

U.S. Senate Committee on Finance

MEMORANDUM

To: Reporters and Editors
Re: House-Senate agreement on short-term Katrina tax relief bill
Da: Tuesday, Sept. 20, 2005

Today Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, met with Rep. Bill Thomas, chairman of the House Ways and Means Committee, and Rep. Charles Rangel, ranking member. They reached an agreement on a short-term Hurricane Katrina relief bill.

Senator Grassley comment:

“Tax relief was valuable for families and businesses directly hit by 9-11. It’s sure to be key in helping individuals and communities recover from Hurricane Katrina. Our emergency tax relief bill focuses on food, shelter and jobs. It also protects Katrina victims from any undeserved IRS hits and simplifies tax relief for low-income individuals and families. Our longer term Katrina tax relief bill will help rejuvenate the region. We also need to make sure the national economy stays strong in light of high energy prices and other uncertainties. Also, with many of the charitable provisions in the tax bill, our goal is to encourage charitable giving outside of Katrina relief to prevent the rest of the nation’s charities from seeing a downturn in giving as they did after Sept. 11. I hope we’ll have this bill on the President’s desk as soon as possible.”

Senator Baucus comment:

“After traveling down to the Gulf Coast region last week, I saw firsthand the extensive damage wreaked by Hurricane Katrina. I am pleased we were able to forge a deal that will send immediate tax relief to the victims. Now that this initial tax relief has been agreed on, we need to quickly act on the health package as well. In the coming weeks, I plan on working with my colleagues to draft legislation that will rebuild homes and businesses, pump money into local economies and help the working poor.”

Here are the elements of the changes in the House and Senate bill agreed upon today:

The \$500 personal exemption for housing Katrina evacuees will not be available to family members (as in the House bill)

On the Work Opportunity Tax Credit: The provision will follow the House bill on the following issues (1) certification will not be required, (2) the credit will be available to employers who hire someone who was unemployed before Katrina. The Senate requirement that the individual must have lost his/her job because of Katrina is being dropped.

The WOTC credit will be available to employers who hire people within the core disaster area for 2 years (as in the House and Senate bills). It will be available to employers who hire someone outside the disaster area through the end of the 2005 calendar year.

Food donations: Current law treatment C corporation treatment will be extended to pass-through entities, including sole proprietors. The provision applies to food donations made anywhere in the country. It expires at the end of the 2005 calendar year. No inflated adjustment in the value.

Book donations: Current law treatment will be extended to educational books donated to school districts anywhere in the country. Agreement uses the Senate language for an “educational book.” It expires at the end of the 2005 calendar year. No inflated adjustment in the value.

The retention credit will be available to employers in the disaster area who have fewer than 200 employees (uses the same definition as the 9/11 bill for the WOTC credit). It expires at the end of the 2005 calendar year. It will be revisited in the future.