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February 28, 2019

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue NW  
Washington, D.C. 20224

Dear Commissioner Rettig:

Thank you for the continued efforts of the IRS to assist homeowners in the Northeast with crumbling foundations. As you are aware, on November 21, 2017, the IRS issued two revenue procedures allowing a casualty loss deduction for homeowners who incurred expenses for the repair of their home stemming from this issue. In addition, Rep. Larson and I were very thankful for the clarification that you provided to us in October of 2018 on the ability of taxpayers to take a net operating loss after securing a casualty loss deduction based on Revenue Procedures 2017-60 and 2018-14.

Recent developments within the State of Connecticut necessitate more information to help homeowners and tax preparers properly claim the casualty loss deduction. Specifically, working with individuals from the State Legislature, private sector, and Governor's Office, there is now a "captive" insurance company – the Connecticut Foundations Solutions Indemnity Company, Inc. (CFSIC) – operating in Connecticut to help assist homeowners with crumbling foundations. CFSIC is set to receive \$100 million in bonding money from the State of Connecticut, an amount that will help homeowners repair or be reimbursed for fixing their crumbling foundations. CFSIC is capped at paying \$175,000 per home with crumbling foundations and will pay for expenses pertaining to repairing the crumbling foundation to a structurally safe level. However, CFSIC will not pay for certain expenses not directly related to restoring the structural integrity of the foundation, including:

- replacement of drywall and/or other finishing wall features, including re-framing;
- removal/replacement of porches or decks;
- removal/replacement of gutters;
- removal/replacement of landscaping features such as driveways, walkways, paths, shrubs, lawns, trees, gardens, or other plantings or garden structures;
- any work done to outbuildings, sheds, or barns;
- swimming pools, whether in-ground or above-ground, or any ponds or water features;
- moving or relocation expense;
- temporary housing expense;
- meals, transportation, mileage, and incidentals;

- loss of wages or income or revenue associated with any work or any business, whether such business is home-based or not;
- any liability incurred by the homeowner or any other person on a direct, indirect, or consequential basis.

My office has received several inquiries from homeowners seeking clarity as to whether any of the expenses listed above, which are not covered by CFSIC, are eligible for the casualty loss deduction. Therefore, I respectfully request further clarification relating to a homeowner's ability to take a casualty loss deduction for any cosmetic repairs to the house not directly related to the structural integrity of the foundation.

Given the pressing nature of this matter during tax filing season, and the extensive dialogue my staff has already had with IRS staff on this issue, please respond to this letter no later than March 9, 2019.

Sincerely,

  
JOE COURTNEY  
Member of Congress

CC: Michael Maglaras, Superintendent, Connecticut Foundations Solutions Indemnity Company, Inc.

John B. Larson, Member of Congress