

## Tax Treatment of Payments Made on Behalf of or Reimbursements Received by Residents Affected by the Southern California Gas Company Natural Gas Leak

### Announcement 2016-25

On October 23, 2015, Southern California Gas Company (SoCal Gas) discovered a natural gas leak at the Aliso Canyon storage field, which was sealed on February 18, 2016. Residents of nearby areas complained of numerous adverse health effects as a result of the gas leak, including nausea, dizziness, vomiting, shortness of breath, and headaches. Because the gas leak caused significant symptoms for area residents, the Los Angeles County Department of Public Health directed SoCal Gas to offer free, temporary relocation to affected residents. Pursuant to the directive and subsequent court orders, SoCal Gas is required to either pay on behalf of or reimburse affected residents for certain relocation and cleaning expenses incurred generally for the period beginning November 19, 2015 through May 31, 2016. These expenses include:

- Hotel expenses, including meal reimbursement (\$45 per day for an individual age 18 and older; \$35 per day or \$25 per day for a child based on age), mileage reimbursement, parking expenses, pet boarding fees, internet fees, electric vehicle charging fees, and laundry fees;

- Expenses of staying with friends or family at the rate of \$150 per day, and mileage reimbursement;
- Expenses of renting another home for a lease term (including a lease term extending beyond May 31, 2016) as approved by SoCal Gas, including expenses of housewares, appliances, pet fees, furniture rental, utility fees, and moving expenses;
- Mileage allowances or alternative transportation for a resident whose child or children attended the relocated area schools until the date the resident exited the relocation program. If, however, a resident enrolled a child in a school outside of the affected area, SoCal Gas must pay the mileage allowance until the child no longer attends the reenrolled school or the school year ends, whichever occurs first;
- Expenses of cleaning the interior of an affected individual's home prior to returning home according to protocols established by the Los Angeles County Department of Public Health;
- Air filtration and purification expenses;
- Expenses of cleaning residue from the exterior of an affected individual's home, outdoor fixtures, and exterior furniture and appliances;
- Expenses of a vehicle detailing treatment; and
- Other expenses not specifically described in the relocation plan based on SoCal Gas's evaluation of the expenses.

Questions have been raised concerning the taxability of these expenses paid on behalf of or as reimbursements to affected area residents. Existing guidance does not specifically address these questions.

The IRS will not assert that an affected area resident must include these payments or reimbursements in gross income. However, family and friends who received payments under the relocation plan for housing affected area residents must include these payments in gross income under § 61 of the Internal Revenue Code, unless these amounts are properly excludable from gross income under § 280A (relating to the exclusion for rental income from a taxpayer's residence for less than 15 days during the taxable year).

For further information regarding this announcement, contact Sheldon Iskow of the Office of Associate Chief Counsel (Income Tax & Accounting) at (202) 317-4718 (not a toll-free call).