

Rebuilding after the flood

TAX CONSEQUENCES

Disaster Relief Payments

Taxpayers who are the victims of a disaster may **exclude from gross income** qualified disaster relief payments received.

Qualified disaster relief payments include payments

- ◆ to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster;
- ◆ to reimburse or pay reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence or for the repair, rehabilitation, or replacement of its contents to the extent attributable to a qualified disaster;
- ◆ if such amount is paid by a federal, state, or local government in connection with a qualified disaster to promote the general welfare.

Taxpayers in a federally declared disaster area who receive grants from state programs, charitable organizations, or employers to cover medical, transportation, or temporary housing expenses may exclude these grants from gross income.

Note: any expense compensated for by insurance or otherwise is not a qualified disaster payment. Also, any payments in the nature of income replacement, such as payments to individuals of lost wages, unemployment compensation, or payments in the nature of business income replacement are not considered qualified disaster relief payments.

We are here to help. If you have questions about how this may affect you, contact your Hannis T. Bourgeois advisor for assistance.