

Congress of the United States
Washington, DC 20515

May 23, 2017

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20500

Dear Secretary Mnuchin:

You may be aware from our conversations with members of your team and your recent meeting with Ways & Means Ranking Member Richard Neal, the issue of crumbling foundations that has affected countless homeowners in the state of Connecticut. **We are asking for federal tax relief for these homeowners who have been harmed and we look forward to sitting down with you to discuss a course of action.**

Homeowners in three dozen towns in north central and northeast Connecticut have reported that their home foundations are failing. There are investigations into claims of crumbling structures in Massachusetts as well. The issue has been linked to a mineral called pyrrhotite traced back to a quarry in Willington, CT and used in concrete supplied by a company in Stafford, CT (along the Massachusetts border). Exposure to moisture causes the pyrrhotite to oxidize in home foundations, and it expands, causing the foundation walls to bow and begin to crack. We have personally toured damaged homes in our congressional districts, where homeowners can remove chunks of their foundation by hand or see daylight shining through the cracks. Due to the slow progression of the damage, it is not covered by homeowners' insurance policies.

For affected homeowners, their choices are limited. Some homes have been deemed unlivable and residents are appealing the local tax assessment of their homes. Whether your foundation contains pyrrhotite or not, simply living in one of the affected communities means a significant loss in market value and makes selling your home impossible. For those who have the resources to undertake repairs, the cost is estimated to be \$100,000 to \$200,000 per structure. For these communities, this can mean a homeowners' life savings.

Some stakeholders have identified a particular provision in the tax code that allows taxpayers to deduct the cost of casualty losses. While usually limited to sudden losses, the IRS has issued exceptions in the past. In particular in the case of imported corrosive drywall, which affected thousands of homeowners in southeastern states, the IRS issued a revenue procedure (Rev. Proc 2010-36) to apply casualty losses to these non-sudden cases.

Both the IRS Commissioner and the National Taxpayer Advocate (NTA) have indicated that federal tax relief may be possible for affected homeowners, and the NTA has already submitted a request to the Office of Chief Counsel for priority guidance. In order to take the next steps in this progress, we are requesting a meeting with you and your team as soon as possible. Please reach out to sylvia.lee@mail.house.gov (Larson) and beata.fogarasi@mail.house.gov (Courtney) with our respective offices with any questions and for scheduling.

Thank you again for your attention and sincere interest in helping these affected homeowners.

Sincerely,



JOE COURTNEY
Member of Congress



JOHN B. LARSON
Member of Congress