Natural Disasters: Preparing For Them And Their Impact On Your Taxes

(NAPSA)—From floods and wildfires to tornadoes and hurricanes, natural disasters can leave a path of devastation. Although you can't prevent natural disasters, you can minimize losses with proper preparation and tax relief.

Natural disaster preparation involves much more than a survival kit with first aid, food and water. "Individuals and businesses need to remember to protect their financial data and documents," says Jessi Dolmage, spokesperson for TaxACT. "Taking time to document and save information now saves time, money and stress if a natural disaster occurs."

Take a room-by-room inventory of your personal and business belongings, especially property of greater value. Document, photograph or video record belongings for proof of value for insurance, tax and casualty loss purposes. The Internal Revenue Service (IRS) offers workbooks to help individuals and businesses with inventory. Publication 584 is available at www.irs.gov.

Save electronic copies of inventory and other documents on an external drive, CD or secure website. Documents should include home closing statements, homeowner and other insurance records, tax returns and W-2s. Keep copies in multiple locations in case your home, business or nearby sites are destroyed.

The IRS often grants individuals and businesses in federally declared disaster areas extended tax return filing and payment deadlines, as well as lesser or waived penalties. Deadlines for contributing to individual retirement accounts can also be extended, and the IRS usually waives the $57 fee for copies of previous year tax returns.

Individuals and businesses in affected areas typically don't have to contact the IRS to receive tax relief, as the agency automatically identifies you. However, if you have property in the designated area but reside or have a business outside of the designated area, call the IRS disaster hotline to request relief. If you move, remember to notify the IRS of your new address.

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Casualty losses related to your home or business, household items and vehicles not covered by insurance or other reimbursements may be deductible on your federal tax return. To determine the deductible amount for each item, the IRS requires you first subtract any insurance reimbursement from the value of the item and then $100. The total of all losses is then reduced by 10 percent of your adjusted gross income. Keep in mind, casualty does not include normal wear and tear or progressive deterioration.

Depending on when the federally declared disaster happens, you may have the option of claiming related losses on the previous or current year's return. Dolmage explains, "Casualty losses for federally declared disasters can be claimed as a miscellaneous deduction. So, if you claimed the standard deduction last year and your casualty loss plus other itemized deductions total more than the standard deduction, you may benefit more from amending last year's return."

Amending last year's return can mean faster cash for repairs, rebuilding and replacing personal property. However, depending on your income the year of the disaster, you may increase your tax savings by waiting to claim losses on the current year return.

Regardless of which return you claim losses on, keep detailed documentation and receipts. More disaster preparation tips and resources can be found at www.irs.gov.

Tax preparation solutions like TaxACT provide step-by-step guidance for amending last year's return and claiming losses on your current year return. Learn more about TaxACT at www.taxact.com.