IRS Resource Guide – FAQs and Links to IRS.gov
Disaster Assistance and Emergency Relief Program

This document is intended to help congressional staff find publicly available information. The document itself is not official guidance. However, it does provide hyperlinks to www.IRS.gov, where official IRS guidance is posted.

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Disaster or Emergency

1. How is an event designated a federally declared disaster or emergency?

When a disaster or emergency occurs, a governor may ask for federal assistance. The president may invoke the Robert T. Stafford Disaster Relief and Emergency Act. The Federal Emergency Management Agency (FEMA) identifies counties or areas that are eligible for relief. A federally declared disaster or emergency is usually a natural event such as a hurricane, tornado, earthquake or flood. The IRS does not participate in the decision to make the declaration.

2. What is the IRS role in a federally declared disaster or emergency?

The IRS provides a reasonable level of tax return filing and payment relief. We identify taxpayers with IRS addresses of record in the counties identified by FEMA for its Individual Assistance to Households and Families Program, and we systematically apply a disaster freeze code to their accounts.

We issue an internal disaster relief memorandum to our employees that details the relief granted to affected taxpayers. IRS issues a news release to media outlets and posts it on Latest News on IRS.gov. The governmental liaison assigned to your office will provide you with a copy.

3. What tax issues can occur during a disaster or emergency?

Some of the tax issues that individuals and businesses may encounter during a disaster or emergency are:

- Filing tax returns that are due,
- Making tax payments and
- Determining a casualty loss from the disaster or emergency that can be claimed as a deduction on a tax return.

The IRS Disaster Assistance and Emergency Relief Program provides administrative tax relief to taxpayers and tax practitioners affected by a federally declared disaster in areas FEMA identifies for its Individual Assistance to Households and Families Program.

This relief lets disaster victims meet their federal tax obligations for filing original returns or paying taxes originally due within the relief period without being penalized.

4. What administrative tax relief is available in a disaster or emergency?

If an individual or business has been affected by a federally declared disaster, the IRS may help them by:

- Allowing additional time for filing original returns and making payments and, in some circumstances, waiving interest and penalties if the disaster has caused the taxpayer to file or pay late.
- Providing free copies of transcripts of previously filed returns.
- Expediting, for both individuals and businesses, faster refunds from claiming casualty losses related to the disaster on the tax return for the previous year, usually by filing an amended return. There are time limits to this election. IRS Publication 547, which is available to download on www.IRS.gov, gives helpful information on disaster losses.

5. What if a taxpayer lives in a disaster area, but the taxpayer's IRS address of record is not current?

Taxpayers who qualify for relief but whose address of record may not be up-to-date can contact us at 866-562-5227 and self-identify for the relief. Our telephone assistor will manually code their account.

6. What if the taxpayer's accountant is located in a federally declared disaster area and the taxpayer's records were affected by the disaster?

If the accountant has the taxpayer's records needed for the taxpayer to meet a tax deadline within the disaster relief period, then the taxpayer is considered an affected taxpayer and can self-identify by calling the Disaster Assistance Hotline at 866-562-5227. The taxpayer can also write to the IRS to request disaster relief, with an explanation of why they are an affected taxpayer.

7. Are relief workers entitled to the same administrative tax relief provided to taxpayers residing in the disaster area?

Yes, relief workers affiliated with a recognized government or philanthropic organization that provide relief services in the covered disaster area are entitled to administrative tax relief. They may contact the IRS at 866-562-5227 and self-identify for the relief.

Disaster Declarations

8. What information does a Disaster Declaration include?

The Disaster Declaration is very thorough, and includes information on:

- Type of assistance given – public and/or individual and
- The counties included in the declaration.

9. What is the difference between individual assistance and public assistance?

Individual assistance is available for individuals and businesses in need of temporary housing, unemployment payments, housing repairs, medical assistance and similar types of benefits. **The IRS postpones tax filing and payment deadlines only if individual assistance is given.**

Public assistance is available to state and local governments for the repair or replacement of disaster-damaged public facilities. The Public Assistance Grant Program provides grants to state and local governments and certain private nonprofit agencies to respond to disasters, recover from their effects and to mitigate damage from future disasters. **The IRS does not systemically postpone tax filing and payment deadlines when only public assistance is given.**

10. Where can I find a copy of the Disaster Declaration?

The Disaster Declaration is available on FEMA's website at http://www.fema.gov/news/disasters.fema. The IRS also posts news releases announcing tax relief at www.irs.gov on our Disaster Assistance and Emergency Relief for Individuals and Businesses webpage. Use the search term *Disaster assistance* to get to the webpage, then *Around the Nation* then the state.

11. What if FEMA adds counties for Individual Assistance to an existing declaration?

FEMA will update the disaster declaration at http://www.fema.gov/news/disasters.fema and the IRS will adjust its programming efforts and post news releases to include the additional counties. The relief is always retroactive to the event date.

