JOHN TRAPANI, CPA

WELCOME

DISASTER RECOVERY

INCOME TAX BENEFITS AND RESPONSIBILITIES

WELCOME

Income Tax Consequences
Important Questions:
Is there a Loss or a Gain?
Tax Year to Claim a Loss
Sell & Buy or Rebuild

Decisions & Opportunities...

THANK YOU ...
LARIMER COUNTY, Suzanne Bassinger
    Fire Recovery Manager
BOULDER COUNTY, Garry Sanfacon
    Flood Recovery Group of Boulder County
EL PASO COUNTY, County Commissioners: Sallie Clark, Darryl Glenn, Peggy Littleton
    Recovery Manager: R. C. Smith
    Public Information Staff: Dave & Nancy

WALDO CANYON FIRE VOLUNTEERS
UNITED POLICYHOLDERS, "UP" PERSONNEL & VOLUNTEERS including Kerri Olivier

JOHN TRAPANI
Certified Public Accountant

Circular 230 Disclosure
This material covers income tax laws based on the author’s understanding. This is a general discussion. Application to specific cases will involve aspects that requiring additional fact finding. Relying solely on this material does not qualify as tax advice for purpose of mounting a defense of a tax position with the taxing authorities.
Northridge Earthquake 1-17-94

Most Important Today

TAX IMPACT MAY NOT BE CLEAR IN TIME TO FILE 2013 TAX RETURNS
- ALWAYS FILE RETURNS TIMELY AND REPORT WHAT YOU KNOW:
  - COST BASIS
  - INSURANCE RECEIVED
  - (AND PROJECTED FUTURE PROCEEDS, IF ABLE)
  - REPLACEMENTS TO DECEMBER 31st

Most Important Today

“DON’T RUSH TO DEDUCT A LOSS”
- IT MAY TURN OUT NOT TO BE A LOSS
- A LOSS MAY TURN INTO A GAIN
- IF YOU FILE A LOSS USING FORM 4684 TODAY AND LATER YOU RECEIVE ADDITIONAL PROCEEDS
- THE RESULTS COULD BE A NEW CATASTROPHE

Most Important Today

FOR YOUR LOSS THERE IS A FILING DEADLINE TO CONSIDER: APRIL 15, 2014...
You may have a choice of filing an amended 2012 tax return to claim the 2013 loss against your previously reported 2012 taxable income.

FEMA.gov/Disasters

OFFICIAL LIST OF DISASTERS

FEMA.gov/disasters
COLORADO MAJOR DISASTERS

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Incident Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4145</td>
<td>9/14/13</td>
<td>Severe Storms, Flooding, Landslides, and Mudslides</td>
</tr>
<tr>
<td>4134</td>
<td>7/26/13</td>
<td>Black Forest Wildfire</td>
</tr>
<tr>
<td>4133</td>
<td>7/26/13</td>
<td>Royal Gorge Wildfire</td>
</tr>
<tr>
<td>4067</td>
<td>6/28/12</td>
<td>High Park And Waldo Canyon Wildfires</td>
</tr>
</tbody>
</table>

“TAX LAW EMPATHY”

- Tax Law provisions to keep taxes from adding to your tragedy?

BUT...

- Application of these tax provisions are not a substitute for filing an insurance claim

KEY IRC CODE SECTIONS

§ 165 (Casualty Gains & Losses)

§1033 (Involuntary Conversion Gains)

WHAT IS AN INVOLUNTARY CONVERSION?

WHERE TO START?

Form 4684

YOUR SITUATION... IS UNIQUE..

possibly...

REPORTING A LOSS...

