

# BB REVIEW

## State and Local Tax Report October 2005

### Hurricane Katrina Assistance

#### SUMMARY OF FEMA BENEFITS

On August 29, 2005, President Bush declared a major disaster for the State of Mississippi triggering the release of Federal funds to help people and communities recover from the impacts of Hurricane Katrina. The following will generally outline the various types of assistance available to individuals and households.

#### Types of Assistance Available

The following is a list that sets forth and briefly explains the types of assistance available through the Individuals and Households Program:

**Temporary Housing:** There is money available to rent a different place to live, and in certain circumstances, government provided housing may be available in the absence of rental property.

**Repair:** There is funding available through this program to repair the damage to homes for losses that are not covered by insurance. The objective through this assistance is to make a home safe, sanitary and functional.

**Replacement:** Money is available to homeowners to replace homes that were destroyed by Hurricane Katrina.

**Permanent Housing Construction:** There is direct assistance or money for construction of a home located in insular areas or remote locations specified by FEMA when no other housing assistance is available.

**Other Needs:** There are funds available for necessary expenses and serious needs caused by Hurricane Katrina and these include medical, dental, funeral, transportation, moving and storage expenses that are authorized by law.

#### Limitations to Assistance

The Individuals and Households Program does not cover all losses due to Hurricane Katrina. The program is not designed to restore damaged property to the condition it was in prior to the storm. The Individuals and Households Program does not cover business-related losses that resulted from Hurricane Katrina.

The Individuals and Households Program cannot provide money to you for losses that are covered by insurance. While some money is available through this program, most disaster aid for Hurricane Katrina from the Federal government is in the form of loans from the Small Business Administration ("SBA") (discussed herein).

#### Eligibility

**Housing Needs:** In order to receive money or help for housing needs that are the result of Hurricane Katrina, all of the following must be true:

1. You have losses in an area that has been declared a disaster by President Bush.
2. You have filed for insurance benefits and the damage to your property is not covered by your insurance.
3. You, or someone that lives with you, is a citizen of the United States, a non-citizen national or a qualified alien.
4. Your home is in an area that has been declared a disaster area by President Bush.
5. The home in the disaster area is where you usually live and where you were living at the time of the disaster.

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6. You are not able to live in your home now, you cannot get to your home due to the disaster or your home requires repairs because of damage from the disaster.

**Other Needs:** To receive money for other needs, aside from housing, as a result of Hurricane Katrina, all of the following must be true:

1. You have losses in an area that has been declared a disaster by President Bush.

2. You have filed for insurance benefits and the damage to your property is not covered by your insurance.

3. You, or someone that lives with you, is a citizen of the United States, a non-citizen national or a qualified alien.

4. You have necessary expenses or serious needs because of Hurricane Katrina.

5. You have accepted assistance from all other sources for which you are entitled, such as insurance proceeds or SBA loans.

### **Disaster Assistance Process**

1. Apply online at [www.fema.gov](http://www.fema.gov) or by phone calling 1-800-621-FEMA (3362). You will need the following information:

- a. Social Security Number
- b. A description of your losses
- c. Insurance information
- d. Directions to your damaged property
- e. A telephone number where you can be reached

2. Within ten (10) days after you have applied, if an inspection is necessary, an inspector will call to make an appointment to assess the damage to the property. At this point, you will need the following:

- a. Proof of ownership (deed, tax records, mortgage payment book or insurance policy); and
- b. Proof of occupancy (driver's license, first class mail sent within the last three (3) months to the address)

3. Within ten (10) days of the inspection, you should receive a letter from the Individuals

and Households Program informing you of your eligibility for benefits. If you are not eligible, you will be given the procedure through which to appeal your denial and you will be referred to the SBA.

## MISSISSIPPI DISASTER SMALL BUSINESS LOAN PLAN

Governor Haley Barbour signed into legislation House Bill 41, the Mississippi Disaster Small Business Bridge Loan Act. This legislation is designed to provide short-term funds to assist small businesses physically harmed by Hurricane Katrina. The intent is to provide these small businesses with much needed capital until they are able to obtain other financing or insurance proceeds.

### SBA LOANS

The SBA is authorized to make federally subsidized loans to repair or replace homes, personal property or businesses that sustained damage due to Hurricane Katrina and are not covered by insurance. Typically, the SBA can provide the following three types of loans.

