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Dealing With Disasters From an
Individual Tax Perspective



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Seminar Objectives

Awareness of tax-related disaster relief

- Relief specific to particular disasters
- Casualty losses
- Federally declared disaster areas
- Other permanent relief



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Types of Disaster Relief

- Administrative relief
- Tax relief
- Safe harbor provisions
- Election to claim disaster losses on a prior year return



Administrative and Tax Relief for Disaster Areas

	FEMA Public Assistance	FEMA Individual Assistance	FEMA Public and Individual Assistance
Administrative Relief = Granting additional time	NO	YES	YES
Tax relief = Claiming casualty losses on tax returns	YES	YES	YES

Example of FEMA Designation



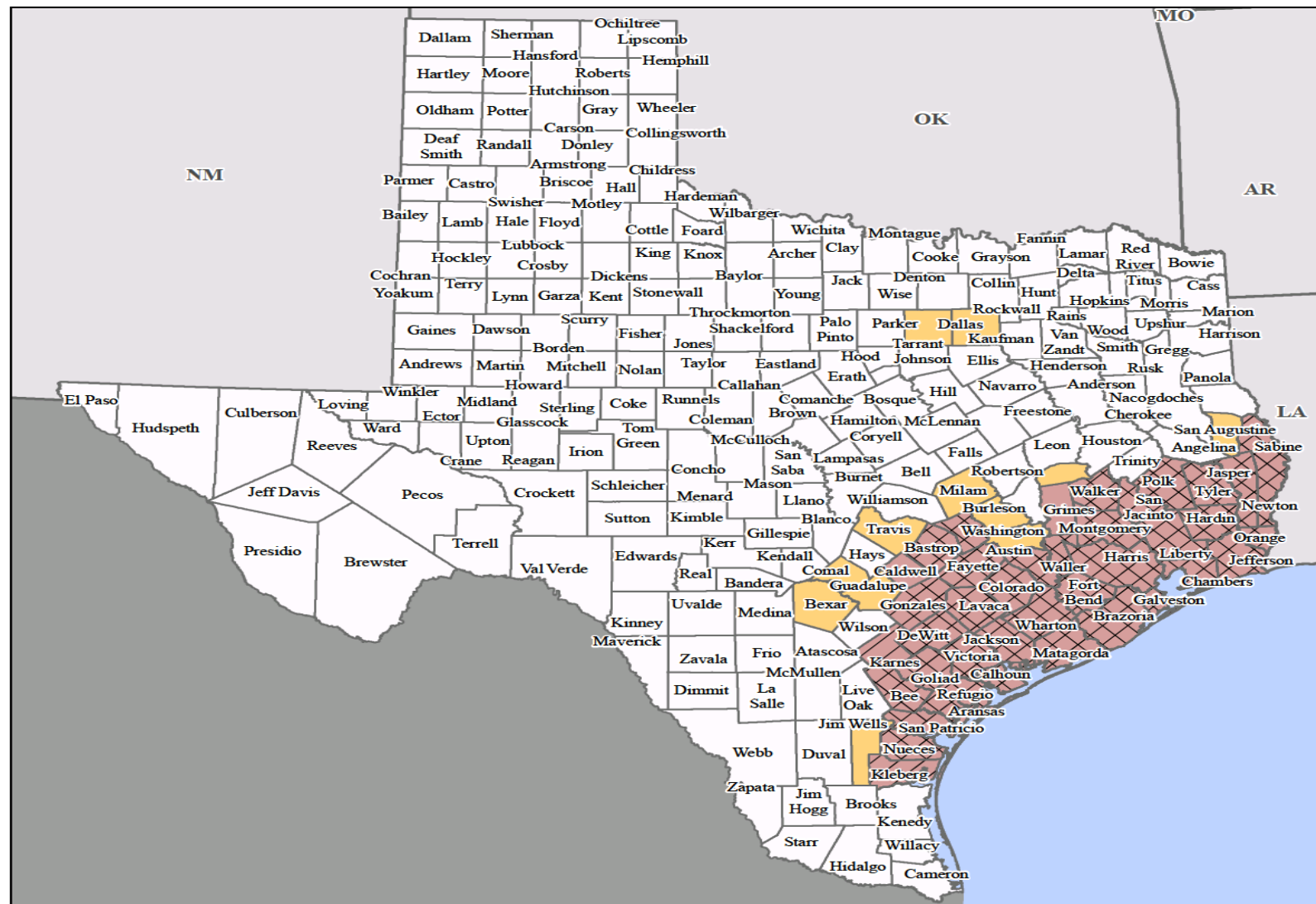
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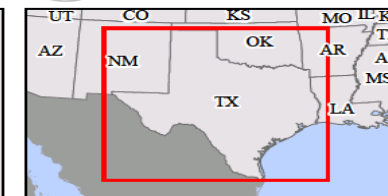
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FEMA-4332-DR, Texas Disaster Declaration as of 10/11/2017



FEMA

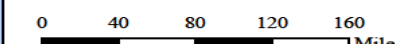
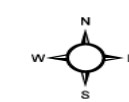


Data Layer/Map Description:
The types of assistance that have been designated for selected areas in the State of Texas.

