

H&R Block Offers 10 Tips on Claiming a Loss from a Hurricane

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KANSAS CITY, Mo.--(BUSINESS WIRE)--Aug. 30, 2005--In the wake of Hurricane Katrina, hundreds of thousands of people now face the reality of trying to rebuild their homes and lives. According to H&R Block (NYSE:HRB), hurricane victims are eligible for special tax breaks and need to be aware of steps they should take as soon as possible to ensure they receive the maximum tax benefit. The tips below provide guidance on important steps to take in the days and weeks immediately following the disaster.

1. Take photographs to document damage to your property or belongings. This will be helpful in calculating the amount of your loss. It may also prove beneficial to take photos showing the condition of the property after it is restored or replaced.
2. Keep your receipts. Certain expenses may be deductible or helpful in determining your loss. For example, you and your family may incur deductible medical expenses during this time. Receipts for contracting work can establish the extent of your loss and substantiate the use of insurance reimbursements.
3. File your insurance claim in a timely manner. If your property is covered by insurance, it's important to file the claim as soon as possible because any reimbursement you receive must be subtracted when calculating a casualty loss.
4. Food, medical supplies and other forms of assistance are not taxable, nor do these items reduce the amount you can claim as a loss unless they replace lost or destroyed items.
5. The cost of cleaning up or making repairs can not be considered part of your casualty loss. However, you can use the cost for repairs as a basis to determine the decrease in fair market value. Again, keep your receipts.
6. Replace property with similar property to avoid paying taxes on any gain from insurance proceeds. However, replacement property does not have to match item-for-item. Because insurance proceeds for the home and its contents are considered a common pool of funds, you can use more of the money to replace the house than its contents, or vice versa.

Note: If you qualify, a gain related to a personal residence can be excluded using the sale-of-home exclusion rules.

7. Reimbursements for losses are not taxable, unless you come out ahead by receiving more for the property than its basis (original cost plus the cost of improvements). Even if the reimbursement is more than the basis, you don't have to pay tax currently if you replace lost, damaged or destroyed items within two years after the loss occurs.
8. You may be able to claim a casualty loss on your tax return.
 - The loss amount is based on the lower of two numbers: Either the price paid for the property plus any improvements (called the basis) prior to the casualty, or the property's decline in market value caused by the disaster, which, in some cases, can be determined by repair costs.
 - The deductible amount is reduced by insurance and most other nontaxable reimbursements.
 - If the property is not used for business, the deductible amount is reduced by 10 percent of your adjusted gross income and then reduced again by \$100.
9. The IRS will waive fees and expedite requests for copies or transcripts of your federal tax return. If you need information from your tax return, use Form 4506-T Request for Transcript of Tax Form to request a transcript of your federal tax return. A transcript shows most of the line items from your return. You may also use Form 4506-T to request account information (payment of estimated taxes, etc.) and transcripts of W-2s and 1099s. If you need greater detail on prior returns than is provided by transcripts, you may request a photocopy of a prior return and any attachments by submitting Form 4506, Request for Copy of Tax Form.

You may obtain these forms by calling 800-829-1040 or going to www.irs.gov.

10. Special considerations for areas declared disasters by the President:

- You have up to four years to replace your principal residence or pay tax on the gain.
- You can choose to deduct a loss on the current-year return or amend the preceding year's return, whichever helps your current financial or tax situation the most.
- You may have filing and payment deadlines postponed by a time specified by the IRS. Any interest that normally would apply to late payments is waived in this situation.

About H&R Block

Celebrating its 50th anniversary in 2005, H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The sixth-largest retailer in the world, H&R Block has more than 12,000 locations serving taxpayers primarily in the United States, Canada and Australia.

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