

Statement of Rep. Carolyn B. Maloney (D-NY)  
Committee on Rules  
June 11, 2003

Mr. Chairman and members of the Committee, this amendment is intended to hold the IRS accountable for the tax treatment of CDBG grants to victims of 9/11. Since 9/11 the Congress has been exceptionally generous to the people of New York City.

As you are all aware, included in the package of aid for New York City were CDBG grants to individuals and businesses in lower Manhattan. The purpose of these modest grants was to help people get their lives back together and help businesses stay in the area.

Unfortunately, after the grants began to be distributed, the IRS ruled that they constitute taxable income. This was not the intent of Congress and the grantees never expected that they would owe tax liability on this aid.

In my view it makes no sense for the government to give this aid with one hand and take it back with another when New York's economic future hangs in the balance. The federal government is supposed to be sending aid to disaster victims, not taking it away. A study completed by my office concluded that \$200 million dollars or more in recovery grants could be returned to the federal government in taxes.

To demonstrate the impact the IRS ruling is having I want to make you aware of the case of OM Beauty Concepts. The company had a salon in the World Trade Center and lost \$300,000 as a result of the attacks. Subsequently, the company received \$37,000 in grants that are now taxable. As Olga Diaz the owner stated, "after I invested in rebuilding it in rebuilding my business and now I am struggling to find ways to pay."

Last year in response to a letter I sent to the IRA with Reps. Nadler, Engel, Serrano, Ackerman, Israel, Towns and Meeks the IRS indicated that the overwhelming portion of the grants are taxable.

This is IRS accountability legislation. I urge you to rule this amendment in order an let the House hold the IRS accountable to the grant recipients in lower Manhattan. Thank you.