INTERNAL REVENUE SERVICE

IRS News Release

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IRS Grants Limited Tax Relief for Victims of Snowstorm in New York

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WASHINGTON — The Internal Revenue Service today announced limited tax relief for taxpayers in four New York counties that were struck by snowstorms beginning Oct. 12, 2006.

Because of the suddenness of the storm, the resulting power outages and the fact that the storm is impacting these counties at a crucial filing deadline when individual income tax returns on extension are due, the IRS is granted certain limited tax relief.

The four New York counties are: Erie, Genesee, Niagara and Orleans.

Deadlines for affected taxpayers to file returns, pay taxes and perform other time-sensitive acts falling on or after Oct. 12, 2006, and on or before Oct. 23, 2006, have been postponed to Oct. 23, 2006.

In addition, the IRS will waive the failure to deposit penalty for employment and excise deposits due on or after Oct. 12, 2006, and on or before Oct. 23, 2006, as long as the deposits were made by Oct. 23, 2006. If any affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply during the period from Oct. 12, 2006 to Oct. 23, 2006. No penalty or interest will be abated for taxpayers that do not have a filing, payment or deposit due date (including an extended filing or payment due date) during this period.

Affected taxpayers will need to identify themselves to the IRS as victims by writing ("Snow Storms -- NY") in red ink at the top of their tax forms or any other documents filed with the IRS. Taxpayers who file electronic returns may use this disaster designation if the tax preparation software contains a "disaster feature".

Additional Details

The New York counties listed above constitute a covered disaster area for purposes of Treas. Reg. § 301.7508A-1(d)(2) and are entitled to the relief detailed below.

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Affected Taxpayers

Taxpayers considered to be affected taxpayers eligible for the postponement of time to file returns, pay taxes, and perform other time-sensitive acts are those taxpayers listed in Treas. Reg. § 301.7508A-1(d)(1), and include individuals who live, and businesses whose principal place of business is located, in the covered disaster area. Taxpayers not in the covered disaster area, but whose books, records, or tax professionals' offices are in the covered disaster area, are also entitled to relief. In addition, all relief workers affiliated with a recognized government or philanthropic organization assisting in the relief activities in the covered disaster area are eligible for relief.

Grant of Relief

Under sections 6081, 6161, and 7508A, the IRS gives affected taxpayers until Oct. 23, 2006, to file most tax returns (including individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns), or to make tax payments, including estimated tax payments, that have either an original or extended due date falling on or after Oct. 12, 2006, and on or before Oct. 23, 2006.

The IRS also gives affected taxpayers until Oct. 23, 2006, to perform other time-sensitive actions described in Treas. Reg. § 301.7508A-1(c)(1) and Rev. Proc. 2005-27, 2005-20 I.R.B. 1050, that are due to be performed on or after Oct. 12, 2006, and on or before Oct. 23, 2006. This relief includes the filing of Form 5500 series returns, in the manner described in section 8 of Rev. Proc. 2005-27. The relief described in section 17 of Rev. Proc. 2005-27, pertaining to like-kind exchanges of property, also applies to certain taxpayers who are not otherwise affected taxpayers and may include acts required to be performed before or after the period above.

The postponement of time to file and pay does not apply to information returns in the W-2, 1098, 1099 or 5498 series, or to Forms 1042-S or 8027. Penalties for failure to timely file information returns can be waived under existing procedures for reasonable cause. Likewise, the postponement does not apply to employment and excise tax deposits. The IRS, however, will abate penalties for failure to make timely employment and excise deposits, due on or after Oct. 12, 2006, and on or before Oct. 23, 2006, provided the taxpayer made these deposits by Oct. 23, 2006.

To qualify for this relief, affected taxpayers should put the assigned Disaster Designation in red ink at the top of the return, except for Form 5500, where filers should check Box D in Part 1 and attach a statement, following the form's instructions. Individuals or businesses located in the disaster area — or taxpayers outside the area that were directly affected by this disaster — should contact the IRS if they receive penalties for filing returns or paying taxes late.

Casualty Losses

Affected taxpayers in a Presidential Disaster Area have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on other income factors.

Individuals may deduct personal property losses that are not covered by insurance or other reimbursements, but they must first subtract $100 for each casualty event and then subtract ten percent of their adjusted gross income from their total casualty losses for the year. For details on figuring a casualty loss deduction, see IRS Publication 547, Casualties, Disasters and Thefts.

Affected taxpayers claiming the disaster loss on last year's return should put the Disaster Designation in red ink at the top of the form so that the IRS can expedite the processing of the refund.

Other Relief

The IRS will waive the usual fees and expedite requests for copies of previously filed tax returns for affected taxpayers who need them to apply for benefits or to file amended returns claiming casualty losses. Such taxpayers should put the assigned Disaster Designation in red ink at the top of Form 4506, Request for Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return, as appropriate, and submit it to the IRS.

Affected taxpayers who are contacted by the IRS on a collection or examination matter should explain how the disaster impacts them so that the IRS can provide appropriate consideration to their case.

Taxpayers may download forms and publications from this Web site or may order them by calling 1-800-TAX-FORM (1-800-829-3676). The IRS toll-free number for general tax questions is 1-800-829-1040.

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