#### **Home Disaster Loan**

These are loans provided to homeowners and renters to repair or replace Hurricane Katrina related damages to homes or personal property.

#### **Business Physical Disaster Loans**

Any business located in the Presidentially declared disaster area may apply for a physical disaster loan to replace or repair damaged property. The SBA makes loans under this program up to one and one-half million dollars (\$1,500,000.00) at an interest rate not to exceed four percent (4%) per annum and a maximum maturity of thirty (30) years. For loans in excess of ten thousand dollars (\$10,000.00), the SBA will require collateral; to the extent it is available. In addition, the SBA may require personal guaranties by the principals of the business.

Disaster loans under this program are intended to return the property to its pre-Katrina condition. Generally, SBA funds made available under the program cannot be used to expand or upgrade the business and are available if you do not qualify for traditional financing.

#### **Economic Injury Disaster Loans**

This type of loan is available to businesses located in a Presidentially declared disaster area that have suffered substantial economic injury.



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Substantial economic injury is the inability of a business to meet its obligations as they mature and to pay ordinary and necessary operating expenses. These funds may not be used to pay cash dividends or bonuses, or for any other disbursement to owners, partners, officers or stockholders that are not directly related to the performance of services for the business.

The SBA will conduct a thorough review of financial statements and will generally require the principals of the business to personally guarantee repayment. For loans in excess of five thousand dollars (\$5,000.00), collateral may be required to secure the loan. Loans will be made under this program at a rate not to exceed four percent (4%) and at a maximum maturity of thirty (30) years.

For additional information on all of these programs, please refer to [www.sba.gov](http://www.sba.gov).

## DISASTER UNEMPLOYMENT ASSISTANCE

The Disaster Unemployment Assistance program provides unemployment benefits and re-employment services to individuals that have become unemployed due to Hurricane Katrina. The benefits begin with the date the individual became unemployed and can extend up to twenty-six (26) weeks from August 29, 2005. These benefits are available to those individuals not covered by other unemployment compensation programs.

All unemployed individuals seeking benefits under this program must register with the Mississippi Department of Employment Security ([www.mesc.state.ms.us](http://www.mesc.state.ms.us)).

## SUMMARY OF KATRINA EMERGENCY TAX RELIEF ACT OF 2005

On September 21, 2005, the House and Senate passed the Katrina Emergency Tax Relief Act of 2005 (KETRA) and sent it to the President for his signature. KETRA is the first phase of a two phase legislative initiative designed to deal with the aftermath of Hurricane Katrina by providing immediate relief to individuals and businesses. The second phase of legislation should include stimulus provisions, similar to those passed in the wake of 9/11, such as accelerated depreciation and enhanced expensing, in order to encourage redevelopment of the area destroyed by Katrina.

## Penalty Free Retirement Plan Withdrawals for Disaster Victims

For victims of Hurricane Katrina, KETRA exempts up to one hundred thousand dollars (\$100,000.00) in qualified Hurricane Katrina distributions from the ten percent (10%) penalty for early withdrawals from qualified plans and IRAs. In addition, KETRA permits qualified Hurricane Katrina distributions to be recontributed to eligible retirement plans or IRAs tax free. Essentially, there is no current tax on the payout of the qualified Hurricane Katrina distributions to the extent it is recontributed to an eligible retirement plan.

## Work Opportunity Tax Credit Available for Hurricane Katrina Employees

Employers may claim the work opportunity tax credit if they hire individuals from certain targeted groups that face barriers to employment. The credit is equal to forty percent (40%) of the first six thousand dollars (\$6,000.00) of wages paid to the employee in the first year. While the credit is capped at two thousand four hundred dollars (\$2,400.00), no credit is allowed an employer for any individual if, before the hire date, the individual had been an employee of employer. This credit applies to wages paid or incurred to individuals that begin work before January 1, 2006.

Under KETRA, a Hurricane Katrina employee is treated as a member of a targeted group for purposes of the work opportunity tax credit if: (1) on August 28, 2005, the employee had a principal place of abode in the Hurricane Katrina core disaster area and who is hired during the two (2) year period beginning on August 28, 2005 for a position, the principal place of employment of which is located in the core disaster area, or (2) on August 28, 2005, the employee had a principal place of abode in the core disaster area, who is displaced from that abode because of Hurricane Katrina and who is hired during the period beginning on August 28, 2005 and ending December 31, 2005.