Disaster Recovery Centers

12. What is a Disaster Recovery Center (DRC) and what services do they provide?

A Disaster Recovery Center is a readily accessible facility or mobile office where applicants can get information about FEMA or other disaster assistance programs, or where they can

get answers to questions related to their individual case. Some of the services that a DRC may provide include:

- Guidance regarding disaster recovery,
- Clarification of any written correspondence received,
- Housing assistance and rental resource information,
- Answers to questions, resolution to problems and referrals to agencies that may provide further assistance,
- Status of applications being processed by FEMA and
- Small Business Association (SBA) program information if there is a SBA representative at the Disaster Recovery Center site.

NOTE: An individual cannot register for assistance at a DRC; they must register by calling 800-621-FEMA (3362) or apply online at www.FEMA.gov. (Hearing/speech impaired only, call TTY: 800-462-7585.)

You can find additional disaster assistance information from federal agencies and their partners at www.DisasterAssistance.gov.

13. Is the IRS represented at DRCs?

IRS staff may be available to help taxpayers at major DRCs. Our Stakeholder Liaison field offices determine the need to staff DRCs. Stakeholder Liaison often ships disaster relief kits to DRCs for distribution. You can also order the kits by calling 800-TAX-FORMS and requesting Publication 2194, Disaster Resource Guide for Individuals and Businesses. Assistance is also available in person at IRS Taxpayer Assistance Centers and by phone at the IRS Disaster Assistance Hotline, 866-562-5227. Appointments are required at IRS Taxpayer Assistance Centers, and may be made by calling 844-545-5640.

Special Services Provided by IRS during Disasters

14. How does a taxpayer or return preparer obtain an expedited copy of a tax return or tax return transcript?

To qualify for disaster loans and grants from other federal agencies, a taxpayer may need a copy of their tax returns or transcripts of returns for recent years.

Copies of tax returns – Taxpayers can use Form 4506, Request for Copy of Tax Return, to order a copy of their tax return. Generally, there's a $50 fee for requesting each copy of a tax return. If the taxpayer's main home, principal place of business or tax records are located in a federally declared disaster area, the fee will be waived if the name of the disaster (for example, "Hurricane Ann") is written in red across the top of the Form 4506 when filed.

Transcript of tax return – The IRS will provide disaster victims or their return preparer with a free, expedited tax return transcript. Expedited services are available to taxpayers or their authorized representatives who call the IRS Disaster Assistance Hotline at 866-562-5227. Also, you can fax or mail Form 4506-T, Request for Transcript of Tax Return, to the appropriate IRS campus found in the instructions.

You can order a transcript by calling the Disaster Assistance Hotline at 866-562-5227 or by accessing Get Transcript: http://www.irs.gov/Individuals/Get-Transcript.

If mailed, you should write the appropriate disaster information, such as "Hurricane Ann," in red across the top of the form. Tax professionals who are registered may use e-Services to obtain a tax return transcript for their client.

Tax professionals must have a valid Power-of-Attorney on file in order to make the aforementioned requests on behalf of their clients.

15. Are there special provisions for businesses applying for a small business loan?

If a business taxpayer is applying for a disaster loan, the SBA can fax the taxpayer's transcript request to the IRS and we will provide the information to them via a secured e-mail generally within 48 hours.

16. Does the IRS work with other federal agencies during disasters?

In large-scale disasters, FEMA opens Joint Field Operations (JFOs) where federal agencies coordinate responses. The IRS represents Treasury and the IRS at JFOs. Treasury issues include banking and the financial industry. The IRS funnels issues to Treasury for resolution and helps Treasury implement decisions. JFOs are for agencies only and there is no public access to these facilities.

Change of Address

17. What address should be used on a taxpayer's return? In disaster areas, taxpayers can move several times and may not remain at a current address for an extended period.

Taxpayers should use their current address when filing. If the taxpayer moves after filing the return, they should update their address with the IRS by calling the IRS Disaster Assistance Hotline at 866-562-5227 or by filing Form 8822, Change of Address. The IRS also recommends that taxpayers notify the Post Office serving the old address.

Penalties and Interest

18. Is there any relief for installment agreement payments that become due during the disaster relief period?

Installment agreement payments that become due during the disaster relief period are suspended. After the postponement period has ended, the installment agreement will be reinstated (without fee). The taxpayer will be required to resume making payments in accordance with the terms of the installment agreement beginning the month that follows after the end of the postponement period. However, penalties and interest will accrue during the suspension of the installment agreement.

Casualty Losses

19. Can a taxpayer claim a loss on his tax return for damaged or destroyed property?

Individuals may generally deduct casualty losses relating to their personal-use property, including their home, household items and vehicles. With respect to personal-use property, the taxpayer may generally claim as a casualty loss deduction the lesser of:

- The difference between the fair market value of the property immediately before and after the casualty or
- The adjusted basis of the property.

