

More Tax Relief Comes to Victims of 2005 Hurricanes

July 31, 2008 4:15 PM ET

Housing Assistance Act Leads to Additional Tax Benefits for Storm Victims

KANSAS CITY, Mo.--(BUSINESS WIRE)--July 31, 2008--Provisions of the housing bill President Bush signed into law Wednesday are designed to provide more tax relief to victims of the 2005 Gulf Coast hurricanes. The Tax Institute at H&R Block has analyzed the tax impact of the legislation for taxpayers affected by the hurricanes, noting a possible reduction in their tax liability.

One provision of the new law allows taxpayers who claimed a casualty loss on their principal residence from damage caused by Hurricanes Katrina, Rita or Wilma to amend their return if they later received a grant for the loss. Taxpayers could be able to reduce their tax bill by claiming the reimbursement on the same return that reflects the loss.

The casualty loss deduction is reduced, but not below zero, by the amount of the grant. Any underpayment that results is not subject to interest or penalties if paid within a year of the amended return being filed.

For example, a taxpayer who lost a home and was displaced from a job due to a 2005 hurricane claimed the loss of property on that year's tax return. The taxpayer later received a grant to rebuild. The reimbursement would ordinarily be included in taxable income in the year received. This provision allows the taxpayer to amend the earlier return to offset the loss - thus giving him the opportunity to increase taxable income in a year in which he was in a lower tax bracket.

"Essentially, it's like getting a free ride back in time to amend your return," said Jackie Perlman, researcher analyst of The Tax Institute.

These new provisions encompass the Gulf Opportunity Zones (GO Zones) and also extend the GO Zone into parts of Alabama.

H&R Block tax offices are open year-round to assist taxpayers in understanding the new law and other tax changes that may affect them and their families. Call 1-800-HRBLOCK to find a local year-round office or log on to www.hrblock.com.

About H&R Block

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