## Casualty Losses are Deductible without \$100 Minimum or 10% of AGI Floor

Generally, an individual may claim a deduction for any property loss sustained during the tax year that is not compensated by insurance and that arises from fire, storm, shipwreck, or other casualty or from theft. These losses are deductible to the extent that: (1) they exceed one hundred dollars (\$100.00) per casualty or theft, and (2) the aggregate net casualty and theft losses exceed ten percent (10%) of an individuals AGI.

Under KETRA, the one hundred dollar (\$100.00) per casualty or theft floor and the ten percent (10%) of AGI floor do not apply to an

## Address Change . . .

If you no longer wish to receive this update or have an address change, please contact:

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individual casualty loss or theft that arises in the Hurricane Katrina disaster area.

### Increased Charitable Deduction Limits

KETRA temporarily increases the limit on charitable deductions for cash contributions made by individuals during a specified period and exempts such from the overall limitation on itemized deductions. KETRA also temporarily increases the limits on contributions made by corporations, but only if made for Hurricane Katrina relief.

### Hurricane Katrina Disaster Area

The Hurricane Katrina disaster area includes the following:

#### *LOUISIANA*

The thirty one (31) parishes designated for individual assistance: Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Pointe Coupee, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John, St. Mary, St. Martin, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge and West Feliciana.

The thirty three (33) parishes designated for public assistance: Allen, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Caldwell, Catahoula, Claiborne, Concordia, Desoto, East Carroll, Evangeline, Franklin, Grant, Jackson, LaSalle, Lincoln, Madison, Morehouse, Natchitoches, Ouachita, Rapides, Red River, Richland, Sabine, St. Landry, Tensas, Union, Vernon, Webster, West Carroll and Winn.

#### *MISSISSIPPI*

The forty seven (47) counties designated for individual assistance: Adams, Amite, Attala, Claiborne, Choctow, Clarke, Copiah, Covington, Franklin, Forrest, George, Greene, Hancock, Harrison, Hinds, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston and Yazoo.

The thirty five (35) counties designated for public assistance: Alcorn, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Clay, Coahoma, DeSoto, Grenada, Holmes, Humphreys, Issaquena, Itawamba, Lafayette, Leflore, Lee,

Marshall, Monroe, Montgomery, Panola, Pontotoc, Prentiss, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Washington, Webster and Yalobusha.

#### *ALABAMA*

The ten (10) counties designated for individual assistance: Baldwin, Choctaw, Clarke, Greene, Hale, Mobile, Pickens, Sumter, Tuscaloosa and Washington.

The twelve (12) counties designated for public assistance: Bibb, Colbert, Cullman, Jefferson, Lamar, Lauderdale, Marengo, Marion, Monroe, Perry, Wilcox and Winston.

#### *FLORIDA*

There are eleven (11) counties designated for public assistance: Monroe, Broward, Miami-Dade, Bay, Collier, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa and Walton.

### ADDITIONAL RESOURCES

The following contains additional resources that may be of assistance to you while recovering from the devastation caused by Hurricane Katrina:

**Agricultural Aid:** The United States Department of Agriculture Rural Development may make emergency loans to farmers and ranchers who were operating and managing a farm or ranch at the time of Hurricane Katrina.

**Assistance From Financial Institutions:** Banks that are members of the Federal Deposit Insurance Corporation (FDIC), Federal Reserve System (FRS) or the Federal Home Loan Bank Board (FHLBB) may permit early withdrawal of time deposits, without penalty. Contact your financial institution to see if they have obtained a waiver from a regulatory agency.

**Crisis Counseling:** Referral services and short-term intervention counseling is available for mental health problems caused or aggravated by Hurricane Katrina.

**Emergency Assistance:** Emergency food, clothing, shelter and medical assistance may be provided through the American Red Cross for individuals and families affected by Hurricane Katrina.

**Financial Counseling:** HOPE Coalition America ([www.operationhope.org](http://www.operationhope.org)) offers free



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financial counseling and provides helpful information to those affected by Hurricane Katrina.

**Legal Services:** The Young Lawyers Division of the Mississippi Bar Association has established a legal assistance hotline (1-866-255-4495) for victims of Hurricane Katrina that live in the disaster area.

**Veteran's Benefits:** The Veteran's Administration (VA) can expedite delivery of information about benefits, pensions, insurance settlements and VA mortgage loans.

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