

John Trapani, CPA

Putting The Pieces Together For You



TOP 10 POST-DISASTER TAX TIPS

“World According to Garp” - “Pre-disastered Home”
(<http://www.youtube.com/watch?v=DBSAeqdcZAM>)

- 1.** Is your damaged property part of a Federally Declared Disaster? (Get FEMA details at: www.FEMA.gov/Disasters.) If yes, proceeds for “contents” losses related to a primary residence are not subject to any taxation, but must be taken into consideration when trying to determine if there is a deductible loss.
- 2.** Photos – Post event: Take a lot of images, “wide” and “detail” shots, before and during any clean-up or debris removal. Take photos during any repairs process.
- 3.** Photos – Pre-event. Gather any photos that were not destroyed in the loss event, of your real and personal property (contents). Contact friends and relatives who may have visited your property and taken photos. The photos may be of people, but the surrounding foreground, background, and periphery may show important details and contents.
- 4.** Documentation – Gather all information related to the following:
 - Cost basis of real and personal property
 - Retain all material comes with or was used to claim insurance reimbursements by categories such as real property, contents, vehicles, additional living expenses.
- 5.** Keep a detail record of all post-event expenses that are “new,” including debris removal, clean-up, and emergency and permanent repairs and replacements, new living expenses, insurance proceeds and other new post-event financial support. Possibly use a separate checking account to assist controlling these receipts and disbursements.
- 6.** Most tax professionals do not have experience or in-depth knowledge related to tax reporting for these events. (They may never have a client experience such an event. “Why become knowledgeable?” The dollar amounts will be large, the need for expertise is important. If your tax professional does not have the experience, have the tax professional consult with someone who is knowledgeable.

- 7.** If you believe the insurance proceeds will be less than the “cost basis” of your real property, consider securing appraisals of the property “just before” and “just after” the loss event.
- 8.** Do not claim a loss before there is a “Closed Transaction.” That is until you have tied down the amount of the loss and you have received all the proceeds reimbursing you for your loss, including insurance, FEMA and other government sources, law suits, and potential Hazard Mitigation Buyouts.
- 9.** File tax returns as usual; there is no special “filing holiday” or deferral for filing tax returns as a result of the loss you have experienced.
- 10.** Business and investment property losses are subject to different rules that losses for personal use real estate.

Top 10 Insurance Claim Tips

- 1.** Be pro-active in the claim process.
- 2.** You’re not on a level playing field when you’re dealing with an insurance claim.
- 3.** Think of your insurance claim as a business negotiation—you’re dealing with a for-profit company.
- 4.** Give your insurance company a chance to do the right thing, but don’t mistake a friendly representative for a friend.
- 5.** Document and support your claim with proof, details and estimates.
- 6.** Present clear requests in writing that explain what you need, when you need it, and why you’re entitled to it.
- 7.** Don’t pad or exaggerate your claim.
- 8.** Don’t sign legal documents without consulting with a qualified attorney.
- 9.** Try to resolve problems informally but complain in writing, go up the chain of command and/or use government agency help when necessary.
- 10.** Get specialized professional help when you need it, start in the “Find Help” section of www.uphelp.org.

From: <http://www.uphelp.org/library/resource/top-10-insurance-claim-tips>