<table>
<thead>
<tr>
<th>Original Property</th>
<th>Loss</th>
<th>Insurance proceeds</th>
<th>Replacement Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>🏡</td>
<td>🕶️</td>
<td>🕶️</td>
<td>🏡</td>
</tr>
</tbody>
</table>
### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Form 4684 Scenarios

<table>
<thead>
<tr>
<th>Case</th>
<th>A</th>
<th>A2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>2</td>
<td>176</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Gain</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Value before loss</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Value after loss</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Loss – (Economic) Line 5 less line 6</td>
<td>7</td>
<td>130</td>
</tr>
<tr>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td>130</td>
</tr>
<tr>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td>100</td>
</tr>
</tbody>
</table>

### Insurance Proceeds

- **Less than cost basis**
  - Greater FMV loss exceeds cost basis...
  - Gain realized
  - **CHOICE:** PAY TAX or DEFER

- **Greater than cost basis**
  - Greater insurance
  - **CHOICE:** PAY TAX or DEFER

- **No Gain or loss**
  - Subtract line 2 from line 8, if zero or less, enter zero - LOSS
  - 100, 0, -26
DO YOU HAVE A GAIN OR A LOSS?

RECOVERY: "TAX" WHERE DOES IT START? … DOCUMENTATION

COST BASIS

Real Property
"AG" Property
Contents/
Personal Property
Scheduled Property
Vehicles/RV’s/Boats

COST BASIS

2 Cost or other basis of each property

3 Insurance or other reimbursement (whether or not you filed a claim) (see instructions)

Note: If line 2 is more than line 3, skip line 4.

4 Gain from casualty or theft, if line 3 is more than line 2, enter the difference here and skip lines 4 through 9 for that column. See instructions. If line 3 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year

5 Fair market value before casualty or theft

6 Fair market value after casualty or theft

7 Subtract line 5 from line 6

8 Enter the smaller of line 2 or line 7

9 Subtract line 3 from line 8 if zero loss, enter-

6 Casually or theft. Add the amounts on lines 5 through 9

4 Cost Basis – FORM 4684

CASUALTY LOSS – FORM 4684

Insurance? Grants?
“General”? or “Specified”? Law suits?
Contract? Or “Bad Faith”?
SBA Loans?

6 Tax reporting follows the insurance proceeds

• “A” & “B” Structure (including appurtenant structures such as outbuildings, detached garages) Trees & landscaping
• “C” Contents (Personal property)
• “D” Additional Living Expense (ALE, Extra expense)

• Special Endorsements & Scheduled property
• Vehicles, RV’s, Boats, …
6 Tax reporting follows the insurance proceeds

- Maintain record of each payment and cash receipts:
  - Keep all check copies and documents
  - Prepare a spread sheet
    - Date / Amount
    - Related insurance coverage Category
    - Indication of joint payee and resolution
- Possibly open a separate bank account (Lender withholding – structure only)

Do not combine “Structure” and “Contents”.

- “A” & “B” Structure (including appurtenant structures such as outbuildings, detached garages)
- Trees & landscaping
- “C” Contents (Personal property)

“D” Additional Living Expense (ALE, Extra expense)

- Special Endorsements & Scheduled property
- Vehicles, RV’s, Boats, …

MIXED USE “AG” LAND

Crop insurance proceeds are taxable

POSSIBLE OUTCOMES:

7 NO GAIN OR LOSS
8 A LOSS
9 A GAIN

LOSS OR NO LOSS

Original Cost Basis

- In the bar charts the height of the bar indicates an amount of value: cost basis of an asset, loss of value, money received or spent on repairs
### WHAT DO YOU HAVE TO REPORT ON TAX RETURNS

<table>
<thead>
<tr>
<th>Case</th>
<th>Cost Basis</th>
<th>Insurance</th>
<th>Gain</th>
<th>Value before loss</th>
<th>Value after loss</th>
<th>Loss – (Economic)</th>
<th>Economic loss–smaller of line 2 or line 7</th>
<th>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>376</td>
<td>200</td>
<td></td>
<td>400</td>
<td>150</td>
<td>250</td>
<td>250</td>
<td>50</td>
</tr>
</tbody>
</table>

**Case:** A

- **Cost Basis:** 2
- **Insurance:** 3
- **Gain:** 4
- **Value before loss:** 5
- **Value after loss:** 6
- **Loss – (Economic):** 7
- **Economic loss–smaller of line 2 or line 7:** 8
- **Subtract line 2 from line 8, if zero or less, enter zero - LOSS:** 9

