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Congresswoman Anna Eshoo today announced the House passage of H.R. 1134, a bill to exempt federal FEMA mitigation grants from income taxes. The bill must now pass the Senate and be signed by the President to ensure that residents of Felton Grove, La Honda and other recipients of FEMA mitigation moneys will not have to pay taxes on the grants.

"I'm very pleased that the House of Representatives was able to work quickly and in a bipartisan way to overturn this terrible decision by the IRS which subjects FEMA grants to taxes" Eshoo said. "I'll work with my colleagues in the Senate and President Bush to ensure that this bill becomes law as quickly as possible so that local residents get the relief they need."

Last year the IRS determined that all recipients of FEMA's Hazard Mitigation Grant Program, the Flood Mitigation Assistance Program, and the Pre-Disaster Mitigation Program had to include as gross income the amount they received for mitigation. In an effort to convince the IRS to overturn its administrative decision or grant a waiver until a legislative solution could be reached, Eshoo wrote to IRS Commissioner Mark W. Everson on January 27, 2005 and met with him in Washington, D.C on March 3, 2005. Despite her best efforts, the Commissioner refused to overturn the decision.

To remedy this situation, Rep. Eshoo introduced H.R. 1134, which passed the House unanimously and will now move on to the Senate. Eshoo has written to the Chairman and Ranking Member of the Senate Finance Committee urging their prompt consideration.

"I urge my colleagues in the Senate to act quickly on this issue to ensure that the IRS is not allowed to tax these important grants. These grants save money and resources in the long run by encouraging people in disaster-prone areas to take preventative measures. Taxing these grants runs counter to common sense and to the financial well being of our country," said Eshoo.

Eshoo went on to thank local officials for their help in opposing the decision and informing the public, especially Santa Cruz County Supervisor Mark Stone for his outstanding efforts on behalf of his constituents.

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