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2016 DISASTER TAX RELIEF FOR LOUISIANA

Below is a summary of the disaster relief language which Senator Cassidy and our House Delegation was able to secure into the tax reform legislation. The legislation has been signed and formalized into law by President Trump.

Current Law: Current law provides that distributions from eligible retirement plans generally are included in income for the year distributed. In addition, unless an exception applies, a distribution from an eligible retirement plan received before age 59½ is subject to a 10-percent additional tax (referred to as the "early withdrawal tax") on the amount includible in income. Also under current law, a taxpayer may generally claim a deduction for any loss sustained during the taxable year and not compensated by insurance or otherwise. For individual taxpayers, deductible losses must be incurred in a trade or business or other profit-seeking activity or consist of property losses arising from fire, storm, shipwreck, or other casualty, or from theft. Personal casualty or theft losses are deductible only if they exceed $100 per casualty or theft. In addition, aggregate net casualty and theft losses are deductible only to the extent they exceed 10- percent of an individual taxpayer's adjusted gross income.

Adopted in tax bill: The bill provides tax relief relating to the Presidential declared major disaster areas during 2016. That tax relief includes an exception to the 10-percent early withdrawal tax in the case of a qualified distribution from an eligible retirement plan. The tax relief also includes modification of rules related to casualty losses, whereby personal casualty losses arising in 2016 disaster areas are deductible without regard to whether aggregate net losses exceed 10-percent of a taxpayer's adjusted gross income, although in order to be deductible the losses must exceed $500 per casualty. Additionally, these losses may be claimed in addition to the standard deduction. This provision is effective on the date of enactment.