

IRS Disaster and Emergency Relief

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IRS Disaster Relief Process

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Program Purpose

- Provide administrative tax relief
- Help meet federal tax obligations without penalty



Authorities

- Internal Revenue Code §6081 and §6161



Special Authority

- President invokes *Robert T. Stafford Disaster Relief and Emergency Assistance Act*
- Internal Revenue Code §7508A allows IRS to:
 - abate interest
 - suspend filing and payment due dates for up to one year



IRS Relief Options

- Postpone filing deadlines
- Postpone payment deadlines
- Postpone deadlines for the performance of certain time sensitive federal tax actions



IRS Relief Options

- Abate certain penalties
- Expedite processing of requests for tax return and account transcripts
- Relax rules relating to certain regulatory certifications



New IRC §7508A Regulations

- Disaster relief periods run concurrently with other extensions
- Redefined “affected taxpayer”
 - Includes individuals killed or injured
 - Practitioners must possess necessary client records to self-identify those outside the disaster area for relief



Who Receives the Relief?

- Taxpayer’s principal place of business or residence
- Location of tax records
- Relief workers’ affiliation
- Visitors injured or killed



How is Relief Secured?

- Systemically identified by ZIP code
- Self-identification by taxpayer by calling toll-free (866) 562-5227
- Self-identification by contact from authorized representative
 - Special process for bulk requests



What Relief Is Granted?

- IRS Media Relations issues news release
- IRS.gov Keyword, *Around the Nation*



Disaster Recovery Centers

IRS employees may staff sites to:

- Disseminate information on tax relief
- Distribute disaster publications
- Answer questions on disaster tax laws and procedures
- Assist with record reconstruction



Other Program Services

- Expedite tax information for benefit determinations for:
 - Small Business Administration
 - Department of Labor
- FEMA tele-registration support



Disaster Hotline
(866) 562-5227



Planning for A Disaster

**Deborah Rodgers,
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Why Have a Plan?

- Helps you stay competitive
- 35-40% of businesses disrupted by disaster NEVER reopen
- Every dollar spent on preparedness saves \$7 in recovering disaster-related economic losses
- Natural disaster rate has increased 40% over the last 15 years



Plan to Stay in Business

- Be informed
- Plan in advance
- Prepare employees
- Do other emergency planning



Continuity Planning

- Determine needs
- Develop and review business process flow chart
- Identify critical operations for survival
- Include emergency payroll and accounting systems
- Establish succession management



Supply Chain Protection

- Identify suppliers, shippers, etc.
- Develop relationships with multiple suppliers or service providers
- Establish agreements with suppliers
- Limit stockpiling
- Pool resources
- Create a critical contact list



Alternate Location and Equipment

- Establish alternate work location(s)
 - home
 - facilities owned by others
- Identify essential equipment
 - repair
 - replace



Other Considerations

- Review insurance coverage
- Plan for utility disruption
- Develop a communication plan
- Store records electronically
- Protect data and records
- Document assets



Emergency Plan

- Include all workers
- Define crisis management procedures
- Define individual responsibilities
- Coordinate efforts
 - businesses in your building
 - first responders, emergency managers
 - suppliers, shippers
- Keep your plan current!



Payroll

- Plan for payroll continuity
 - Be prepared to pay employees for two weeks
 - Use back-up system for financial data; test it!
 - Work with financial institution
- Ensure payroll service provider has fiduciary bonds



Employee Preparedness

- Protect your most important asset – employees!
- Help your employees be prepared at work and at home
- Develop alternate staffing plans
- Establish benefits continuance
- Conduct emergency training/drills
- Post disaster communication
- Plan for special needs employees



Paperless Recordkeeping and Record Reconstruction

Anita Douglas,
Stakeholder Liaison



Paperless Recordkeeping

- Request e-statements
- Scan paper documents
- Create a copy of records
- Store copy at alternate location



Data & Records Protection

- **Business license**
- **Contracts/agreements to prove ownership**
- **Operational records**
- **Client files**
- **Current SOPs**
- **Produced reports and summaries**
- **Software source codes**



Documentation of Assets

Photos or video of:

- **Assets**
- **Contents of business**
- **Office**



Record Reconstruction

Proving a loss for:

- Tax purposes
- FEMA assistance
- SBA assistance
- Insurance reimbursement



Reconstructing Business Records

- Buildings
- Inventories
- Furniture and fixtures
- Income



Form 4506, Request for Copy of Tax Return

- Previous four years
- \$52 fee waived
- Expedite procedures
- Publications 2194 and 2194-B



Real Estate Value

- Current property tax statement
- Local appraiser
- Real estate companies
- Contractors used



Personal Property Value

- Make a diagram or floor plan
- View photographs
- Use original cost invoices or old sales catalogs



Vehicle Value

- Internet valuation services
- Dealer
- Lender
- Newspaper ads
- Repair records



Special Tax Rules for Federally Declared Disasters

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Introduction

Previous laws:

- 2005 Hurricanes (Katrina, Rita and Wilma)
- 2007 Kansas tornadoes
- 2008 Hurricane Ike and Midwest floods



Current Law

- National Disaster Relief of 2008
- Emergency Economic Stabilization Act of 2008
- Tax relief for disasters occurring after 12/31/2007 and before 1/1/2010



Casualty Losses

- 10% of AGI limitation does not apply
- Threshold limitation deduction:
 - \$100 for 2008
 - \$500 for 2009
 - \$100 for 2010 and beyond
- Standard deduction increased by net disaster loss amount
- May be claimed in prior year



Qualified Disaster Expenses

- Removal or control of hazardous substances
- Demolition and clean-up
- Repairs



Net Operating Loss Carryback

- Can carryback five years for:
 - losses allowable under IRC §165, and
 - allowable deductions under IRC §198A
- Can elect out of the five-year carryback
- Separate from regular NOL
- Irrevocable election



Special Depreciation Allowance

- Equal to 50% of qualified property's depreciable basis:
 - after any IRC §179 deduction, and
 - before the regular depreciation deduction
- Applies to:
 - First year of property placed in service
 - all same-class property if elected out



Increased Qualified Disaster Assistance Property Limits

- Expenses under IRC §179 election increased to:
 - lesser of \$100,000 or
 - the cost of qualified §179 disaster assistance property placed in service
- Reduced dollar limit increased to:
 - lesser of \$600,000 or
 - cost of qualified disaster assistance property placed in service



Disaster Related Resources

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IRS.gov Keyword *Disaster*

- Search
 - Emergency planning
 - FAQs
 - Record reconstruction
 - Practitioner resource center
 - Around the nation
 - disaster relief news releases
 - listed by state



Forms, Publications and Fact Sheets

- Form 4506
- Form 4506-T
- Publication 547
- Publication 2194
- Publication 2194B
- FS-2006-7
- FS-2009-8



Other Resources

- Call the IRS Disaster Hotline at (866) 562-5227
 - Resolve disaster-related tax account issues
- Access FEMA.gov Internet site
 - View information for all federally declared disasters

