

IRS News Release

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IRS Provides Relief for Homeowners with Corrosive Drywall

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WASHINGTON — The Internal Revenue Service today issued guidance providing relief to homeowners who have suffered property losses due to the effects of certain imported drywall installed in homes between 2001 and 2009.

[Revenue Procedure 2010-36](#) enables affected taxpayers to treat damages from corrosive drywall as a casualty loss and provides a "safe harbor" formula for determining the amount of the loss.

In numerous instances, homeowners with certain imported drywall have reported blackening or corrosion of copper electrical wiring and copper components of household appliances, as well as the presence of sulfur gas odors. In November 2009, the Consumer Product Safety Commission (CPSC) reported that an indoor air study of a sample of 51 homes found a strong association between the problem drywall, levels of hydrogen sulfide in those homes and corrosion of metals in those homes.

[Revenue Procedure 2010-36](#) provides the following relief:

- Individuals who pay to repair damage to their personal residences or household appliances resulting from corrosive drywall may treat the amount paid as a casualty loss in the year of payment. Taxpayers who have already filed their income tax return for the year of payment generally have three years to file an amended return and claim the deduction.
- The amount of a loss that may be claimed depends on whether the taxpayer has a pending claim for reimbursement (or intends to pursue reimbursement) of the loss through property insurance, litigation or otherwise.
- In cases where a taxpayer does not have a pending claim for reimbursement, the taxpayer may claim as a loss all unreimbursed amounts paid during the taxable year to repair damage to the taxpayer's personal residence and household appliances resulting from corrosive drywall.
- If a taxpayer does have a pending claim (or intends to pursue reimbursement), a taxpayer may claim a loss for 75 percent of the unreimbursed amount paid during the taxable year to repair damage to the taxpayer's personal residence and household appliances that resulted from corrosive drywall.

A taxpayer who has been fully reimbursed before filing a return for the year the loss was sustained may not claim a loss. A taxpayer who has a pending claim for

reimbursement (or intends to pursue reimbursement) may have income or an additional deduction in subsequent taxable years depending on the actual amount of reimbursement received.

For purposes of this revenue procedure, the term “corrosive drywall” means drywall that is identified as problem drywall under [the two-step identification method](#) published by the CPSC and the Department of Housing and Urban Development in their [interim guidance](#) dated January 28, 2010.

Further details and limitations can be found in [Revenue Procedure 2010-36](#) on IRS.gov.