limitations on the ability of taxpayers to claim itemized deductions for the full value of their charitable contributions. Qualified contributions would be disregarded in applying those limitations. Generally, qualified contributions are those that are paid in cash in 2019 to charitable organizations for relief efforts in qualified disaster areas.

Tax deduction for qualified disaster-related personal casualty losses

Subject to certain limitations, a taxpayer may generally claim an itemized deduction for losses sustained during the year, not compensated by insurance or otherwise, attributable to a federally declared disaster. This includes personal casualty losses arising from fire, storms, etc. A

qualified disaster-related personal casualty loss includes those personal casualty losses arising in a qualified disaster area (generally, an area in which a disaster struck between January 1, 2019, and April 15, 2019). Such losses, net of any related gains, may be claimed as an itemized deduction without regard to the generally applicable limitations on itemized deductions for personal casualty losses. Alternatively, for non-itemizers, such losses, net of any related gains, may be claimed in addition to the standard deduction.

Determination of earned income

Generally, qualified individuals whose principal residence is in a qualified disaster area may elect to calculate their child tax credit and earned income tax credit using their earned income amount for the year preceding the year when the qualified disaster occurred. This election is available to taxpayers whose earned income in the year in which the disaster struck is less than their earned income for the preceding year.