

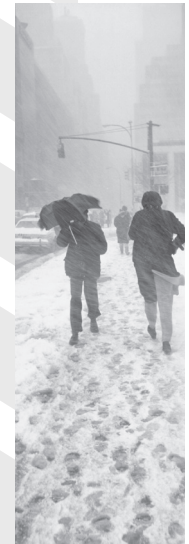
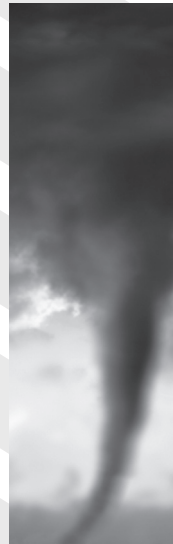


Small Business/Self-Employed

DISASTER ASSISTANCE AND
EMERGENCY RELIEF

Disaster Resource Guide

for Individuals and Businesses



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Introduction

This resource guide provides information to individuals and businesses affected by a federally declared disaster and the assistance available to disaster victims. This Disaster Relief Resource Guide can help you claim unreimbursed casualty losses on property that was damaged or destroyed.

A federally declared disaster is a disaster that took place in an area declared by the President to be eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. A list of areas warranting public or individual assistance (or both) is available at the Federal Emergency Management Agency (FEMA) web site at www.fema.gov.

All telephone numbers and web links are current
as of the date of publication but are subject to change

1. IRS Disaster Assistance

Federally Declared Disaster Area

You may deduct the loss or partial loss of personal and business use property on your individual federal income tax return for the year you incurred the loss. If you paid taxes in the tax year immediately preceding the tax year in which the federally declared disaster occurred, you can elect to deduct your loss on a Form 1040X (*Amended U.S. Individual Income Tax Return*) for the prior year instead of waiting to file your current year return. This will allow you to receive a refund of some or all of the taxes paid on your prior year return.

You can request copies of IRS account transcripts, or previously filed federal tax returns free of charge, when you submit Form 4506, *Request for Copy of Tax Return*, or Form 4506-T, *Request for Transcript of Tax Return*. Just write the name of the disaster in red at the top of the form before submitting (for example, Hurricane Katrina).

If you need additional forms or publications, there are several ways you can obtain them. You can download forms from www.irs.gov. You can also order forms or publications at no cost by calling 1-800-829-3676. If you need additional tax assistance, please call 1-800-829-1040.

IRS Hotline

Assistors are available Monday through Friday to provide explanations on filing and payment relief that may have been provided by IRS due to a disaster. You may call the Disaster Assistance Hotline at 1-866-562-5227, between 7:00 am and 7:00 pm, local time. Please have your own interpreter, if needed, when calling the Hotline.

IRS Taxpayer Assistance Centers

IRS personnel may be able to provide face-to-face assistance on disaster related issues at your local IRS office. Access <http://www.irs.gov/localcontacts/index.html> to find a Taxpayer Assistance Center in your area.

2. Disaster Resources

Disaster Information on the Web

To access the latest disaster tax information on www.irs.gov, use the key word “disasters.”

Electronic IRS

The number of electronic options available is increasing every year, helping reduce your burden and improve the timeliness and accuracy of tax returns. The Electronic IRS (<http://www.irs.gov/efile/index.html>) is a gateway to the many IRS electronic options available. A few of the electronic options include “Where’s My Refund?” where you can check the status of your refund, find an IRS e-file provider, check your eligibility for the Earned Income Tax Credit, download tax forms or sign up to pay electronically.

The Disaster Assistance Portal can help you find disaster assistance that meets your personal needs. You can locate over 60 forms of assistance from 17 federal agencies. Go to <http://www.disasterassistance.gov/> for information.

FEMA

You may contact FEMA for instructions to register as a victim on the FEMA webpage at www.fema.gov or, by calling 1-800-621-3362 (TTY 1-800-462-7585), between 6:00 am and midnight local time.

Plan/Prepare

Ready.gov provides tips for preparing and planning for a disaster. Go to www.ready.gov for information.

