Hurricane Tax Relief Bill
(S. 1892)

Introduced by Senator Cruz, co-sponsored by Senators Cornyn and Rubio, and signed into law on September 29, 2017, as part of the “Disaster Tax Relief and Airport and Airway Extension Act of 2017,” the bill provides immediate relief to survivors in federally declared disaster areas from Hurricanes Harvey, Irma, and Maria.

Overall, the bill would provide over $5 billion in hurricane tax relief.

Summary of Provisions:

- **The Hurricane Tax Relief bill allows individuals living in any of the areas impacted by hurricanes Harvey, Irma, and Maria to make an early withdrawal from their retirement accounts without penalty to cover costs of damages resulting from the hurricanes.**
    - The 10% penalty for an early retirement account withdrawal is waived for individuals.
    - Retirement account withdrawals for Hurricane Harvey must be made on or after August 23, 2017 and before January 1, 2019.
    - Retirement plans eligible for the early withdrawal waiver under the bill include:
        - individual retirement accounts;
        - individual retirement annuities (other than an endowment contract);
        - qualified trusts;
        - employee annuities;
        - 403(a) annuity plans offered by an employer;
        - deferred compensation plans under section 457(b);
        - 403(b) annuity contracts – retirement plan for specific employees of public schools, tax-exempt organizations and certain ministers.

- **The bill encourages charitable giving to those impacted by hurricanes Harvey, Irma and Maria by suspending the limit on the deduction for contributions to charitable organizations.**
    - Contributions must be to organizations that provide relief efforts in federally declared hurricane disaster areas.
    - Contributions must be made before December 31, 2017.
    - Individuals can contribute as much as their AGI, less any other charitable contributions.
    - Corporations can contribute as much as their taxable income, less any other charitable contributions.

- **The bill provides a tax credit for 40% of wages paid by businesses who were forced to close their doors due to hurricane damage.**
    - Employers may receive up to 40 percent of qualified wages per employee. The credit may not exceed $6,000 per employee.
    - Employers must have continued regular payments to its employees in the aftermath of the storm.

- **The bill eliminates the law that states personal casualty losses must exceed 10% of Adjusted Gross Income (AGI) to qualify for the personal casualty loss deduction.**
    - It only applies to uncompensated casualty losses and does not allow a deduction for losses reimbursable by insurance or other means.
    - Taxpayers don't have to itemize their tax return to claim the deduction. Only 30% of income earners file an itemized return, and without this provision the majority of taxpayers affected by this year's hurricanes would be unable to benefit from the deduction.

- **The bill allows taxpayers to refer to earned income from the immediately preceding year to claim the Earned Income Tax Credit and Child Tax Credit.**
    - Under current tax law, middle- and low-income taxpayers claiming a standard deduction may benefit from the earned income tax credit and the child tax credit based on their earned income for the filing year.
    - The bill allows taxpayers to calculate these credits based on their earned income from the previous year if they choose.
    - Many individuals were not able to work during these Hurricanes and as a result may have a lower income for taxable year 2017.