

Nevada Flood Victims May Qualify for IRS Disaster Relief

Victims of recent flooding in Nevada may qualify for tax relief from the Internal Revenue Service. Following severe winter storms and flooding on Jan. 5, the federal government declared Lyon County, Nev., a presidential disaster area qualifying for individual assistance.

As a result, the IRS is postponing until March 5 certain deadlines for taxpayers who reside or have a business in the disaster area. The postponement applies to return filing, tax payment and certain other time-sensitive acts otherwise due between Jan. 5 and March 5.

In addition, the IRS will waive the failure to deposit penalties for employment and excise deposits due on or after Jan. 5 and on or before Jan. 22, as long as the deposits are made by Jan. 22.

If an affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the telephone number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply. Penalties or interest will be abated only for taxpayers who have an original or extended filing, payment or deposit due date, including an extended filing or payment due date, from Jan. 5 to March 5.

IRS computer systems automatically identify taxpayers located in the covered disaster area and apply automatic filing and payment relief. Affected taxpayers who reside or have a business located outside the covered disaster area must call the IRS disaster hotline at 1-866-562-5227 to request tax relief.

Covered Disaster Area

The covered disaster area included Lyon County, NV.

Affected Taxpayers

Taxpayers considered to be affected and taxpayers eligible for the postponement of time to file returns, pay taxes and perform other time-sensitive acts include individuals who live, and businesses whose principal place of business is located, in the covered disaster area. Taxpayers not in the covered disaster area, but whose books, records, or tax professionals' offices are in the covered disaster area, are also entitled to relief. In addition, all relief workers affiliated with a recognized government or philanthropic organization assisting in the relief activities in the covered disaster area are eligible for relief.

Grant of Relief

Under section 7508A, the IRS gives affected taxpayers until March 5, 2008 to file most tax returns (including individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns), or to make tax payments, including estimated tax payments, that have either an original or extended due date falling on or after Jan. 5, 2008, and on or before March 5, 2008.

The IRS also gives affected taxpayers until March 5, 2008, to perform other time-sensitive actions described in Treas. Reg. § 301.7508A-1(c)(1) and Rev. Proc. 2007-56, 2007-34 I.R.B. 388 (August 20, 2007), that are due to be performed on or after Jan. 5, 2008, and on or before March 5, 2008. This relief also includes the filing of Form 5500 series returns, in the manner described in section 8 of Rev. Proc. 2007-56. The relief described in section 17 of Rev. Proc. 2007-56, pertaining to like-kind exchanges of property, also applies to certain taxpayers who are not otherwise affected taxpayers and may include acts required to be performed before or after the period above.

The postponement of time to file and pay does not apply to information returns in the W-2, 1098, 1099 or 5498 series, or to Forms 1042-S or 8027. Penalties for failure to timely file information returns can be waived under existing procedures for reasonable cause. Likewise, the postponement does not apply to employment and excise tax deposits. The IRS, however, will abate penalties for failure to make timely employment and excise deposits, due on or after Jan. 5, 2008, and on or before Jan. 22, 2008, provided the taxpayer made these deposits by Jan. 22, 2008.

Casualty Losses

Affected taxpayers in a presidentially declared disaster area have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on other income factors.

Individuals may deduct personal property losses that are not covered by insurance or other reimbursements, but they must first subtract \$100 for each casualty event and then subtract ten percent of their adjusted gross income from their total casualty losses for the year. For details on figuring a casualty loss deduction, see IRS Publication 547, Casualties, Disasters and Thefts.

Affected taxpayers claiming the disaster loss on last year's return should put the Disaster Designation "Nevada, Severe Winter Storms and Flooding" at the top of the form so that the IRS can expedite the processing of the refund.

Other Relief

The IRS will waive the usual fees and expedite requests for copies of previously filed tax returns for affected taxpayers who need them to apply for benefits or to file amended returns claiming casualty losses. Such taxpayers should put the assigned Disaster Designation in red ink at the top of Form 4506, Request for Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return, as appropriate, and submit it to the IRS.

Affected taxpayers who are contacted by the IRS on a collection or examination matter should explain how the disaster impacts them so that the IRS can provide appropriate consideration to their case.

Source: Internal Revenue Service, www.irs.gov