

# Hurricane Tax Relief 2024

Dear Client,

As our community works to recover from Hurricanes Debby, Helene, and Milton, we want to make you aware of significant tax relief measures that recently became law and from which you may directly benefit.

## **Casualty Loss Deductions Are Available**

Beginning in 2018, most personal casualty losses are no longer tax deductible. However, special rules are in place for federally declared natural disasters. In the case of Florida and some other areas, the casualty losses relating to Hurricanes Debby, Helene, and Milton can be added to your standard deduction.

A qualified disaster-related personal casualty loss refers to losses that are NOT connected with a trade or business or a transaction entered into for profit, and that arose in the disaster area, and which are attributable to any of these hurricanes.

Unfortunately, the cost of protecting property against a casualty (e.g., boarding up a house ahead of the storm) is not part of a casualty loss. Nor is the cost of cleaning up after the storm or the cost of repairing damaged property. However, if your property is business property, these expenses are deductible as business expenses.

*\*\*\*If you suffered casualty losses in relation to any of these disasters, please complete, to the best of your ability, the attached worksheet which details the information needed for your tax preparer to deduct these losses.*

## **Retirement Plan Rules Relaxed**

Both Congress and the IRS have eased the tax burden of using qualified retirement plans to help individuals recovering from Hurricanes Debby, Helene, and Milton. Some of the tax relief provisions available to you include:

(1) The 10 percent early withdrawal penalty tax will not apply to any qualified hurricane distribution you receive from your qualified retirement plan. However, there is a limit on the amount of retirement plan distributions that qualify as a hurricane distribution. This limit is \$22,000 per disaster, and each distribution must take place within 179 days of the beginning of the designated disaster.

(2) The \$22,000 distribution may be spread over a three-year period for tax purposes (meaning you can choose to be taxed on \$7,333 for three consecutive years) or you may elect to be taxed on the entire \$22,000 in the first year. Your tax preparer can advise you on this decision when preparing your 2024 tax return.

(3) Individuals who live outside the area affected by these storms can take out a retirement plan loan or hardship distribution and use it to assist a son, daughter, parent, grandparent or other dependent who lives or works in the Hurricane Debby, Helene, or Milton disaster area.

(4) Qualified retirement plans can make loans or hardship distributions before the plan is formally amended to provide for such features. In addition, the plan can ignore the reasons that normally apply to hardship distributions, thus allowing them, for example, to be used for food and shelter.

If you'd like to discuss any of the tax relief measures mentioned in this letter, or if there's anything else we can do to help at this difficult time, please don't hesitate to call.

Sincerely,

CPA Tax Services, LLC

- Disaster (check one):  Debby August 5, 2024  
 Helene September 26, 2024  
 Milton October 9, 2024

Taxpayer Name: \_\_\_\_\_

Address of Loss: \_\_\_\_\_

1	2	3	4	5	6
Description of Property	Date Acquired	Cost	FMV Before Loss	FMV After Loss	Insurance Reimbursement
<i>Example: Dock</i>	<i>8/1/2020</i>	<i>10,000</i>	<i>7,000</i>	<i>0</i>	<i>0</i>
<i>Example: Roof</i>	<i>5/1/2018</i>	<i>30,000</i>	<i>20,000</i>	<i>10,000</i>	<i>15,000</i>

- 1. Description of property:** A brief description of the personal property that was damaged. Some examples: Roof, Porch, Shed, Vehicles, Dock, Fence, Furniture, Siding. You CANNOT deduct losses for food, electricity, downed trees, etc.
- 2. Date Acquired:** The date you purchased the item .
- 3. Cost:** The original cost, plus the cost of any improvements made .
- 4. Fair Market Value Before Loss:** How much was this item worth immediately before it was damaged? Consider its age and condition, as well as current market rates.
- 5. Fair Market Value After Loss:** How much was this item worth after it was damaged? Is it a complete loss and now worth zero, or does it still hold some value even with the damages?
- 6. Insurance Reimbursement:** Did insurance reimburse you for the loss of this item? If so, how much did they pay?