

IRS Provides Tax Help, Guidance to Gulf Oil Spill Victims; Special Assistance Day Planned for July 17

IR-2010-78, June 25, 2010

WASHINGTON — The Internal Revenue Service today provided guidance to individuals and businesses affected by the oil spill in the Gulf of Mexico and announced a number of new efforts to help affected taxpayers, including a special Gulf Coast Assistance Day on July 17.

“This is a very difficult time for many people affected by the oil spill in the Gulf of Mexico. As residents of the region cope with the evolving situation, I want to assure them that the IRS will be doing everything it can to provide tax help to those who need it,” IRS Commissioner Doug Shulman said. “We encourage anyone who has an issue with the IRS to contact us and explain their hardship, and we will work with them to find a solution. We’ll do everything we can under current law to help taxpayers.”

The guidance released today is based on current law, and it explains how recipients of payments from BP should treat the payments for tax purposes. According to the current law, BP payments for lost income are taxable in the same way that the wages or business income these payments are replacing would have been. The law treats compensation for lost wages or income differently for tax purposes than compensation for physical injuries or property loss, which generally are nontaxable.

Every person can have unique financial circumstances, so the IRS encourages taxpayers to review their tax situation or talk with their tax preparers about the implications of payments or compensation from the oil spill.

The new information is available in a question-and-answer format on a special section of the IRS website, IRS.gov. The IRS is closely monitoring the situation in the Gulf, and additional information will be added to IRS.gov as it becomes available.

To help people in the Gulf Coast area dealing with tax issues, the IRS also announced a special assistance day on July 17 in seven cities. Taxpayers and tax preparers will be able to work directly with IRS employees to resolve tax issues, including specific topics related to the oil spill. The IRS will hold the Gulf Coast Assistance Day in four states:

- Alabama: Mobile.
- Florida: Panama City and Pensacola.
- Louisiana: New Orleans, Houma and Baton Rouge.
- Mississippi: Gulfport.

Times and specific locations will soon be announced and will be available on IRS.gov.

In addition, taxpayers with problems related to the Gulf spill will soon be able to reach IRS personnel through an IRS toll-free telephone line. Specially trained IRS personnel will be available to help people with tax questions related to the oil spill. More information will be available soon about this telephone line.

The IRS encourages taxpayers in the Gulf struggling with payment or collection issues to contact the agency. The IRS continues to have a number of ways to help taxpayers dealing with oil spill issues or other economic hardship issues, including:

- Assistance of the [Taxpayer Advocate Service](#) for those taxpayers experiencing particular hardship navigating the IRS.
- Postponement of collection actions in certain hardship cases.
- Added flexibility for missed payments on installment agreements and offers in compromise for previously compliant individuals having difficulty paying.
- IRS employees will be permitted to consider a taxpayer’s current income and potential for future income when negotiating an offer in compromise.

- Accelerated levy releases for taxpayers facing economic hardship.