IRS Announces Qualified Disaster Treatment of Payments to Victims of Hurricane Sandy

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Washington – The Internal Revenue Service today alerted employers and other taxpayers that because Hurricane Sandy is designated as a qualified disaster for federal tax purposes, qualified disaster relief payments made to individuals by their employer or any person can be excluded from those individuals’ taxable income.

Qualified disaster relief payments include amounts to cover necessary personal, family, living or funeral expenses that were not covered by insurance. They also include expenses to repair or rehabilitate personal residences or repair or replace the contents to the extent that they were not covered by insurance. Again, these payments would not be included in the individual recipient’s gross income.

The IRS also announced that the designation of Hurricane Sandy as a qualified disaster means that employer-sponsored private foundations may provide disaster relief to employee-victims in areas affected by the hurricane without affecting their tax-exempt status. Like all charitable organizations, employer-sponsored private foundations should follow the guidance in Publication 3833, Disaster Relief: Providing Assistance Through Charitable Organizations, in providing assistance to employees or their family members affected by Hurricane Sandy.

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