All designated areas in the State of Texas are eligible to apply for assistance under the Hazard Mitigation Grant Program.

Designated Counties

- No Designation
- Public Assistance
- Individual Assistance and Public Assistance
- Public Assistance (Category B)
- Individual Assistance and Public Assistance (Categories A and B)
- Individual Assistance and Public Assistance (Categories A - G)



Data Sources:
FEMA, ESRI;
Initial Declaration: 08/25/2017
Disaster Federal Registry Notice:
Amendment #10 - 10/11/2017
Datum: North American 1983
Projection: Lambert Conformal Conic

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Personal Casualty Losses

Damage, destruction, or loss of personal-use property resulting from an identifiable event that is sudden, unexpected, or unusual.

Rev. Rul. 72-592, 1972-2 C.B. 101

Computing Casualty Losses

- A casualty loss is the lesser of:
 - 1. Decrease in fair market value (FMV) as a result of the casualty, and
 - 2. Adjusted basis before the casualty.

Subtract any insurance or other reimbursement received from the smaller of (1) or (2) above.



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Valuation Methods

- **FMV** immediately before and immediately after casualty ascertained by **competent appraisal**.
- **Cost of repairs** to the property damaged is acceptable as evidence of loss of value.
 - Repairs necessary to restore property to its condition immediately before the casualty
 - Amount spent is not excessive
 - Repairs take care of the damage only
 - Value of property after repairs isn't, due to the repairs, more than the value of the property before the casualty
- **Safe harbor**



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Personal Casualty Loss Deduction

- **General Application**
 - Taxpayers must first reduce each casualty or theft loss by \$100.
 - Taxpayers must then reduce their total casualty losses attributable to a federally declared disaster by 10% of their AGI.



Computing Casualty Loss Example

1.	Adjusted basis of the entire property (cost in this example).....	\$144,800
2.	FMV of entire property before tornado.....	\$180,000
3.	FMV of entire property after tornado.....	35,000
4.	Decrease in FMV of entire property (line 2 – line 3).....	\$145,000
5.	Loss (smaller of line 1 or line 4).....	\$144,800
6.	Subtract insurance.....	130,000
7.	Loss after reimbursement.....	\$14,800
8.	Subtract \$100.....	100
9.	Loss after \$100 rule.....	\$14,700
10.	Subtract 10% of \$80,000 AGI.....	8,000
11.	Casualty loss deduction.....	\$ 6,700



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Personal Casualty Loss Deduction

- After TCJA, must generally be due to a federally declared disaster.
- Deductible during the tax year that the loss is sustained.
- Taxpayers may elect to deduct losses from a federally declared disaster in the year before they were sustained.



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Tax Relief for Specific Disasters

The Disaster Tax Relief and Airport and Airway Extension Act of 2017, the Bipartisan Budget Act of 2018, and the Tax Cuts and Jobs Act of 2017 provide special tax relief for taxpayers impacted by certain federally declared disasters that occurred in 2016 and 2017.



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Qualified Disaster Loss

An individual's casualty or theft loss of personal-use property attributable to:

- A major disaster declared by the President in 2016.
- Hurricane Harvey, Tropical Storm Harvey, Hurricanes Irma and Maria, or the 2017 California wildfires.

Qualified Disaster Loss (Continued)

- Qualified disaster losses can be deducted without itemizing other deductions on Schedule A (Form 1040).
- An individual's net casualty loss doesn't need to exceed 10% of your adjusted gross income to qualify for the deduction.
- The \$100 limit per casualty is increased to \$500.





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Documenting a Casualty Loss

- Information needed to support the loss:
 - Type of casualty and when it occurred
 - Was it a direct result of the casualty in a federal disaster area.
 - Were you the owner of the property?
 - Provide photographs, video evidence, receipts, diagram or floor plans, check with county assessor's office for records about the property.



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Forms to File

Generally, when you have a casualty or theft loss you have to file Form 4684. You may also have to file one or more of the following forms.

- Schedule A (Form 1040)
- Schedule D (Form 1040)
- Form 4797



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Other Permanent Relief

- The IRS may grant additional time to perform certain actions.
- Exemption for disaster relief payments to individuals.
- Exemption for certain insurance payments.
- Deferral of gain from the involuntary conversion of homes destroyed by a disaster.



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Related Disaster Publications

- Pub. 2194, *Disaster Resource Guide*
- Pub. 547, *Casualties, Disasters, and Thefts*
- Pub. 584, *Casualty, Disaster, and Theft Loss Workbook*
- Pub. 584-B, *Business Casualty, Disaster, and Theft Loss Workbook*

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IRS Disaster Relief Resources

- [IRS.gov/DisasterTaxRelief](https://www.irs.gov/DisasterTaxRelief)
- [IRS.gov/Disaster](https://www.irs.gov/Disaster)
- [IRS.gov/Newsroom/Around-the-Nation](https://www.irs.gov/Newsroom/Around-the-Nation)
- Local IRS Taxpayer Assistance Center



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Other Government Agency Disaster Information

- DisasterAssistance.gov
- FEMA.gov
- SBA.gov
- READY.gov
- Benefits.gov