

# LOUISIANA WATCHDOG

## 2016 flood victims to receive up to \$500 million in tax refunds from Trump tax reform bill

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The federal Tax Cut and Jobs Act signed into law by President Donald Trump will provide up to \$500 million in tax refunds for Louisianans who survived the catastrophic flood of 2016.

U.S. Senator Bill Cassidy, R-Louisiana, a member of the Senate Finance Committee, helped craft part of the legislation that affected his home state, including roughly half a billion dollars worth of tax credits for residents affected by the flood.

Rain pummeled Louisiana for six days in August 2016, dumping roughly 6.9 trillion gallons of rain. More than 30,000 residents and 1,400 pets were rescued from floodwaters that caused an estimated \$30 million in damage, including more than 60,000 homes. Cato Institute meteorologist Ryan Maue compared the amount of rain Louisiana received in the six days to the amount of water that would fill 10.4 million Olympic-size swimming pools.

The governor declared a state of emergency and then presidential candidate Donald Trump visited the state to help with relief efforts.

The National Oceanic and Atmospheric Administration categorized the 2016 Flood as a "500-year flood." More than 106,000 individuals and households registered with FEMA; in the immediate aftermath, over \$55 million in relief aid was authorized to help victims.

Under the new tax bill, those whose homes, cars and personal property weren't previously covered by insurance payouts or government grants can now deduct their losses and costs by amending their 2016 federal income tax return.

Thanks to the Republican-backed tax reform proposed and signed into law by Trump, 2016 flood survivors can deduct losses that previously fell into a "casualty loss" category, which limited taxpayers to claiming losses that totaled more than ten percent of their income. The new law allows taxpayers to amend and re-file their 2016 tax return to claim another ten percent deduction within this category.

Cassidy released a statement after he voted for, and the Senate passed, the Tax Cuts and Jobs Act in December 2017 listing how the bill benefitted Louisianans.

Flooding victims who suffered major losses and had no insurance coverage could receive money through other provisions the bill. And, taxpayers can write off more losses on their returns even if they don't itemize their deductions. Louisianans can also receive refunds for the amount they

were previously penalized if they withdrew from their retirement savings or 401-K accounts too early in order to cover flood damage costs.

Flood victims have until April 15, 2020, to amend their 2016 tax returns to be eligible to claim any refunds.

The IRS will refund the difference between what taxpayers paid in 2016 and what they owe under the 2018 revised rules.

The Tax Cuts and Jobs Act also preserved the Historical Tax Credit, which Cassidy said helped create more than 38,000 jobs in Louisiana since 2002, and enabled \$2.5 billion in private rehabilitation investments. Cassidy added that the bill also included a range of tax deductions for small businesses, limits the investment excise tax on private college endowments, keeps in place the Preserve Private Activity Bonds (PPABs), and creates deficit reduction mechanisms to offset state and local property taxes.

The bill provides nearly \$100 million to fund coastal restoration projects, which Cassidy argues helps fill the projected revenue shortfall allocated for GOMESA, the Gulf of Mexico Energy Security Act of 2006, which passed after Hurricane Katrina.

While federal taxes are likely to decrease and allow for greater deduction amounts, the tax bill is expected to increase state income tax revenue. The Louisiana Constitution links state tax law to federal tax law, which means that the state's tax collection algorithms automatically change when federal income tax rates change. Increased tax revenue is constitutional, which excludes any action taken by the governor or state legislature.

Department of Revenue Secretary Kimberly Robinson said at a press conference in January that the reduction in federal taxes could increase in state's income tax revenue by \$200 million to \$250 million in 2019.