The amount of the deduction is reduced by any insurance proceeds or other payments the taxpayer receives or reasonably expects to receive. An individual taxpayer must reduce the amount claimed for each casualty loss deduction for personal-use property by $100, and reduce the total amount of casualty loss deductions claimed for personal-use property for one taxable year by 10 percent of the taxpayer's adjusted gross income.

With respect to business or income-producing property, such as rental property, that is partially destroyed, the taxpayer generally may claim as a casualty loss deduction the lesser of:

- The difference between the fair market value of the property immediately before and after the casualty or
- The adjusted basis of the property.

The amount of the deduction is reduced by any insurance proceeds or other payments the taxpayer receives or reasonably expects to receive. However, if business or income-producing property is completely destroyed and its adjusted basis exceeds its fair market value, the taxpayer may claim a casualty loss deduction equal to the adjusted basis of the property, reduced by payments the taxpayer receives or reasonably expects to receive for the property (including insurance proceeds or payments for damages). The casualty loss must be reduced by any salvage value.

20. What is the adjusted basis of property?

Generally, the adjusted basis of property is the taxpayer's cost, increased or decreased by certain events such as improvements or depreciation. For more information about the basis of property, refer to IRS Publication 547, Casualties, Disasters, and Thefts.

21. How does a taxpayer establish the decrease in the fair market value of the property after a casualty?

A taxpayer may use either an appraisal or the cost to repair or clean up the property to determine the decrease in fair market value of the property after a casualty.

22. How does a taxpayer report a casualty loss on his tax return?

Individuals are required to claim their casualty and theft losses as an itemized deduction on Form 1040, Schedule A (or Form 1040NR, Schedule A, if the taxpayer is a nonresident alien). For property held for personal use, the individual must subtract any salvage value and any insurance or other reimbursement; they must then subtract $100 from each casualty or theft event that occurred during the year. All amounts for casualties and thefts are added; the taxpayer then subtracts 10 percent of their adjusted gross income from the total to calculate their allowable casualty and theft losses for the year.

Details of the casualty loss are reported on Form 4684, Casualties and Thefts. Section A is used for reporting the loss of personal-use property. If personal-use property was damaged or destroyed or stolen, the taxpayer may want to use Publication 584, Casualty, Disaster, and Theft Loss Workbook.

Losses of business or income-producing property are reported in Section B of Form 4684, and on Form 4797, Sales of Business Property, if required. For losses involving business-use property, refer to Publication 584B, Business Casualty, Disaster, and Theft Loss Workbook.

23. What if a taxpayer's loss is greater than his income?

If a taxpayer's loss is more than his income, he may have a net operating loss. An individual or a business can have a net operating loss from a casualty. For more information, refer to IRS Publication 536, Net Op*erating Losses for Individuals, Estates, and Trusts.*

24. In what tax year is a casualty loss claimed?

Casualty losses are generally deductible in the year the casualty occurred. However, under Internal Revenue Code section 165(i), if the casualty loss is from a federally declared disaster that occurred in an area warranting individual or public assistance (or both), the taxpayer can choose to treat the loss as having occurred in the year immediately preceding the tax year in which the disaster happened. The taxpayer can deduct the loss on their return or amended return for the preceding tax year.

25. Under what circumstances may a taxpayer elect the provisions of Internal Revenue Code Section 165(i), which allows them to deduct disaster related losses in the prior year?

Taxpayers who sustain losses attributable to a disaster occurring in an area declared by the president to be a federally declared disaster area that warrants assistance by the federal government may elect Section 165(i) treatment.

26. How long does it take for the IRS to process amended returns filed by disaster victims making a section 165(i) election?

The IRS expedites processing of amended returns notated with the appropriate disaster information, i.e. "Hurricane Ann." The timeframe is generally 60 days.

Tax Treatment of Payments Received

27. Is a taxpayer required to include in gross income payments he receives for property damage or destruction?

No, a taxpayer isn't required to include in gross income any payments he receives for property damage or destruction if the payments don't exceed the taxpayer's adjusted basis in the damaged or destroyed property. If the payments for property damage or destruction exceed the taxpayer's adjusted basis in the damaged or destroyed property, the taxpayer will realize gain for federal income tax purposes.

A taxpayer whose principal residence is destroyed has suffered an *involuntary conversion* within the meaning of federal income tax law. An involuntary conversion is treated as a sale of the home and the taxpayer may exclude up to $250,000 of the gain ($500,000 if married filing jointly). See Publication 523, Selling Your Home. In addition, the taxpayer may defer the tax on any gain that exceeds these amounts if the taxpayer purchases qualifying replacement property that costs at least as much as the payments received for the damaged or destroyed property. (Tax is deferred until the qualifying replacement property is later sold.)

