

COMMITTEE ON APPROPRIATIONS,
RANKING MEMBER

SUBCOMMITTEE ON STATE, FOREIGN
OPERATIONS, AND RELATED PROGRAMS,
RANKING MEMBER



Nita M. Lowey
Congress of the United States
17th District, New York

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lowey.house.gov

WASHINGTON

2365 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6506
FAX: (202) 225-0546

WESTCHESTER

222 MAMARONECK AVENUE
SUITE 312
WHITE PLAINS, NY 10605
(914) 428-1707
FAX: (914) 328-1505

ROCKLAND

67 NORTH MAIN STREET
SUITE 101
NEW CITY, NY 10956
(845) 639-3485
FAX: (845) 634-4079

Mr. John Koskinen
Commissioner
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW, Room 3241
Washington, DC 20224

Dear Commissioner Koskinen:

I write to urge you to exempt grants made to individuals for noise reduction measures related to the construction of the new Tappan Zee Bridge from taxable income.

The construction of the new Tappan Zee Bridge is one of the largest infrastructure projects underway in the United States and represents a substantial improvement for the 50 million motorists who cross the bridge annually. However, a construction project of this size is not without its hardships, and homeowners who reside close to the project will be negatively affected by the substantial construction noise. These residents deserve the right to the quiet enjoyment of their property.

To mitigate the impact of the construction on homeowners, the New NY Bridge Community Benefits Program is making available \$1.7 million in grants for sound-reducing windows and doors to eligible homeowners in Tarrytown, South Nyack, and Grandview. As you can image, these funds are essential for the general welfare of the residents to mitigate the substantial noise of the construction and the decline in property value residents will likely experience because of the construction noise.

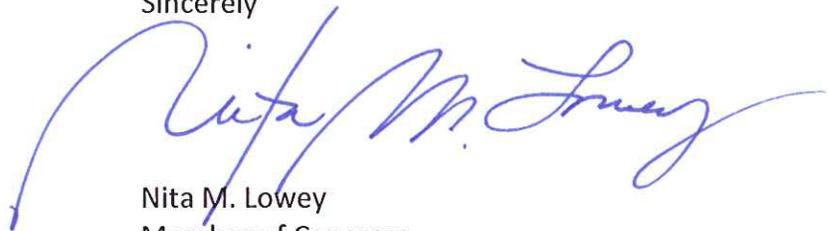
Exempting these grant payments from taxable income is consistent with current law. The Internal Revenue Service (IRS) has held that legislatively provided social benefit payments for the promotion of the general welfare, specifically those that are not tied to compensation for services, shall be excluded from a recipient's gross income. This holding has been applied to home inspections and upgrades (I.R.S. P.L.R. 200808012 (Feb. 22, 2008)), replacement housing payments (Rev. Rul. 74-205, and disaster relief payments (Rev. Rul. 76-144)). As the New York State Legislature authorized payments to make sound-proofing due to the Tappan Zee Bridge, and as payments are intended to mitigate against substantial noise during construction, the purpose of promotion of general welfare is clearly within the cases cited above.

Furthermore, IRS Pub. 4345 specifies that the taxability of settlements depends on the injury being compensated. These categories include "Loss-in-value of property" which includes a return to the basis of a home. As homeowners are being given payments to install windows and doors to mitigate the effects of the construction but would not exceed the basis of the current price of the home, these payments should clearly fit within the intent of this provision.

Additionally, I am very concerned that if these grant funds are treated as taxable income, it will negatively impact Social Security, Medicare, and other benefits for eligible older residents who live on a fixed income. Seniors' benefits should not be reduced because of the construction of a bridge.

It is essential that my constituents are not penalized by the IRS for taking advantage of grant funding to mitigate the construction of the new Tappan Zee Bridge. Thank you for your consideration of this request.

Sincerely

A handwritten signature in blue ink, appearing to read "Nita M. Lowey", is written over the typed name. The signature is fluid and cursive, with a large initial "N" and a long, sweeping underline.

Nita M. Lowey
Member of Congress