

Congress: FEMA Disaster Payments are not Taxable

March 15, 2005 Washington, DC: Legislation cosponsored by Congressman Ron Paul passed in the U.S. House of Representatives yesterday. HR 1134, introduced by Congressman Mark Foley of Florida, will ensure that FEMA grants do not add to the tax burden of disaster victims. Paul and dozens of other members from flood-prone and hurricane-prone districts petitioned the House Ways and Means committee for prompt consideration of HR 1134, and the bill passed unanimously yesterday.

Federal tax laws did not specifically address the issue of taxing federal disaster relief, but some FEMA officials have suggested that grants should be considered taxable income. HR 1134 settles the issue by stating in black and white that federal disaster mitigation payments are excluded from gross income.

“It makes no sense for the IRS to tax FEMA or other federal disaster grants,” Paul stated. “The people of the 14th district of Texas already pay plenty of taxes to fund FEMA. Why should they be hit with another tax bill when FEMA returns some small measure of those taxes in the form of disaster relief? The IRS doesn’t tax people when the federal government builds a new bridge or highway in their neighborhood. FEMA is simply another federally-funded program, and it is preposterous to consider FEMA grants taxable income.”

The Treasury Department assures Congressman Paul’s office that official IRS policy now reflects HR 1134, and that taxpayers who received FEMA assistance in 2004 should not include that assistance as income on their 1040 forms.