Recovery

The Small Business Administration provides low interest disaster loans to homeowners, renters, businesses of all sizes and private, nonprofit organizations to repair or replace real estate, personal property, machinery, equipment, inventory, and business assets that have been damaged or destroyed in a declared disaster. Visit SBA’s website at www.sba.gov and click on “Disaster Recovery Loans.”

3. Choosing a Tax Preparer

Here are a few points to keep in mind when someone else prepares your return:

- **Check the person's qualifications.** New regulations require all paid tax return preparers to have a Preparer Tax Identification Number (PTIN). In addition to making sure they have a PTIN, ask if the preparer is affiliated with a professional organization and attends continuing education classes. The IRS is also phasing in a new test requirement to make sure those who are not an enrolled agent, CPA, or attorney have met minimal competency requirements. Those subject to the test will become a Registered Tax Return Preparer once they pass it.
- **Check the preparer's history.** Check to see if the preparer has a questionable history with the Better Business Bureau and check for any disciplinary actions and licensure status through the state boards of accountancy for certified public accountants; the state bar associations for attorneys; and the IRS Office of Enrollment for enrolled agents.
- **Find out about their service fees.** Avoid preparers who base their fee on a percentage of your refund or those who claim they can obtain larger refunds than other preparers can. Also, always make sure any refund due is sent to you or deposited into an account in your name. Under no circumstances should all or part of your refund be directly deposited into a preparer's bank account.
- **Ask if they offer electronic filing.** Any paid preparer who prepares and files more than 10 returns for clients must file the returns electronically, unless the client opts to file a paper return. More than 1 billion individual tax returns have been safely and securely processed since the debut of electronic filing in 1990. Make sure your preparer offers IRS e-file.
- **Make sure the tax preparer is accessible.** Make sure you will be able to contact the tax preparer after the return has been filed, even after the April due date, in case questions arise.
- **Provide all records and receipts needed to prepare your return.** Reputable preparers will request to see your records and receipts and will ask you multiple questions to determine your total income and your qualifications for expenses, deductions, and other items. Do not use a preparer who is willing to electronically file your return before you receive your Form W-2 using your last pay stub. This is against IRS e-file rules.
- **Never sign a blank return.** Avoid tax preparers that ask you to sign a blank tax form.
- **Review the entire return before signing it.** Before you sign your tax return, review it and ask questions. Make sure you understand everything and are comfortable with the accuracy of the return before you sign it.

- **Make sure the preparer signs the form and includes his or her preparer tax identification number (PTIN).** A paid preparer must sign the return and include his or her PTIN as required by law. Although the preparer signs the return, you are responsible for the accuracy of every item on your return. The preparer must also give you a copy of the return.

You can report abusive tax preparers to the IRS on Form 14157, Complaint: Tax Return Preparer. Download Form 14157 at <http://www.irs.gov/pub/irs-pdf/f14157.pdf> or order by mail at 800-TAX FORM (800-829-3676). Mail completed forms to the address shown on Form 14157.

4. Reconstructing Your Records

Reconstructing records after a disaster may be essential for tax purposes, getting federal assistance or insurance reimbursement. Records that you need to prove your loss may have been damaged or destroyed in a casualty. The following tips may help to reconstruct your records to prove loss of personal-use or business property:

Personal Residence/Real Property

- Be sure to take photographs as quickly as possible after the casualty to establish the extent of the damage.
- Contact the Title Company, Escrow Company, or bank that handled the purchase to obtain copies of escrow papers. Your real estate broker may also be able to help.
- Use the current property tax statement for land vs. building ratios, if available; if not available, get copies from the county assessor's office.
- Check with appraisal companies to locate a library of old multiple listing books. These can be used for "comps" to establish a basis or fair market value. "Comps" are comparable sales within the same neighborhood.
- Check with your mortgage company for copies of any appraisals or other information they may have about cost or fair market value.
- Tax records – Immediately after the casualty, file Form 4506, Request for Copy of Tax Return, to request copies of the previous four years of federal income tax returns. To obtain copies of the previous four years of transcripts you may file a Form 4506-T, Request for Transcripts of a Tax Return. Write the appropriate disaster designation, such as "HURRICANE KATRINA," in red letters across the top of the forms to expedite processing and to waive the normal user fee.
- Improvements – Call the contractor(s) to see if records are available. If possible get statements from the contractors verifying their work and cost.
- If a home improvement loan was obtained, obtain paperwork from the institution issuing the loan. The amount of the loan may help establish the cost of the improvements.
- Inherited Property – Check court records for probate values. If a trust or estate existed, contact the attorney who handled the estate or trust.
- No other records are available – Check at the county assessor's office for old records about the property. Look for assessed value and ask for the percentage of assessment to value at the time of purchase. This is a rough guess, but better than no records at all.