**Line 5 less line 6:** 250

**Line 9:** 50

### 8 What if there is A Loss

- **Who can deduct a loss**
  - Ownership – personal / corporation
  - Special entities
- **When to deduct a loss**
  - Closed Transaction: “Sustained = Occurs & Settled”
  - Vagary of meaning “Settled”

---

**Original Cost Basis**

- **Insurance Less Than Damage**

**Loss**

- **Insurance Replacement Cost**
- **Remaining Original Cost**

**No Loss No Gain**

- **Insurance Replacement Cost**
- **Remaining Original Cost**
DETERMINING A LOSS:

FMV BEFORE AND AFTER EVENT

CASUALTY LOSS – FORM 4684

METHODS OF DETERMINING A LOSS:

VALUATION METHODS:

- **Appraisal ( & Appraiser)** (Preferred Method)
- "Cost of Repairs" (NOT A Preferred Method)

Appraisal ( & Appraiser) method: (Preferred Method)

- **FAIR MARKET VALUE** – Immediately Before and Immediately after event
- **SPECIAL CONSIDERATIONS**
  - Debris & debris removal,
  - "Temporary" Buyer resistance
- **DEFINITION OF AN APPRAISER**

WHAT NEEDS TO BE APPRAISED BY A PROFESSIONAL APPRAISER?

WHAT CAN YOU ESTIMATE?

WHAT ABOUT "THRIFT STORE" VALUES?

Appraisal ( & Appraiser) method: (Preferred Method)

WHAT IS BEING VALUED?

For Personal Use Real Estate:
THE WHOLE PROPERTY IS ONE "INTEGRAL UNIT"
“Cost of Repairs” method: (NOT A Preferred Method)

- FMV before event still required
- Must Complete Repairs First
  - To pre-event status
  - Before deduction may be computed
- Debris removal / Code upgrades
- CLAIM ON RETURN FOR YEAR REPAIRS ARE COMPLETED

<table>
<thead>
<tr>
<th>Case: A</th>
<th>Cost Basis: 2</th>
<th>Insurance: 3</th>
<th>Gain: 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value before loss: 5</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Value after loss: 6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loss – (Economic): Line 5 less line 6</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Economic loss – smaller of line 2 or line 7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtract line 2 from line 8, if zero or less, enter zero - LOSS</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

Form 4684
Loss Reporting
- Net all gains and losses
- Adjustments - Reductions:
  - Deduct $100 / Event (Not per column) &
  - Deduct 10% of Adjusted Gross Income
- Ordinary loss
- Potential “Net Operating Loss”
  - Extended three year carryback provision

### Form 4684 examples:

#### Example 1:
- **Necklace**
  - Cost Basis: 2 $4,000
  - Insurance: 3 3,880
  - Gain: 4 0
  - Value before loss: 5 1,800
  - Value after loss: 6 0
  - Loss – (Economic): Line 5 less line 6: 7 1,800
  - Economic loss – smaller of line 2 or line 7: 8 1,800
  - Subtract line 2 from line 8, if zero or less, enter zero - LOSS: 9 0

#### Example 2:
- **4 Men’s suits**
  - Cost Basis: 2 $3,000
  - Insurance: 3 2,880
  - Gain: 4 0
  - Value before loss: 5 600
  - Value after loss: 6 0
  - Loss – (Economic): Line 5 less line 6: 7 600
  - Economic loss – smaller of line 2 or line 7: 8 600
  - Subtract line 2 from line 8, if zero or less, enter zero - LOSS: 9 0
If the items are reportable separately, then there is a net loss of $120 before the $100 adjustment and the reduction of 10% of Adjusted Gross Income.

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Basis</th>
<th>Insurance</th>
<th>Gain</th>
<th>Value before loss</th>
<th>Value after loss</th>
<th>Loss – (Economic)</th>
<th>Economic loss</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necklace</td>
<td>2</td>
<td>$1,200</td>
<td></td>
<td>1,200</td>
<td>0</td>
<td>1,200</td>
<td>1,200</td>
<td>120</td>
</tr>
<tr>
<td>4 Men's suits</td>
<td>4</td>
<td>-90</td>
<td></td>
<td>0</td>
<td>0</td>
<td>90</td>
<td>90</td>
<td>120</td>
</tr>
</tbody>
</table>

If the items are reportable separately, then there is a net loss of $120 before the $100 adjustment and the reduction of 10% of Adjusted Gross Income.

