



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 5, 2005

H.R. 1134

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

*As cleared by the Congress on April 13, 2005,
and signed by the President on April 15, 2005*

H.R. 1134, enacted as Public Law 109-7, amends the Internal Revenue Code regarding the tax treatment of certain disaster mitigation grants. The Internal Revenue Service (IRS) had treated those payments, which are received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and the Natural Flood Insurance Act, as exempt from taxation until June of 2004, when it ruled that the grants were taxable. This act alters the Internal Revenue Code to specifically exclude such payments from gross income.

The Joint Committee on Taxation estimates that the legislation will decrease governmental receipts by \$6 million in 2006, \$36 million over the 2006-2010 period, and \$109 million over the 2006-2015 period (see table below).

	By Fiscal Year, In Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN REVENUES										
Estimated Revenues	-6	-7	-6	-8	-10	-12	-14	-15	-16	-16

SOURCE: Joint Committee on Taxation.

This estimate was prepared by Annabelle Bartsch. This estimate was approved by G. Thomas Woodward, Assistant Director for Tax Analysis.