

AN ALERT FROM THE BDO FEDERAL TAX PRACTICE

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SUBJECT

TAX RELIEF FOR ALASKA EARTHQUAKE VICTIMS

SUMMARY

Tax relief may be available for Alaska earthquake victims who reside or have a business in the Municipality of Anchorage, Kenai Peninsula Borough and Matanuska-Susitna Borough. Individuals may be able to deduct *personal property casualty losses* that are not covered by insurance or other reimbursements. Additionally, certain business and individual tax return filing and tax payment due dates falling on or after November 30, 2018 and before April 30, 2019 have been extended to April 30, 2019.

DETAILS

Background

The president declared the November 30, 2018 earthquake in Southcentral Alaska to be a major disaster pursuant to Section 401 of the Stafford Act. Affected taxpayers in the Municipality of Anchorage, Kenai Peninsula Borough and Matanuska-Susitna Borough have the option of claiming disaster-related casualty losses on their federal income tax return for either 2018 or 2017, subject to certain limits.

Under present tax law, for qualifying individual taxpayers, the qualified disaster loss must be reduced by 10 percent of adjusted gross income arriving at the allowable itemized deduction. However, the Alaskan Senate Delegation is attempting to introduce legislation that will allow taxpayers affected by major disasters in Alaska and other states to deduct personal disaster losses to the extent they exceed \$500 dollars.

The disaster year is the tax year in which the loss attributable to a federally declared disaster was sustained. Generally, a disaster loss is sustained in the year the disaster occurred. However, a disaster loss also may be sustained in a year after the disaster occurred. For example, if a claim for reimbursement exists for which there is a reasonable prospect of recovery, no part of the loss for which reimbursement may be received is sustained until it can be ascertained with reasonable certainty whether you will be reimbursed. If there are additional losses in the following year an election may be made to treat those losses as having occurred in the preceding year. If the subsequent years' return is filed before these additional losses occur, an amended return can be filed to deduct the losses up to six months after the original filing date of the tax return. Losses sustained up to October 15, 2019, may be included in the 2018 tax return for individuals.

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If insurance or other reimbursement is granted after the close of the tax year, the same steps are taken as with the additional losses. If insurance or reimbursement is greater than the adjusted basis, a gain may occur. If you receive an insurance or other reimbursement that is more than your adjusted basis in the destroyed or stolen property, you have a gain from the casualty. This gain must, generally, be included as income in the year the reimbursement was received.

Business losses resulting from casualties in a federally declared disaster area may be deducted in the year the loss actually occurred, or may be carried back to the tax year before the casualty occurred.

Read the IRS news announcement "[Tax Relief for victims of earthquake in Alaska.](#)"

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