



Qualified Disaster Loss Deduction

Available to taxpayers affected by Hurricane Helene

Did Hurricane Helene damage things you own, like your house, car, or things inside your house? The value of the things lost or destroyed in the hurricane may lessen your tax bill or add to your refund.

A new law is available to Hurricane Helene victims. It lets you subtract almost the whole amount of your property loss from your income. Normally, people may only count a small amount of the loss, but the new law allows you to count all loss above \$500.

You can either use this to add to the standard deduction (for people who don't itemize deductions) or as an itemized deduction.

The loss amount equals either (1) what you paid for the property (adjusted basis) or (2) the difference in how much your property was worth before the hurricane and how much it's worth after. Either way, you also have to subtract any insurance money or other payments you got to help cover damage to that specific property.

It's important to make sure your loss is final before claiming it. Sometimes, you may need to wait until next tax season to be sure you won't get any more help.

You can use Form 4684 to report this loss when you file your taxes, and *IRS Publication 547 Casualties, Disasters, and Thefts* provides a lot more information.

Disaster-Related Tax Questions



IRS Disaster Assistance

The IRS helps people affected by disasters by giving extra time to file taxes. This applies to people whose homes or businesses are in the disaster area. If your address is in that area, you don't need to do anything extra.

For Hurricane Helene, the new deadline for tax returns and payments is May 1, 2025.

The IRS also helps people who lose their tax documents in disasters. They can get copies of their tax records for free by calling the IRS Disaster Assistance Hotline at 866-562-527.

Are your disaster-related funds taxable?

Qualified Disaster Relief Payments are not taxable.

Qualified Disaster Relief Payments are payments made from a government fund, employer, or charitable organization due to a federally declared disaster for:

- reasonable and necessary personal, family, living, or funeral expenses
- rehabilitation or repair of personal residence
- replacement or repair of personal contents of personal residence

Qualified Disaster Relief Payments do not include insurance payments, unemployment compensation, or payments for lost wages

Are your insurance payments taxed?

If you get more money from insurance than what your property was worth, you might have to report the extra money as income.

If you plan to buy new property to replace the damaged property, you can delay paying taxes on the extra money you got. You have up to 2 years (4 years if it's your main home) to buy new property and avoid paying the tax.

Qualified Distributions from Retirement Accounts

If you take money from your retirement account, you can get up to \$22,000 without having to pay a 10% penalty. You can also spread the tax over 3 years or pay the money back in 3 years to avoid paying the tax. You have until March 27 to do this.

If you want to take a loan from your retirement account, the usual rules do not apply. Normally, you can borrow up to \$50,000, but now you can borrow up to \$100,000 if your account is fully vested.