**Tax Tips**

**Disaster Losses: Election to Claim Loss in Preceding Tax Year**

While I hope that you haven't been a victim of a disaster loss, if you did suffer a loss as a result of the disaster, you may be able to recoup a portion of that loss through a tax deduction. Moreover, you can elect to claim the loss in either of two years: the tax year in which the loss occurred or the immediately preceding year.

Choosing to take the deduction in the preceding year may increase the tax savings from the loss and may enable you to get a refund from IRS before you even file your tax return for the year the loss occurred. For example, a loss that occurs this year can be claimed on this year's return, which won't be filed until early next year. But if you elect to claim the loss last year (on either your original return or an amended return), you can generally expect to receive the refund within a matter of weeks. This can help to pay some of your repair costs.

Losses that qualify. A loss only qualifies for this tax break if the declared disaster or emergency caused the loss. So keep copies of local newspaper articles or photos that will help prove that your loss was caused by the specific disaster. In addition, the loss must have occurred in a federally declared disaster area.

Which year to deduct. Determining the most beneficial year in which to claim the loss requires a careful evaluation of your entire tax picture for both years, including filing status, amount of income and other deductions, and the applicable tax rates.

The higher your marginal tax rate, the more valuable the deduction is. Ordinarily, casualty losses are deductible only to the extent they exceed 10% of your adjusted gross income (AGI). Where this rule applies, a larger amount of AGI will cut into your allowable loss deduction.

How to claim deduction. To claim a disaster loss on your return, you must itemize deductions. If you choose to claim it on your return for last year, an election statement must be prepared and attached to the return, which must must include specific information about the time, place and nature of the disaster that caused the loss.

Casualty gains. Sometimes, a disaster may actually result in a gain for tax purposes. This may occur where you receive insurance proceeds that exceed your tax basis in the destroyed property. If that happens, there are several ways to exclude or postpone the tax on the gain.

If you have any questions concerning disaster losses, please do not hesitate to call me at (562) 698-9891.

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