OLR RESEARCH REPORT

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STATE TAX RELIEF FOR STORM-RELATED EXPENSES

By: Rute Pinho, Associate Analyst

You asked whether any states offer tax credits to individuals to offset storm-related expenses.

SUMMARY

We were unable to locate any states that currently offer tax credits to individuals to offset storm-related expenses. However, the New York State legislature is currently considering a bill that would establish a personal income tax credit for individuals and business owners that sustained property damage due to tropical storms Irene and Lee. Assembly Bill 8643 would establish a credit equal to the sales tax paid for certain storm related expenses, including purchasing replacement appliances and furniture, building materials, and moving and storage services. The bill was referred to the Ways and Means Committee on September 21, 2011 and amended on October 21, 2011.

We located three other states that offer sales tax relief to individuals (1) purchasing storm recovery services or (2) whose personal property was damaged or destroyed by a natural disaster. Texas exempts qualifying storm recovery purchases from the state sales tax, including certain property repair, remodeling, and restoration services. Louisiana offers residents whose personal property was destroyed by a natural disaster a sales tax refund equal to the state sales taxes paid on the original purchase of the destroyed property. Arkansas, on the other hand, offers a sales tax credit to individuals whose new or newly acquired motor vehicles are destroyed by a catastrophic event.

Sandra Norman-Eady, Director
Phone (860) 240-8400
FAX (860) 240-8881
http://www.cga.ct.gov/olr

Connecticut General Assembly
Office of Legislative Research

Room 5300
Legislative Office Building
Hartford, CT 06106-1591
Olr@cga.ct.gov

These state tax relief measures are in addition to federal tax provisions which allow individuals and businesses who suffer property damage due to sudden, unexpected, or unusual events, such as floods, hurricanes, and fires, to deduct the losses from their federal income tax. Losses reimbursed by insurance or other means are not deductible and taxpayers must show that they filed a timely insurance claim. Generally, the deduction is (1) limited to the excess of the loss over $100 and (2) reduced by 10% of the taxpayer's adjusted gross income. The following Internal Revenue Services publication provides detailed information on the deduction: http://www.irs.gov/pub/irs-pdf/p547.pdf.

TAX RELIEF FOR STORM DAMAGE

Texas Sales Tax Exemptions for Storm-Related Purchases

Texas exempts certain storm recovery purchases from the state sales tax (6.25%). The exemption applies in any area declared a disaster area by either the governor or the president to the following goods and services:

1. nonresidential property repair and remodeling services (residential repairs are always exempt);

2. restoration services performed on storm-damaged personal property, including dry cleaning of clothing and draperies, rug and carpet cleaning, furniture cleaning, and appliance repairs;

3. taxable tree removal services; and

4. purchases made with vouchers or debit cards provided by the Federal Emergency Management Agency, Red Cross, or Salvation Army (Tex. Tax Code Ann. § 151.350).

Louisiana Sales Tax Refund for Victims of Natural Disasters

Louisiana residents whose nonbusiness personal property was destroyed by a natural disaster may qualify for a sales tax refund on the destroyed property if the loss was not fully reimbursed by insurance or other means. To be eligible for a refund, the property must have been destroyed in a parish that was declared eligible for federal disaster assistance. Individuals claiming a refund must (1) present evidence to show that they actually suffered the loss and (2) report all expected and actual reimbursements from an insurance company, disaster relief agency, or other agency. The refund amount is equal to the state sales taxes paid (4%) on the original purchase of the destroyed property, not on the purchase of the replacement property (La. Rev. Stat. Ann. § 47:315.1).

Arkansas Sales Tax Credit for Automobiles Destroyed by a Catastrophic Event

Arkansas offers a sales tax credit (6%) to individuals whose motor vehicles are destroyed by a catastrophic event. To qualify, the individual must have registered and paid sales tax on the motor vehicle within 180 days of it being destroyed or damaged by a natural disaster. The damage must reduce the motor vehicle's value to less than 30% of its retail value. The credit can be used only once, within six months of its issuance, against the sales taxes paid on a subsequent replacement vehicle (Ark. Code Ann. § 26-52-519).

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