

taxable year for the reduction in value of a motor carrier operating authority caused by administrative or legislative actions to decrease restrictions on entry into the interstate motor carrier business, the taxpayer should file an amended return for such taxable year which computes taxable income without regard to such deduction.

(Approved by the Office of Management and Budget under control number 1545-0767)

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97-424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805))

[T.D. 7947, 49 FR 8249, Mar. 6, 1984]

**§ 1.9300-1T Reduction in taxable income for housing Hurricane Katrina displaced individuals.**

(a) *In general.* For a taxable year beginning in 2005 or 2006, a taxpayer who is a natural person may reduce taxable income by \$500 for each Hurricane Katrina displaced individual (as defined in paragraph (e)(1) of this section) to whom the taxpayer provides housing free of charge in, or on the site of, the taxpayer's principal residence for a period of 60 consecutive days ending in the taxable year. A taxpayer may not claim the reduction in taxable income unless the taxpayer includes the taxpayer identification number of the Hurricane Katrina displaced individual on the taxpayer's income tax return.

(b) *Provision of housing—(1) Principal residence.* For purposes of this section, the term *principal residence* has the same meaning as in section 121 and the regulations thereunder. See § 1.121-1(b)(1) and (b)(2).

(2) *Legal interest required.* A taxpayer is treated as providing housing for purposes of this section only if the taxpayer is an owner or lessee (including a co-owner or co-lessee) of the residence.

(3) *Compensation for providing housing—(i) In general.* No reduction in taxable income is allowed under this section to a taxpayer who receives rent or any other amount from any source in connection with the provision of housing.

(ii) *Amounts in connection with the provision of housing.* For purposes of this section, amounts in connection with the provision of housing include

(but are not limited to) amounts for rent and utilities. Amounts for telephone calls, food, clothing, and transportation are examples of amounts not in connection with the provision of housing.

(c) *Limitations—(1) Dollar limitation—(i) In general.* The reduction under paragraph (a) of this section may not exceed the maximum dollar limitation reduced by the amount of the reduction under this section for all prior taxable years. The maximum dollar limitation is—

(A) \$2,000 in the case of an unmarried individual;

(B) \$2,000 in the case of a husband and wife who file a joint income tax return; and

(C) \$1,000 in the case of a married individual who files a separate income tax return.

(ii) *Married individuals with separate principal residences.* The limitations in paragraphs (c)(1)(i)(B) and (c)(1)(i)(C) of this section apply without regard to whether the married individuals occupy the same principal residence. A person is treated as married for purposes of this section if the individual is treated as married under section 7703.

(2) *Spouse or dependent of the taxpayer.* No reduction is allowed for a Hurricane Katrina displaced individual who is the spouse or dependent of the taxpayer.

(3) *Individual taken into account only once.* A taxpayer may not reduce taxable income under paragraph (a) of this section with respect to a Hurricane Katrina displaced individual who was taken into account by the taxpayer for any prior taxable year.

(4) *Taxpayers occupying the same principal residence.* A Hurricane Katrina displaced individual may be taken into account by only one taxpayer occupying the same principal residence for all taxable years.

(d) *Substantiation.* A taxpayer claiming a reduction under this section must prepare and maintain records sufficient to show entitlement to the reduction as provided in Form 8914 (Exemption Amount for Taxpayers Housing Individuals Displaced by Hurricane Katrina) or other forms, instructions, publications or guidance published by the IRS.

(e) *Definitions.* The following definitions apply for purposes of this section.

(1) *Hurricane Katrina displaced individual.* The term *Hurricane Katrina displaced individual* means any natural person if the following requirements are met—

(i) The person's principal place of abode on August 28, 2005, was in the Hurricane Katrina disaster area (as defined in paragraph (e)(2) of this section);

(ii) The person was displaced from that abode; and

(iii) If the abode was located outside the Hurricane Katrina core disaster area (as defined in paragraph (e)(3) of this section)—

(A) The abode was damaged by Hurricane Katrina; or

(B) The person was evacuated from that abode by reason of Hurricane Katrina.

(2) *Hurricane Katrina disaster area.* The term *Hurricane Katrina disaster area* means the states of Alabama, Florida, Louisiana, and Mississippi.

(3) *Hurricane Katrina core disaster area.* The term *Hurricane Katrina core disaster area* means the portion of the Hurricane Katrina disaster area designated by the President to warrant individual or individual and public assistance from the federal government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170).

(f) *Examples.* The provisions of this section are illustrated by the following examples in which each Hurricane Katrina displaced individual, who is not a dependent or spouse of the taxpayer, is provided housing (within the meaning of paragraph (b) of this section) in, or on the site of, the taxpayer's principal residence for a period of at least 60 consecutive days ending in the applicable taxable year. The examples are as follows:

*Example 1.* Taxpayer A provides housing to N, a Hurricane Katrina displaced individual, from September 1, 2005, until March 10, 2006. Under paragraphs (a) and (c)(3) of this section, A may reduce taxable income by \$500 on A's 2005 income tax return or A's 2006 income tax return, but not both, with respect to N.

*Example 2.* The facts are the same as in *Example 1* except that A and B, A's unmarried roommate and co-lessee, provide housing to N. Under paragraphs (a) and (c)(4) of this section, either A or B, but not both, may reduce taxable income by \$500 for 2005 with respect to N. If either A or B reduces taxable income for 2005 with respect to N, neither A nor B may reduce taxable income with respect to N for 2006.

*Example 3.* Unmarried roommates and co-lessees C and D provide housing to eight Hurricane Katrina displaced individuals during 2005. Under paragraphs (a) and (c)(1)(i)(A) of this section, C and D each may reduce taxable income by \$2,000 on their 2005 income tax returns.

*Example 4.* (i) H and W are married to each other and provide housing to a Hurricane Katrina displaced individual, O, in 2005. H and W file their 2005 income tax return married filing jointly. Under paragraphs (a) and (c)(4) of this section, H and W may reduce taxable income by \$500 on their 2005 income tax return with respect to O.

(ii) In 2006, H and W provide housing to O and to another Hurricane Katrina displaced individual, P. H and W file their 2006 income tax return married filing separately. Because H and W reduced their 2005 taxable income with respect to O, under paragraph (c)(3) of this section, neither H nor W may reduce taxable income on their 2006 income tax return with respect to O. Under paragraphs (a) and (c)(4) of this section, either H or W, but not both, may reduce taxable income by \$500 on his or her 2006 income tax return with respect to P.

(g) *Effective date.* This section applies for taxable years beginning after December 31, 2004, and before January 1, 2007, and ending on or after December 11, 2006.

[T.D. 9301, 71 FR 74468, Dec. 12, 2006]