

IRS Congressional Update

Issue Number: 2011-10

July 2011

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Special Edition – IRS Disaster Response

No one likes to think about disasters, but recent events in the United States such as tornados in the South and flooding in the upper Midwest remind us the best way to reduce the stress and difficulty brought on by a disaster is to be prepared before it strikes.

We are devoting the July issue of the *Congressional Update* to the IRS Disaster and Emergency Relief Program.

In June, the IRS disaster team held several phone forums for congressional offices providing information on the IRS Disaster and Emergency Relief Program. The phone forums covered the key features of the program and discussed how it affects your constituents:

- **IRS Disaster and Emergency Relief Program objectives**
- **Federally declared disaster and the disaster area definitions**
- **Federal disaster declaration process**
- **Eligibility for program relief**
- **IRS involvement in providing relief**
- **Federal agency cooperation to provide assistance to taxpayers**

If you missed the phone forum, notes from the presentation and other information related to disasters are available on www.irs.gov.

Special services provided by IRS after a disaster

IRS tailors response efforts to respond to victim needs

The IRS works closely with FEMA even before disaster strikes. Ten Governmental Liaisons (GLs) are designated as Regional Disaster Assistance Coordinators. These coordinators, along with the regional FEMA staff, attend disaster preparedness and planning meetings. By establishing FEMA and state emergency management contacts, they are able to respond quickly once a disaster hits. IRS GLs maintain communications with congressional delegations, governor's offices, state Departments of Revenue, and emergency management agencies.

Once the President declares a disaster and FEMA establishes a Disaster Recovery Center, IRS staffing levels at the center will be determined based on customer traffic. Once onsite, IRS employees disseminate information on tax relief available, answer questions on disaster tax laws and procedures, and distribute IRS News Releases and disaster related forms and publications. They can also assist with record reconstruction.

Constituents may need a copy of their tax returns or transcripts of returns for recent years to qualify for disaster loans and grants from other federal agencies. After a disaster declaration, IRS can provide taxpayers with expedited services for these records.

(Below: IRS employees staff a DRC in Monticello, Indiana.)



Copies of tax returns – Taxpayers can use [Form 4506](#), *Request for Copy of Tax Return*, to order a copy of their tax return. Generally, there is a \$57 fee for requesting each copy of a tax return. If the taxpayer's main home, principal place of business, or tax records are located in a federally declared disaster area, the fee will be waived if the name of the disaster (for example, "HURRICANE ANN") is written in red across the top of the Form 4506 when filed.

Transcript of tax return – The IRS will provide disaster victims or their return preparer with an expedited tax return transcript **free of charge**. Expedited services are

available to taxpayers or their authorized representative who call the IRS Disaster Assistance Hotline at 1-866-562-5227. Also, [Form 4506-T](#), *Request for Transcript of Tax Return*, may be faxed or mailed to the appropriate IRS campus found in the instructions.

Special tax law provisions – Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes. Both individuals and businesses in a federally declared disaster area can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, usually by filing an amended return. The [latest disaster tax relief guidance](#) is available at www.irs.gov.

Preparing for a disaster

An ounce of prevention can be worth more than a pound of cure

Planning for a potential disaster is an important part of being prepared. The IRS encourages taxpayers to safeguard their records. Some simple steps can help taxpayers and businesses protect financial and tax records in case of disasters.

Listed below are tips for individuals and businesses on preparing for a disaster.

Paperless recordkeeping: Many people receive bank statements and documents by email. Important tax records such as W-2s, tax returns and other paper documents can be scanned onto an electronic format.

Be sure to back up your electronic files and store them in a safe place. Making duplicates and keeping them in a separate location is a good business practice. Other options include copying files onto a CD or DVD. Also, many retail stores sell computer software packages that you can use for recordkeeping.

When choosing a place to keep your important records, convenience to your home should not be your primary concern. Remember, a disaster that strikes your home is also likely to affect other facilities nearby, making quick retrieval of your records difficult and maybe even impossible.

Document valuables and business equipment:

The IRS has disaster loss workbooks for individuals ([Publication 584, Casualty, Disaster, and Theft Loss Workbook](#)) and businesses ([Publication 584-B, Business Casualty, Disaster, and Theft Loss Workbook](#)) that can help you compile a room-by-room list of your belongings or business equipment. This will help you recall and prove the market value of items for insurance and casualty loss claims.

One option is to photograph or videotape the contents of your home and/or business, especially items of greater value. You should store the photos with a friend or family member who lives away from the geographic area at risk.

Check on fiduciary bonds: Employers who use payroll service providers should ask the provider if they have a fiduciary bond in place. The bond could protect the employer in the event of default by the payroll service provider.

