

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1134

---

IN THE SENATE OF THE UNITED STATES

MARCH 15, 2005

Received; read twice and referred to the Committee on Finance

---

## AN ACT

To amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. PROPER TAX TREATMENT OF CERTAIN DIS-**  
2 **ASTER MITIGATION PAYMENTS.**

3 (a) **QUALIFIED DISASTER MITIGATION PAYMENTS**  
4 **EXCLUDED FROM GROSS INCOME.—**

5 (1) **IN GENERAL.—**Section 139 of the Internal  
6 Revenue Code of 1986 (relating to disaster relief  
7 payments) is amended by adding at the end the fol-  
8 lowing new subsections:

9 “(g) **QUALIFIED DISASTER MITIGATION PAY-**  
10 **MENTS.—**

11 “(1) **IN GENERAL.—**Gross income shall not in-  
12 clude any amount received as a qualified disaster  
13 mitigation payment.

14 “(2) **QUALIFIED DISASTER MITIGATION PAY-**  
15 **MENT DEFINED.—**For purposes of this section, the  
16 term ‘qualified disaster mitigation payment’ means  
17 any amount which is paid pursuant to the Robert T.  
18 Stafford Disaster Relief and Emergency Assistance  
19 Act (as in effect on the date of the enactment of this  
20 subsection) or the National Flood Insurance Act (as  
21 in effect on such date) to or for the benefit of the  
22 owner of any property for hazard mitigation with re-  
23 spect to such property. Such term shall not include  
24 any amount received for the sale or disposition of  
25 any property.

1           “(3) NO INCREASE IN BASIS.—Notwithstanding  
2           any other provision of this subtitle, no increase in  
3           the basis or adjusted basis of any property shall re-  
4           sult from any amount excluded under this subsection  
5           with respect to such property.

6           “(h) DENIAL OF DOUBLE BENEFIT.—Notwith-  
7           standing any other provision of this subtitle, no deduction  
8           or credit shall be allowed (to the person for whose benefit  
9           a qualified disaster relief payment or qualified disaster  
10          mitigation payment is made) for, or by reason of, any ex-  
11          penditure to the extent of the amount excluded under this  
12          section with respect to such expenditure.”.

13           (2) CONFORMING AMENDMENTS.—

14           (A) Subsection (d) of section 139 of such  
15           Code is amended by striking “a qualified dis-  
16           aster relief payment” and inserting “qualified  
17           disaster relief payments and qualified disaster  
18           mitigation payments”.

19           (B) Subsection (e) of section 139 of such  
20           Code is amended by striking “and (f)” and in-  
21           serting “, (f), and (g)”.

22           (b) CERTAIN DISPOSITIONS OF PROPERTY UNDER  
23           HAZARD MITIGATION PROGRAMS TREATED AS INVOLUN-  
24           TARY CONVERSIONS.—Section 1033 of such Code (relat-  
25           ing to involuntary conversions) is amended by redesign-

1 nating subsection (k) as subsection (l) and by inserting  
2 after subsection (j) the following new subsection:

3       “(k) SALES OR EXCHANGES UNDER CERTAIN HAZ-  
4 ARD MITIGATION PROGRAMS.—For purposes of this sub-  
5 title, if property is sold or otherwise transferred to the  
6 Federal Government, a State or local government, or an  
7 Indian tribal government to implement hazard mitigation  
8 under the Robert T. Stafford Disaster Relief and Emer-  
9 gency Assistance Act (as in effect on the date of the enact-  
10 ment of this subsection) or the National Flood Insurance  
11 Act (as in effect on such date), such sale or transfer shall  
12 be treated as an involuntary conversion to which this sec-  
13 tion applies.”.

14       (c) EFFECTIVE DATE.—

15           (1) QUALIFIED DISASTER MITIGATION PAY-  
16 MENTS.—The amendments made by subsection (a)  
17 shall apply to amounts received after the date of the  
18 enactment of this Act.

19           (2) DISPOSITIONS OF PROPERTY UNDER HAZ-  
20 ARD MITIGATION PROGRAMS.—The amendments  
21 made by subsection (b) shall apply to sales or other

