

TEXAS: ***HURRICANE HARVEY TAX RELIEF***



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Texas: Hurricane Harvey Tax Relief

For our American Brothers and Sisters in Texas, tax relief can help you.

The IRS may be of great help for you. See IRS Publication #2194: Disaster Resource Guide for Individuals and Businesses. The extant problem in Texas is as follows:

80% of Texans affected by Hurricane Harvey apparently have no flood insurance (homes, businesses). So their risk insurance policies will not pay them for their damages from Hurricane Harvey.

This failure to insure for floods means that many Texans will get no insurance recovery and will be forced to use their own resources to pay for their damages including replacing their irreparably damaged cars, homes, businesses and personal property.

What to Do?

First and foremost all affected Texans should claim unreimbursed casualty losses on property that was damaged or destroyed.

Hurricane Harvey has been declared a Presidentially Declared Federal Disaster Area. **Texans may immediately get tax refunds for prior taxes paid.**

For all Texans who paid taxes in Tax Year 2016, the tax year immediately preceding Tax Year 2017 (which is the tax year Hurricane Harvey occurred) you can elect to deduct the tax loss (a casualty loss from storms under IRC 165) on Form 1040x (amended individual tax return for 2016) and receive a tax refund of some or all the taxes paid in Tax Year 2016.

If the casualty losses (damages to property) are in excess of your income for 2016, the losses may be carried back to three prior tax years (2013, 2014, 2015) and declared as Net Operating Losses and result in tax refunds for prior 3 tax years.

If the losses are in excess of the income for the year 2016 and 3 prior tax years, the losses may be carried forward for tax year 2017 and up to 20 additional future tax years (under the carryforward NOL tax rules) through 2037 and give the taxpayer tax free income up to the amount of the tax losses.

Do Not Wait! File amended Tax Returns immediately for tax year 2016 (and prior 3 tax years in available.)

For taxpayers who will receive insurance recovery, do not wait to receive the recovery to declare your tax losses and get the tax refunds. Instead amend tax year 2016 (and prior 3 tax years) and receive the tax refunds. In the year that the insurance recovery is received, declare the insurance recovery as taxable income and pay any tax due (from the insurance proceeds received).

How?

Contact your tax preparers immediately and request they file amended tax returns for tax year 2016 and include Form 4684 (for casualty loss)

When?

In the words of Paul McCartney, do it "YESTERDAY".

For any questions have your tax preparers contact the IRS (don't try to do it yourselves you have already had enough stress, let the "pros take over").

The IRS announced on 8/29/17 (TX-2017-09) that the President declared a major disaster area in Texas, which will afford affected taxpayers tax relief.

The tax relief includes the following (See IRS: IR 2017-135)

- 1) For tax year 2016 filings due on extension (businesses 9/15/17; individuals 10/15/17) the IRS extended the tax filing deadline to 1/31/18 (a 3-4 month extension);
- 2) For tax year 2017, quarterly estimated tax payments originally due either 9/15/17 (3rd payment) or 1/16/18 (4th payment) may now be paid by 1/31/18 without penalty.
- 3) These new tax relief rules apply to both affected taxpayers who live in the covered disaster areas and to those who reside elsewhere but whose records are located in the covered disaster area.**

For all affected taxpayers who seek tax refunds for uninsured casualty losses, please consider the "silver lining"; if you qualify for a casualty loss you may receive up to 4 years of income tax refunds (tax loss year and 3 carryback tax loss years), up to 20 years tax free income (20 year carryforward losses).

In addition, the IRS becomes the “Bank”, your federal income taxes paid in the current year (and prior 3 tax years) becomes a “rainy day” savings account which you get to make withdrawals from up to the amount of the taxes saved from the casualty loss.

How can the IRS go from “Public Foe to New Friend” simple: every year they issue billions of dollars in tax refunds so they are just doing their job (which they do better than any taxing agency in the world.

According to the IRS 2012 Data Fact Book (for Fiscal Year 2012 through 9/30/12) the IRS collected \$2.51 Trillion in Taxes, processed 237.3 million tax returns and issued \$373.4 billion in tax refunds.

The IRS has tax refund capability in place now. With proper tax planning and the right tax compliance they can be the “Tax Cavalry” coming to the immediate aid of distressed Texans (and other state residents) making the difference between financial “life or death” for those brave Americans suffering the hurricane horrors and their aftermath.

So, what to do? Follow one of my favorite Beatles, Sir Paul McCartney and file those tax refund claims for uninsured casualty losses “YESTERDAY”.

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