Vehicles - Kelly's Blue Book, NADA, and Edmunds are available on-line and at most libraries. They are good sources for the current fair market value of most vehicles on the road.

- Call the dealer and ask for a copy of the contract. If not available, give the dealer all the facts and details and ask for a comparable price figure.
- Use newspaper ads for the period in which the vehicle was purchased to determine cost basis. Use ads for the period when it was destroyed for fair market value. Be sure to keep copies of the ads.
- If you are still making payments, check with your lien holder.

Personal Property - The number and types of personal property may make it difficult to reconstruct records. One of the best methods is to draw pictures of each room. Draw a floor plan showing where each piece of furniture was placed. Then show pictures of the room looking toward any shelves or tables. These do not have to be professionally drawn, just functional. Take time to draw shelves with memorabilia on them. Do the same with kitchens and bedrooms. Reconstruct what was there, especially furniture that would have held items — drawers, dressers, and shelves. Be sure to include garages, attics, and basements.

- Get old catalogs. These catalogs are a great way to establish cost basis and fair market value. Check the prices on similar items in your local thrift stores to establish fair market value. Walk through the stores and look at comparable items, especially items such as kitchen gadgets. Look for odds and ends you may have had but forgotten because of infrequent use.
- Use your local "advertiser" as a source for fair market value. Keep copies of the issues handy and copy pages used for specific items to put with your tax records file on the disaster.
- Check local newspaper want ads for similar items. Again keep a copy of any you use for comparison with the tax file.
- If you bought items using a credit card, contact your credit card company.
- Check with your local library for back issues of newspapers. Most libraries keep old issues on microfilm. The sale sections of these back issues may help establish original costs on items such as appliances.
- Go to a used bookstore with a tape measure and the diagram of the destroyed property. Measure several rows of used books and count the number of books per shelf. Add up the prices of those books and determine an average cost per shelf. Then count the number of shelves you had in your home and multiply by the average cost per shelf. This will help determine the value of your books before the loss.

Business Records

- Inventories – Get copies of invoices from suppliers. Whenever possible, the invoices should date back at least one calendar year.
- Income – Get copies of bank statements. The deposits should closely reflect what the sales were for any given time period.
- Obtain copies of last year’s federal, state, and local tax returns including sales tax reports, payroll tax returns and business licenses (from city or county). These will reflect gross sales for a given time period.
- Furniture and fixtures – Sketch an outline of the inside and outside of the business location. Then start to fill in the details of the sketches. (Inside the building — what equipment was where; if a store, where were the products/inventory located. Outside the building — shrubs, parking, signs, awnings, etc.)
- If you purchased an existing business, go back to the broker for a copy of the purchase agreement. This should detail what was acquired.
- If the building was constructed for you, contact the contractor for building plans or the county/city planning commissions for copies of any plans.

For assistance and additional information, use these resources:

IRS Disaster Assistance Hotline at 1-866-562-5227
(Monday through Friday from 7 a.m. to 7 p.m. local time)

5. Disaster Tax Losses

A casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual. If you experience damage to personal, income-producing, or business property, you may be able to claim a casualty loss deduction on your tax return.

You generally must deduct a casualty loss in the year it occurred. However, if the property was damaged as a result of a federally declared disaster you can choose to deduct that loss on your return for the tax year immediately preceding the year in which the disaster happened. A federally declared disaster is a disaster that took place in an area declared by the President to be eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. A list of areas warranting public or individual assistance (or both) is available at the Federal Emergency Management Agency (FEMA) web site at www.fema.gov. If you have already filed your return for the preceding year, you may claim the loss by filing an amended return, Form 1040X. If you elect to deduct your allowable loss on your prior year return, you must generally do so by the due date of the return for the year in which the disaster actually occurred, without extensions.