Special rule for personal “contents” losses in FEDERAL DISASTERS

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost Basis</th>
<th>Insurance</th>
<th>Gain</th>
<th>Value before loss</th>
<th>Value after loss</th>
<th>Loss – (Economic)</th>
<th>Economic loss</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necklace</td>
<td>2</td>
<td>$1,200</td>
<td></td>
<td>1,200</td>
<td>0</td>
<td>1,200</td>
<td>1,200</td>
<td>120</td>
</tr>
<tr>
<td>4 Men's suits</td>
<td>4</td>
<td>-90</td>
<td></td>
<td>0</td>
<td>0</td>
<td>90</td>
<td>90</td>
<td>120</td>
</tr>
</tbody>
</table>

9 What if there is A Gain

Why can there be a gain?
- Conversion into cash
- Proceeds exceed cost

<table>
<thead>
<tr>
<th>Original Cost</th>
<th>Insurance</th>
<th>Gain</th>
<th>Proceeds</th>
<th>Deferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance greater than cost</th>
<th>Treated as a “Sale”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Gain</td>
<td></td>
</tr>
<tr>
<td>Realized</td>
<td></td>
</tr>
</tbody>
</table>
What if there is a Gain

GAIN EXCLUSION

- Possible exclusion of gain
  - IRC §121 – Exclusion of Gain on Primary Residences: $250,000 / $500,000
9 What if there is A Gain

DEFER GAIN & TAX

- Post §121 gain exclusion amount
  - Equals adjusted total proceeds

- Decision not to be taken lightly.

- Disclosure on tax returns:
  - Starting with the year of the event ...

9 What if there is A Gain

NO PROSCRIBED FORM FOR DEFERRAL

Include in Tax Disclosure:
- Date(s) of tax
- Description of loss - clear description including any federal or state disaster declarations
- Year(s) gain realized - if the gain may be realized in more than one year, each year of
- Identification of property lost - clear description including address of property for real
- Proceeds received Less Gain excluded = Gain realized
- Electors to defer gain under appropriate Code section
- For replacement properties the location, proceeds invested
- Dates of reinvestment
- Identification of replacement property(ies) or repairs – type of property, location

10 “Qualified Replacement”

What kind of building is this?

10 “Qualified Replacement”

Personal Use Property

GENERAL REPLACEMENT STANDARD:

- “Similar or related in service or use to converted property”
- Functional test
  - Personal use assets – broadly defined
- Structure / Contents / Vehicles (RV’s, Trucks, Cars)
11 Sale of residual land / or hold for later sale

- When is the land sale part of the original event proceeds?
- FEASIBLE TO REPAIR OR NOT FEASIBLE
- Why does it matter?

Sell & Buy or Rebuild?

FEASIBLE TO REPAIR?

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Basic</th>
<th>Total Proceeds</th>
<th>Cost</th>
<th>Sec. 121 Exclusion</th>
<th>Gain subject to deferral</th>
<th>Required Reinvestment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>700,000</td>
<td>700,000</td>
<td>400,000</td>
<td>300,000</td>
<td>-0-</td>
<td>-0-</td>
</tr>
</tbody>
</table>

NOT FEASIBLE TO REPAIR

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Basic</th>
<th>Total Proceeds</th>
<th>Cost</th>
<th>Sec. 121 Exclusion</th>
<th>Gain subject to deferral</th>
<th>Required Reinvestment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>700,000</td>
<td>1,000,000</td>
<td>400,000</td>
<td>500,000</td>
<td>100,000</td>
<td>400,000</td>
</tr>
</tbody>
</table>

12 TIME PERIOD TO COMPLETE QUALIFIED REPLACEMENTS (Gains)

- Replacement period generally “two years”
- Two beginning dates:
  - Date of Event
  - End of 1st year total proceeds exceed cost basis
### TIME PERIOD TO REPLACE

