

## **Tax Provisions in the 2017 Disaster Tax Relief Bill**

On September 29<sup>th</sup>, the President signed into law, the “Disaster Tax Relief and Airport and Airway Extension Act of 2017”. The Act provides some temporary tax relief to the victims of Hurricanes Harvey, Irma and Maria.

One of the key benefits is that businesses in the stricken areas that qualify for relief may claim a new “Employee Retention Tax Credit” up to \$2,400 per employee for qualified wages paid to eligible employees during the period in which the business was inoperable due to the hurricane.

### **Here’s how it works:**

- An eligible employer is one who conducted an active trade or business in a disaster zone as of a specified date (for Hurricane Harvey, August 23<sup>rd</sup>, 2017; Irma, September 4<sup>th</sup>, 2017; and Maria, September 16<sup>th</sup>, 2017) and was unable to carry on their business due to the damage sustained by the hurricane, between the dates of the hurricane and January 1, 2018 is eligible to claim the tax credit.
- The credit is 40% of the first \$6,000 in wages paid to each eligible employee during the period the business was inoperable. The employer cannot take a deduction for the wages paid and the tax credit; it’s either or.
- The eligible employee is domiciled and worked for the employer in the disaster zone(s) listed above.
- Qualified wages are defined as paid or incurred based on the specified date (above) when the business first became inoperable and ends on the date in which the business resumes significant operations or January 1, 2018, whichever is earlier.
- The credit is claimed on Form 3800 – General Business Credits, and for those pass-through entities (partnerships and “S” Corps) is claimed in Part III of Form 3800. The credit is a non- refundable tax credit, and can be carried forward 20 years.

Generally, it’s more advantageous to claim a tax credit since it will reduce your tax liability dollar for dollar, vs. a tax deduction (i.e. wage deduction) which is tax effected at the applicable tax rate or tax bracket.

Please contact Hafer professionals to answer any questions you may have, or to assist you in determining and filing for this tax credit or any hurricane related losses. Nicole Johnson-Pendergrass is the Firm’s Director of Operations and can be reached via email at [Njohnson@haferco.com](mailto:Njohnson@haferco.com) or at (561) 655-8700.