

1212 New York Ave. Street N.W.
Suite 900
Washington, DC 20005
202.525.5717



Free markets. Real solutions.
www.rstreet.org

April 18, 2018

Support Earthquake Mitigation Incentive and Tax Parity Act

Dear Members of Congress,

I write to encourage you to support the Earthquake Mitigation Incentive and Tax Parity Act recently introduced by Reps. Mike Thompson (D-CA) and Ken Calvert (R-CA) in the House of Representatives and Sens. Kamala Harris (D-CA) and Dianne Feinstein (D-CA) in the Senate. If enacted, the bill would help homeowners to mitigate the harms posed by earthquakes.

In recent years, the California Earthquake Authority has instituted a pilot program that provides small grants to eligible residents who retrofit their homes to guard against potential earthquake damage. Roughly 7,500 Golden State homes have been retrofitted under this program to date. California is currently the only state in the country with an earthquake-mitigation program.

Regrettably, a ruling from the IRS deems these grants to be taxable income of the recipients, even though similar grants provided by the federal government under the Stafford Act are excluded from income. This bill would rectify this disparate tax treatment.

California is the epicenter of earthquake risk in the United States. It is estimated that more than 1 million homes in the state are earthquake-prone areas. By eliminating federal income taxes on state-based mitigation grants, homeowners will be more likely to retrofit their homes to withstand damage from potential earthquakes. According to Federal Emergency Management Agency data, every \$1 spent on mitigation efforts saves \$4 in post-disaster recovery costs.

The R Street Institute is proud to endorse this bipartisan, bicameral common-sense legislation that will help residents of California ensure their homes can withstand potential earthquake damage. We urge your support.

Sincerely,

Caroline Kitchens
Director
Federal Government Affairs