

Effects of Hurricane Harvey/Irma/Maria

Victims have until October 16, 2018, to claim the casualty loss on their prior year return by filing an amended return for 2016 to get a quicker refund. Otherwise, the casualty loss can be claimed on the return for the year of the disaster: tax year 2017.

These issues can affect 2017 returns as a deductible loss or, less common, a gain from insurance proceeds on returns for tax year 2017 and beyond.

However, casualty losses can only reduce taxable income. If already no taxable income, no benefit to claiming casualty losses. If casualty loss exceeds taxable income can sometimes can be carried to future year, would have to look up in which scenarios.

Calculating casualty loss deduction:

- Take lesser of FMV (before event) or adjusted basis of item.
- Subtract any insurance or other reimbursement.
- Then normally reduce by \$100 per event. (Multiple items affected by same event only subtract \$100 once. Also only once for MFJ. But storm hitting on several occasions is different event and requires \$100 deduction for each item affected.)
- Then subtract 10% AGI and what's left is casualty loss deduction ONLY if itemize.

Differences for hurricane victims (Texas, Florida, Louisiana, South, Carolina, Georgia):

- Reduce amount by \$500 and what's left is casualty loss deduction. (This replaces \$100 reduction and 10% subtraction AGI.)
- Can add casualty loss to standard deduction.
- can only reduce taxable income.

If appears taxpayer would be eligible to claim casualty losses, refer out. If not seem beneficial or that they are not eligible, we can prepare the return.