To determine the amount of your casualty loss you must:

1. Determine your adjusted basis in the property before the casualty
2. Determine the decrease in fair market value of the property as a result of the casualty
3. From the smaller of the amounts you determined in steps one and two subtract any insurance or other reimbursement you receive or expect to receive

Your adjusted basis in a property is generally what you paid for the property, increased or decreased, as a result of certain events. If you acquired the property in some other manner such as inheriting it or receiving it as a gift, you must figure your basis in a different manner. IRS Publication 551, Basis of Assets, explains how to figure your basis.

Fair market value is the price at which you could sell your property to a willing buyer when neither of you has to sell or buy and both know all the relevant facts. The decrease in fair market value used to figure the amount of the casualty loss is the difference between the property's fair market value immediately before and immediately after the casualty. Fair market value is generally determined through a competent appraisal. Absent a competent appraisal the cost of cleaning up or making certain repairs is acceptable under certain conditions as evidence of the decrease in fair market value. The section in Publication 547, entitled "Figuring a Loss," for situations in which cost of repairs may be used.

Remember to subtract any insurance or other reimbursements that you received, or that you expect to receive, from the smaller of the adjusted basis or the decrease in fair market amounts to arrive at your casualty loss.

The law limits the amount of the casualty loss you may deduct for damage to personal-use property and property used in performing services as an employee.

For personal-use property

You must reduce your casualty loss from the disaster event by \$100 and then reduce the total casualty and theft losses for that year by 10% of your adjusted gross income. In addition, taxpayers must claim casualty losses of personal-use property as itemized deductions.

Property used in performing services

The loss on property used in performing services as an employee is reduced by 2% of your adjusted gross income. Business and income-producing property are not subject to these limitations.

Taxpayers must generally compute their casualty losses separately for each damaged item, but personal-use residential property should be treated as one item (i.e., land, trees, residence, and other improvements).

If your business property or income-producing property is completely destroyed, the decrease in fair market value is not considered. Your loss is the adjusted basis of the property, minus any salvage value and any insurance or other reimbursements you received or expect to receive.

If your casualty loss deductions for the year exceed your income for the year, you may have a net operating loss or NOL. You can use an NOL to lower your tax in an earlier year, which will allow you to get a refund of tax you already paid or, you can use the NOL to lower your tax in a later year. For more information, see IRS Publication 536, Net Operating Losses for Individuals, Estates, and Trusts.

IRS Form 4684, Casualties and Thefts, is used to calculate and report your losses. The totals you derive on Form 4684 should then be transferred to the appropriate form to allow you to deduct the loss from income. For assistance in completing Form 4684, refer to the instructions for Form 4684. IRS Publication 547, Casualties, Disasters, and Thefts, explains the tax treatment of casualty losses and provides definitions and examples to assist you in calculating your allowable loss.

For more disaster related information, log onto the IRS web site at www.irs.gov and enter “disaster” in the search box.

6. Publications 584 and 584-B - Personal and Business Casualty, Disaster, and Theft Loss Workbooks

These publications are designed to help you figure your loss on personal-use and business property in the event of a disaster, casualty, or theft. Publication 584 contains schedules to help you figure the loss to your main home, its contents, and your motor vehicles. Publication 584-B contains schedules to help you figure the loss to your office furniture and fixtures, information systems, motor vehicles, office supplies, buildings, and equipment.

The following worksheets are for your information only. Make as many copies as you need to record your losses but you must complete Form 4684, Casualties and Thefts, to report your loss.

FOR PERSONAL PROPERTY

To complete the worksheet,

Take what is in each row of...

And enter it on Form 4684...

Column 1	Line 1
Column 2	Line 2
Column 3	Line 3
Column 4	Line 4
Column 5	Line 5
Column 6	Line 6
Column 7	Line 7
Column 8	Line 8
Column 9	Line 9

FOR BUSINESS PROPERTY

To complete the worksheet,

Take what is in each row of...