An involuntary conversion occurs when a taxpayer's property is destroyed, stolen, condemned or disposed of under the threat of condemnation and the taxpayer receives other property or money in payment, such as a condemnation award or insurance. See Publication 544, Sales and Other Dispositions of Assets.

28. How are FEMA payments treated for income tax purposes?

Payments that disaster victims receive from FEMA are generally not taxable income, but may reduce a casualty loss or medical expense deduction.

Under the Individuals and Households Program (IHP), FEMA provides grant payments to individuals for critical expenses and losses, not covered by insurance or in other ways that are incurred as a result of a federally declared disaster. FEMA makes the following types of payments under the program:

- Temporary housing assistance: To rent a different place to live or a government provided housing unit when rental properties are not available.
- Repair assistance: For homeowners to repair damage from the disaster to their primary residence that is not covered by insurance. The goal is to make the damaged home safe, sanitary, and functional.
- Replacement assistance: For homeowners to replace their primary residence destroyed in the disaster that is not covered by insurance.
- Other needs assistance: For necessary expenses and serious needs caused by the disaster, such as medical, dental, funeral, personal property, transportation, moving and storage.

In general, FEMA IHP payments received by eligible individuals for any of the above purposes are excluded from his or her gross income for federal income tax purposes to the extent that the expenses compensated for by the IHP payments are not compensated for by insurance or otherwise.

The recipient of a FEMA IHP repair assistance payment or replacement assistance payment must reduce the amount of any casualty loss attributable to the damaged or destroyed

residence by the amount of the FEMA IHP payment. For more information on determining adjusted basis, see Publication 551, Basis of Assets.

Also, in general, the recipient of a FEMA IHP payment for reimbursement of a medical (including dental) expense must reduce the amount of his or her medical expenses by the amount of that FEMA IHP payment to determine the amount of any medical expense deduction. For more information, see Publication 502, Medical and Dental Expenses.

Qualified Disaster Mitigation Payments

29. Are qualified disaster mitigation payments tax free?

Qualified disaster mitigation payments made under the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the National Flood Insurance Act (as in effect on April 15, 2005) aren't included in income. These are payments you, as a property owner, receive to reduce the risk of future damage to your property. You can't increase your basis in the property, or take a deduction or credit, for expenditures made with respect to these payments.

30. Am I required to report gains from the sale of property under the hazard mitigation program for federal income tax purposes?

Generally, if you sell or otherwise transfer property, you must recognize any gain or loss for tax purposes unless the property is your main home. You report the gain or deduct the loss on your tax return for the year you realize it. However, if you sell or otherwise transfer property to the federal government, a state or local government, or an Indian tribal government under a hazard mitigation program, you can choose to postpone reporting the gain if you buy qualifying replacement property within a certain period of time.

Additional Information

31. Does the IRS ever provide assistance to taxpayers affected by disasters that are not a federally declared disaster?

Yes, occasionally the IRS will provide outreach and education to taxpayers affected by disasters or emergencies that are not federally declared disasters. Taxpayers may claim a casualty loss for damaged or destroyed property, if they are otherwise eligible, whether or not an event was a federally declared disaster.

32. Do state tax agencies offer any administrative tax relief to taxpayers and tax practitioners who have been affected by a federally declared disaster or emergency?

State tax agencies often offer administrative tax relief, but they decide independently what relief will be extended. Taxpayers should contact their state tax agency for more information.

33. Does the IRS provide relief to victims of disasters in Territories of the United States, including Puerto Rico, the Virgin Islands, Guam, American Samoa and the Northern Mariana Islands?

Yes, the IRS will provide relief and assistance to taxpayers in Territories when the event qualifies for it.

34. Where can I get more IRS information?

For more information, Congressional staff can:

- Visit the Disaster Assistance and Emergency Relief for Individuals and Businesses on www.IRS.gov. Information on preparing for disasters is also available on the web page.
- Contact your local governmental liaison.
- Refer to IRS publications and forms, including:
    - Pub 547, Casualties, Disasters and Thefts (also in Spanish)
    - Pub 584, Casualty, Disaster, and Theft Loss Workbook for Individuals (also in Spanish)
    - Pub 584B, Business Casualty, Disaster, and Theft Loss Workbook (also in Spanish)
    - Pub 536, Net Operating Losses for Individuals, Estates, and Trusts
    - Pub 551, Basis of Assets
    - Pub 502, Medical and Dental Expenses
    - Pub 2194, Disaster Resource Guide for Individuals and Businesses
    - Form 4506, Request for Copy of Tax Return
    - Form 4506-T, Request for Transcript of Tax Return
    - Form 4684, Casualties and Thefts
    - Form 8822, Change of Address.