<table>
<thead>
<tr>
<th>Loss Year</th>
<th>$ Rec’d</th>
<th>$ Rec’d</th>
<th>1st Gain Year</th>
<th>Qualified Replacement Period</th>
<th>Disaster Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$5</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>$0</td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Year that Total Proceeds exceed cost basis of property lost

### 15 Things Can Get Worse

**FAILURE TO REPORT DEFERED ELECTION OR QUALIFIED REPLACEMENT**

**PROPERTIES TAXPAYER DOES NOT REPORT AS ACQUIRED AS REPLACEMENTS**

### 16 Changes and “Corrections”

1. “I want to reinvest. I originally reported a gain and paid tax.”

2. “I originally reported a loss and then received additional proceeds.”

3. “I want to pay tax and not rebuild, not reinvest.”

### FEDERALLY DECLARED DISASTERS
25 Federal Disaster Areas

ALL AFFECTED TAXPAYERS

 Deferral of many federal
tax filing,
compliance and enforcement
due dates under IRC Section 7508A.
Rev. Proc. 2007-56

LOSSES

 Allows
Deduction of 2013 loss on
2013 tax return or
2012 tax return (amended if necessary)

APRIL 15, 2014 DEADLINE

LOSSES: Possible Amended Return

 If the prior year return has been filed, an amended return may be filed.
 The amended return must be filed no later than April 15, 2014 for 2013
disaster losses claimed in 2012.
 No extensions are permitted available.

ORDER TO DEMOLISH:

 An order to demolish will increase
the loss – Is it a separate loss?
 Additional loss resulting from an
order to demolish issued within 120
days of the original event can be
included in original loss calculation.

PRIMARİY RESİDENCE

26 GAINS
26 Federal Disaster Areas – Primary Residence

GAINS §1033(h)(1) CONTENTS

Most difficult aspect of casualty loss
Personal property insurance proceeds for do not have to be reported and –
No computation, for tax purposes needed to determine gains on contents
Does not preclude a claim for a loss

§1033(h)(1) EXCLUSION
DOES NOT APPLY TO “SCHEDULED PROPERTY” VEHICLES, RV’s or BOATS

26 Federal Disaster Areas – Primary Residence

GAINS "QUALIFIED REPLACEMENT PROPERTY”
Definition of is expanded.
• For a personal use primary home
Structure and Scheduled Personal Property Proceeds
  ▪ A common pool of funds
  ▪ May be reinvested in otherwise qualified
    Personal Use Real Estate
    Scheduled property, also General Contents.

26 Federal Disaster Areas – Primary Residence

26 Federal Disaster Areas – Primary Residence

GAINS §1033(h)(1)

The number of replacement period years is four years not two years for the reinvestment period.

26 Federal Disaster Areas – Primary Residence

APRIL 15TH DEADLINE

The choice of filing an amended 2012 tax return to claim a 2013 disaster loss

MOST IMPORTANT TODAY

BUT...
“DON’T RUSH TO DEDUCT!”
Your Most Important Asset During the Recovery Process…

PERSONAL RESILIENCE

Is there a Loss or a Gain? Tax Year to Claim a Loss Sell & Buy or Rebuild

OTHER ISSUES?

BEST WISHES FOR A SUCCESSFUL RECOVERY

Remember: No matter how big your castle… it is your home!

THE RECOVERY OF YOUR HOME DESERVES RESPECT!

JOHN TRAPANI
Certified Public Account
www.TrapaniCPA.com

PUTTING THE PIECES TOGETHER FOR YOU
THE PROCESS OF RECOVERY - INCOME TAX CONSEQUENCES OF A DISASTER

www.TrapaniCPA.com/PROCESS

For a free copy of the 45 page PDF: "THE PROCESS OF RECOVERY - INCOME TAX CONSEQUENCES OF A DISASTER" Enter www.TrapaniCPA.com/PROCESS in your browser

Questions you will be asked:
- ZIP CODE
- TAX PROFESSIONAL NAME
- NAME OF EVENT
- FEMA NUMBER
- DATE OF LOSS
- EMAIL ADDRESS