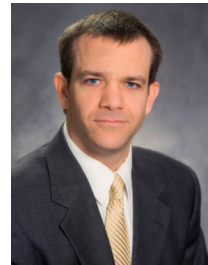




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## Federal Tax Relief for Flood Victims

### Casualty Losses

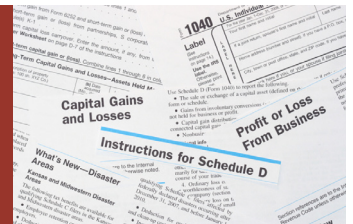
Individuals and businesses are allowed to deduct, for federal income tax purposes, losses of property that are a result of the recent flooding in Tennessee to the extent that these losses are not reimbursed through insurance or any other type of relief assistance payment. In areas that have been declared disaster areas by the federal government, taxpayers have the option of claiming disaster-related casualty losses on their federal income tax return for this year or for last year. For example, a taxpayer who has already filed his or her 2009 federal income tax return may file an amended 2009 federal income tax return reflecting the casualty loss and could be entitled to a refund (assuming the taxpayer owed and paid taxes in 2009); alternatively, the taxpayer could wait and claim the casualty loss on its 2010 federal income tax return. The specific circumstances of an individual or business must be analyzed in order to determine which year would result in the greater overall savings, although the need for immediate cash as well as less restrictive deduction provisions (see next paragraph) might make taking the loss in 2009 and filing a claim for refund the most practical and better option. There are specific filing and record-keeping requirements, as well as rules on how to calculate the amount of the loss, that must be followed in order to deduct a casualty loss.

With regard to an individual, there are limitations on the amount of the casualty loss that can be taken and there are also different rules depending on whether the loss is claimed in 2009 or 2010. If the loss is claimed for the 2010 tax year, the loss must be reduced by \$100 and by 10% of the individual's adjusted gross income, and must be taken as an itemized deduction. If the loss is instead claimed by the individual for his or her 2009 tax year, the loss must be reduced by \$500 instead of \$100 but does not have to be itemized and does not have to be reduced by a percentage of adjusted gross income. An individual whose loss is covered by insurance must file a timely insurance claim in order to deduct a casualty loss.

A taxpayer claiming a casualty loss on an amended 2009 federal income tax return should put "Tennessee/Severe Storms, Flooding, Straight-Line Winds and Tornadoes" at the top of the form so that the IRS can expedite the processing of the refund.

### Other Relief Provisions

The IRS has also passed specific relief provisions applicable to taxpayers located in the Tennessee federal disaster areas. The taxpayers eligible for these relief provisions include (i) individuals who live, and businesses whose principal place of business is located, in the covered disaster area; (ii) taxpayers whose records necessary to meet IRS filing and payment deadlines are located in the covered disaster area; (iii) all relief workers affiliated with a recognized government or philanthropic organization assisting in the relief activities in the covered disaster area; and (iv) any individual visiting the covered disaster area who was killed or injured as a result of the disaster.



One special rule is a temporary extension of time to file most tax returns and make tax payments that are due within a relatively short time after the date of the disaster, which rule provides as follows: For most tax returns and tax payments, including estimated tax payments, that have either an original or extended due date occurring on or after April 30, 2010 and on or before June 29, 2010, taxpayers affected by the disaster have until June 29, 2010, to file such tax returns and to make such tax payments. The extension of time to file and pay does not apply to Forms W-2, 1098, 1099, 1042-S, and 8027, nor does it apply to employment and excise tax deposits.

There is also an extension of time for certain other time-sensitive actions that are required to be taken on or after April 30 but on or before June 29, such as the filing of Form 5500 series returns and identification and closing periods for like-kind exchanges.

The National Disaster Relief Act that was passed in 2008 contained additional tax relief provisions for individuals and businesses, such as an extension of the period for carryback of net operating losses and additional depreciation allowances for certain property that replaces property lost or damaged in the disaster. However, those additional relief provisions do not apply to disasters that occur on or after January 1, 2010. The tax relief provisions of the National Disaster Relief Act may be extended retroactively to January 1, 2010, but those relief provisions currently do not apply. Additionally, as of this date there are no specific relief provisions for the affected flood areas with regard to Tennessee taxes.

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