And enter it on Form 4684...

Column 1	Line 19
Column 2	Line 20
Column 3	Line 21
Column 4	Line 22
Column 5	Line 23
Column 6	Line 24
Column 7	Line 25
Column 8	Line 26
Column 9	Line 27

Worksheet for Personal Use Property Disaster Casualty Loss or Theft

(1) Item	(2) Cost or Other Basis	(3) Insurance or Other Reimbursement	(4) Gain From Casualty or Theft ¹	(5) Fair Market Value before Casualty	(6) Fair Market Value after Casualty	(7) Column (5) minus column (6)	(8) Smaller of column (2) or column (7)	(9) Casualty/Theft Loss(column (8) minus column (3)) ²

¹ If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.

² If zero or less, enter -0-.

Worksheet for Business Disaster Casualty Loss or Theft

(1) Item	(2) Cost or Other Basis	(3) Insurance or Other Reimbursement	(4) Gain from Casualty or Theft ¹	(5) Fair Market Value before Casualty	(6) Fair market Value after Casualty	(7) Column (5) Minus Column (6)	(8) Smaller of column (2) or column (7) ²	(9) Casualty/ Theft Loss (column (8) minus column (3)) ³

¹ If column (3) is greater than column (2), enter the difference here and skip columns (5) through (9) for that item.
² If the property was completely destroyed or stolen, enter in column (8) the amount from column (2).
³ If zero or less, enter -0-.

7. IRS DISASTER RELATED FORMS AND PUBLICATIONS

The following forms, schedules, and publications are available to assist you with disaster tax issues. They are accessible electronically at our Forms and Publications website or by placing a call to our toll-free line at **1-800-829-3676**.

<p>Form 1040 and Instructions: <i>U.S. Individual Income Tax Return</i> Check for specific tax year at http://www.irs.gov/formspubs/index.html</p>
<p>Form 1040X and Instructions: <i>Amended U.S. Individual Income Tax Return</i> http://www.irs.gov/pub/irs-pdf/f1040x.pdf http://www.irs.gov/pub/irs-pdf/i1040x.pdf</p>
<p>Form 1120X: <i>Amended U.S. Corporation Income Tax Return</i> http://www.irs.gov/pub/irs-pdf/f1120x.pdf</p>
<p>Form 4506: <i>Request for Copy of Tax Return</i> http://www.irs.gov/pub/irs-pdf/f4506.pdf</p>
<p>Form 4506-T: <i>Request for Transcript of Tax Return</i> http://www.irs.gov/pub/irs-pdf/f4506t.pdf</p>
<p>Form 4684 and Instructions: <i>Casualties and Thefts</i> http://www.irs.gov/pub/irs-pdf/f4684.pdf http://www.irs.gov/pub/irs-pdf/i4684.pdf</p>
<p>Form 8822 and 8822-B: <i>Change of Address for Individuals and Businesses</i> http://www.irs.gov/pub/irs-pdf/f8822.pdf http://www.irs.gov/pub/irs-pdf/f8822b.pdf</p>
<p>Publication 536: <i>Net Operating Losses (NOLs) for Individuals, Estates, and Trusts</i> http://www.irs.gov/pub/irs-pdf/p536.pdf</p>
<p>Publication 547: <i>Casualties, Disasters, and Thefts</i> http://www.irs.gov/pub/irs-pdf/p547.pdf</p>
<p>Publication 551: <i>Basis of Assets</i> http://www.irs.gov/pub/irs-pdf/p551.pdf</p>
<p>Publication 584: <i>Casualty, Disaster, and Theft Loss Workbook</i> http://www.irs.gov/pub/irs-pdf/p584.pdf</p>
<p>Publication 584-B: <i>Business Casualty, Disaster, and Theft Loss Workbook</i> http://www.irs.gov/pub/irs-pdf/p584b.pdf</p>

Internal Revenue Service

NDC

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OFFICIAL BUSINESS

Penalty for Private Use, \$300