

Tax Policy Issues in Times of Disaster

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Federal Government Response to Disasters

- Immediate State, City, County Response
- State requests declaration for disaster
- Federal Government surveys & makes determination
- President approves disaster declaration
- Federal aid is provided through Federal Emergency Management Agency
- Disaster Recovery Centers are set up with federal agencies
- Casualty claims provide immediate monies

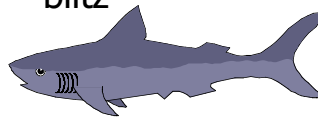
Old IRS Role In DRCs

- Provide extensions
- Order copies of tax returns
- Answer questions
- Pass out Publications
- No state involvement
- Old Way---Provide 280 page publication on complex tax law and expect customer to properly complete their casualty claim



Bad Example

- Tornado hit Fort Smith Arkansas
- IRS provided old way help at DRCs
- Taxpayers & practitioners file casualty claims
- 88% claims were audited
- 80% were incorrect claims
- Media & Congress blitz



Re-Inventing the Disaster Response Process

- New Way---Create team of trained IRS & state employees that go out into affected area and complete casualty claims. Account research of dead & injured. Workshops for practitioners.

May 3, 1999 Oklahoma Tornado Outbreak

- Massive tornado kills over 40 & injures over 800
- Major destruction to homes & businesses
- 10 or more DRCs
- Team activated
- DRCs attended
- Established DERT sites--over 15
- Prepared over 300 claims
- 98% accuracy rate-no audits
- Positive media coverage

May 3, 1999 Oklahoma Tornado Outbreak

- DERT sites placed in communities affected (timely)
- DERT sites revisited months later
- Convenient to customers not team
- Taxpayer Advocate
- Immediate refunds 7 days vs. 45 days
- Accounts issues resolved
- Oklahoma Tax Law amended.

Lesson Learned

- Be there but don't rush things.
- Work it all the way through.
- Make it easy for the customer.
- Watch your employees for emotional distress.
- Train and be ready.



Types of Disasters

- Natural Disasters
- Acts of Terrorism

Basic Principles

- Don't do any more harm than has already been done.
- Help those who need help.

Start now to review your laws and policies

- What do you want to accomplish?
- Can you do it under your current laws?
- Does cost matter?
- Is it "right"?
- What or who does it hurt if you can't do it?

Things that we learned or did

- Freeze all billing and collection activities in the affected areas.
 - Easier in the case of a natural disaster
- Extend filing and payment dates for all tax types.
 - Do you have the authority to waive penalties and interest?
- Education is important!!
- NOL laws had to be amended.

Things that we learned or did, continued

- Estate Freezes
- Administrative leave
- Unemployment Issues
- Auto Registration and Excise Taxes
- Property Tax Credits
- Sales Tax Exemption for donations for relief purposes.
- Emergency Price Stabilization Act.

More things that we learned or did

- Temporary licenses for out-of-state licensed journeymen.
- Landfill Facilities
- Disclosure Issues
- Investigative Roadblocks

Things that we wish we had done

- Tax Exemption for out-of-state rescue workers.
- Tax Exemption for those temporarily assigned to your state for any trial.
- Tax Exemption for victims
 - Those who died
 - Those who were injured

KITA

- Doesn't exactly exempt income for state purposes
- Congress opened Statute of Limitations for this act

Disaster Education Response Team (DERT)

**Internal Revenue Service
Oklahoma Tax Commission
Partners in
Re-Inventing Government**



IRS/OTC DERT Awards

**Vice President Gore
Hammer Award**



IRS Commissioner Award



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