

United States Senate

WASHINGTON, DC 20510-1804

June 23, 2010

The Honorable Timothy F. Geithner
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Commissioner Doug Shulman
Internal Revenue Service
1111 Constitution Ave., N.W.
Washington D.C. 20224

Dear Secretary Geithner and Commissioner Shulman,

The tragic explosion of the *Deepwater Horizon* on April 20, 2010, took the lives of 11 men and destroyed the livelihoods of countless others. This disaster threatens our environment, our economy and the health of America's wetlands, which underpin the way of life and viability of the entire Gulf Coast. With that in mind, it is imperative that the Treasury Department and the Internal Revenue Service (IRS) provide guidance on the federal income tax treatment of payments made from BP for claims filed by Gulf Coast victims of the Deepwater Horizon oil spill as soon as possible.

According to reports from June 21, 2010, BP has paid \$111.2 million to residents along the Gulf Coast for claims and has issued more than 34,400 checks in response to approximately 66,800 claims. In Louisiana, BP has paid \$61 million dollars in claims and no doubt will continue to pay more as this tragedy continues to unfold and impact thousands of businesses and taxpayers in the Gulf Coast.

As of June 22, 2010—Day 63 of this tragedy—your agencies had yet to issue any guidance to advise recipients of BP payments on how they should treat these payments for federal tax purposes. While I share your goal of ensuring that U.S. tax laws are followed and I am aware that this situation has triggered some unprecedented questions of tax policy, this delay in action is unacceptable.

It is my strong belief that every relevant tax question triggered by this disaster cannot nor should not be answered immediately. I also appreciate that your agencies need sufficient time to develop sound tax policies on how these payments should be treated for tax purposes. However, as I write to you today, now is the time for impacted Gulf Coast residents to receive basic guidance on fundamental issues that have been triggered by the disaster such as:

- Whether income replacement payments are taxable;
- Whether property damage payments are taxable; and
- Whether payments for personal injury claims are taxable.

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As oil continues to spew into the Gulf of Mexico, the claims against BP will continue to mount, and the need for even the most basic guidance on how BP payments should be treated for federal income tax purposes will continue to grow. For that reason, I respectfully request a written response to this letter—either in the form of guidance or an explanation as to the timing for forthcoming guidance no later than Friday, July 2, 2010.

Thank you in advance for your prompt attention to these matters. I look forward to working with you to making relevant tax guidance available as soon as possible to taxpayers in the Gulf Coast.

Sincerely,



Mary L. Landrieu
United States Senator