IRS ANNOUNCES TAX RELIEF FOR RESIDENTS OF COUNTIES IMPACTED BY FLOODING

On March 21, 2019, the President declared that a major disaster occurred in certain counties in Nebraska. Victims of the severe winter storm, straight-line winds, and flooding that occurred on March 9, 2019 may qualify for tax relief. A similar declaration was made on March 25, 2019 for certain counties in Iowa.

If you are a resident of or have a business in Butler, Cass, Colfax, Dodge, Douglas, Nemaha, Sarpy, Saunders, and Washington counties of Nebraska you may be eligible for tax relief. Likewise, residents of Fremont, Harrison, Mills, Monona, and Woodbury counties in Iowa are eligible for relief. If you are not a resident of an affected county, you may still be an affected taxpayer if your records are located in the covered disaster area. Other counties could be added in the future.

EXTENDED FILING DEADLINE TO JULY 31, 2019

Certain Federal individual and business returns with an original or extended due date falling on or after March 9, 2019 and before July 31, 2019 have been extended to July 31, 2019. This includes individual income tax returns; S corporation, partnership, and corporate tax returns; trust returns; estate and gift tax returns; and certain excise returns. It also includes 2019 individual estimated tax payments due April 15, 2019 and June 17, 2019. Affected taxpayers also get an extension to make 2018 IRA contributions.

This extension includes deferring the payment of taxes due with the returns and deferring the estimated first and second quarter taxes until July 31, 2019. The same deferral for filing Nebraska income tax returns and paying taxes is provided to Nebraska residents in designated counties. Iowa residents in designated counties get a 30-day deferral for filing and paying taxes for any taxes due on or before March 31, 2019. Also note there is no interest charged on deferred tax payments.

All residents living in the counties noted above, even if not directly impacted by the disaster, are eligible for these benefits.

DISASTER AREA LOSSES

The Tax Cuts and Jobs Act eliminated the deduction for losses from casualties and thefts occurring after December 31, 2017, unless those losses were sustained in a federally declared disaster area. Now that parts of Nebraska and Iowa will qualify for these losses, property owners who sustained loss are eligible to claim uninsured losses on their tax returns.

A disaster loss is a loss that occurs in a federally declared disaster area and occurs in an area that is eligible for assistance pursuant to the Presidential declaration. Losses classified as disaster losses are not limited to personal use property, and therefore can be claimed by individuals, businesses, and income producing property.

The rules to calculate the tax deductible casualty loss are too detailed to address fully here, but the general rules are:

1. The loss is the lesser of:
   a. The difference in the fair market value before and after the casualty
   b. The tax basis of the property

2. Any loss must be reduced by insurance proceeds

We recommend that you document your losses by taking photographs of the damages, retaining insurance documents, retaining contracts with companies making repairs, and retaining invoices and support of payments for all costs you incur to repair or replace your property. We recommend you file a claim with FEMA which can be done online by accessing their website at: https://www.disasterassistance.gov/ .

Taxpayers who were affected by these incidents may have choices when it comes to determining how and when to recognize uninsured losses on their tax returns. Impacted taxpayers may elect to recognize a loss in the year preceding the year of actual loss by filing a special election. Effectively, taxpayers can elect to recognize the loss on their 2018 tax return. If your 2018 tax return has already been filed, an amended return could be filed to take the deduction.

If you or someone you know needs assistance with claiming these valuable deductions, please contact us at 402-496-9100.