Continuity of operations planning: There are real benefits to being prepared for disasters. The following preparedness strategies are common to all disasters. You plan only once, and can apply your plan to all types of hazards.

- Learn about regional risks and what to do for specific hazards.
- Develop an emergency plan.
- Know where to seek shelter from all types of hazards.
- Back up your computer systems regularly.
- Develop an emergency communication plan for employees and customers.
- Use cell phones, walkie-talkies or other devices that do not rely on electricity as a backup telecommunications system.
- Collect and assemble a disaster supply kit. Include a portable generator.
- Identify the community warning systems and evacuation routes.
- Include required information from community and school plans.
- Practice and maintain your plan.

Reconstructing records after a disaster

Suggestions to help constituents start over

Records needed to prove a loss may be damaged or destroyed in a disaster. Reconstructing records after a disaster may be necessary for tax purposes, federal assistance and insurance reimbursement. The following tips may help in reconstruction efforts:

Personal residence/Real property

- Contact the title company, county assessor's office, or appraisal company for copies of appraisals or

information on the cost or fair market value of the property.

- File [Form 4506](#), Request for Copy of Tax Return, or [Form 4506-T](#), Request for Transcript of Tax Return, to request copies of federal income tax returns or transcripts. Writing the appropriate disaster designation, such as "HURRICANE ANN," in red letters across the top of the forms allows free and expedited processing.

Vehicles

- Consult [Kelley's Blue Book](#), [National Automobile Dealers Association](#) and [Edmunds](#) for the current fair market value of most vehicles on the road. These sources are available on-line and in most libraries.

Personal property

- Draw a floor plan and include each piece of furniture. Make a list of the items contained in the furniture, including drawers, dressers, and shelves. Include garages, attics and basements.
- Create the personal property inventory in advance, update it regularly and keep it in a safe location.

Business records

- Get copies of invoices from suppliers for inventory figures.
- Get copies of bank statements for income information.
- Obtain copies of last year's federal, state and local tax returns including sales tax reports, payroll tax returns and business licenses for gross sales amounts.

Reporting casualty losses on your federal income tax return

Suggestions to help constituents start over

Individuals may generally deduct casualty losses relating to their personal-use property, including their home, household items and vehicles. The loss deduction is the lesser of:

- The difference between the fair market value of the property immediately before and after the casualty; or,
- The adjusted basis of the property, which is usually cost increased or decreased by events such as improvements or depreciation.

The amount of the deduction is further reduced by any insurance proceeds or other payments the constituent receives or reasonably expects to receive. Individuals are required to claim their casualty and theft losses as an itemized deduction on Form 1040, Schedule A. Constituents must reduce the casualty loss by \$100 and 10 percent of adjusted gross income. [Form 4684](#), Casualties and Thefts, may be helpful in calculating the loss.

Casualty losses are generally deductible in the year the casualty occurred. However, if a casualty loss is from a federally declared disaster, the loss can be deducted in the tax year immediately preceding the disaster. Claiming a qualifying disaster loss on the previous year's return may result in a lower tax for that year, producing or increasing a refund. The IRS expedites processing of amended returns notated with the appropriate disaster information.

See [Publication 547](#), Casualties, Disaster, and Thefts for additional information.

Business losses, including rental property, have similar rules in terms of determining the amount of the loss. Losses are reported on [Form 4797](#), Sales of Business Property. The \$100 and 10% of AGI reductions for individuals do not apply to business losses.

For losses involving business-use property, refer to [Publication 584B](#), Business Casualty, Disaster, and Theft Loss Workbook.

Additional information and resources

- IRS Disaster Assistance Hotline at 1-866-562-5227 (Monday through Friday, 7 a.m. to 10 p.m. local time).
 - [IRS Disaster Assistance and Emergency Relief for Individuals and Businesses](#) on IRS.gov
 - [IRS Publication 2194](#), Disaster Losses Kit for Individuals.
 - [IRS Publication 2194-B](#), Disaster Losses Kit for Businesses.
 - [Form 4506](#), Request for Copy of Tax Return
 - [Form 4506-T](#), Request for Transcript of Tax Return
 - [IRS Publication 584](#), Casualty, Disaster, and Theft Loss Workbook – This can help individuals make a list of stolen or damaged personal-use property and figure the loss. It has a room-by-room listing to help recreate an inventory and figure the loss on the home, contents and motor vehicles.
 - [IRS Publication 584-B](#), Business Casualty, Disaster, and Theft Loss Workbook – This is available to help businesses list stolen or damaged business or income-producing property and to figure the loss.
 - Personal tax professional
 - Federal Emergency Management Agency ([FEMA](#))
 - Small Business Administration ([SBA](#))
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Thank you for subscribing to the Congressional Update, an IRS e-mail service.
If you have questions, contact your local Governmental Liaison.
