

by MICHAEL W. KIEFER, CPA

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# Harvey Tax Relief



Hurricane Harvey was devastating to much of Texas. Countless families are left with extreme damage to their homes, some of which have to be torn down. At the same time, those same families saw most or all of their personal belongings destroyed by the floodwaters as well. And of course, many face the daunting task of trying to rebuild their lives without the benefit of flood insurance. Sure, many are getting some assistance from FEMA, but it only goes so far. But, there is hope.

In late September, Congress eased the tax rules for individuals claiming a Casualty Loss for damage from Hurricanes Harvey, Irma and Maria. Specifically, they removed the requirement that the damage be taken as an itemized deduction, and also removed the 10% of AGI threshold, meaning that previously one could only get a tax benefit to the extent that the uninsured loss exceeded 10% of AGI.

In addition, in mid-December the IRS issued two very favorable Revenue Procedures that outline some generous Safe Harbor provisions for computing a personal loss from Hurricanes Harvey, Irma or Maria. One of them provides various ways to determine the loss due to the damage to a personal residence, including for those who had over 1 foot of water in the residence, had roof or structural damage from wind, rain or debris, had major damage to a detached wood framed structure, or damage to wood decking. The other provides a very generous way for valuing one's personal belongings that

were damaged or destroyed by one of the Hurricanes.

While these Safe Harbors can be used regardless of having flood insurance, one must be sure to meet the strict definitions and processes as outlined in the Revenue Procedures. Admittedly, it can take a fair amount of time to gather the needed information to claim the allowed loss on personal belongings. However, we have already seen many instances where use of the Safe Harbors has resulted in very large tax deductions, sometimes even for taxpayers who had flood insurance that paid for all or nearly all of the repairs to the home, or to replace all of the destroyed belongings.

It's not too late to take advantage of the favorable tax treatment outlined above. Consider filing for an extension of time to file the return, to allow more time to gather a comprehensive listing of personal belongings that were damaged or destroyed. If the tax return has already been filed without utilizing the benefits of the Safe Harbors, an amended return can be filed. And because the three Hurricanes are Presidentially Declared Disasters, the resulting loss can be claimed on an amended 2016 tax return if more beneficial, but it must be done by this October.

Be sure to seek out a skilled tax expert that is knowledgeable about the Safe Harbors. And help spread the word – the more residents know about and claim the tax benefits, the sooner our area can recover. I'm not from the government, but I'm here to help.