

Casualty Loss Guidance (October Wildfires) -- For Tax-Aide Counselors --

Tax-Aide counselors are not trained or authorized to prepare a federal tax return where a casualty loss is claimed as an itemized expense on Schedule A. The Tubbs, Atlas and other wildfires that occurred in Sonoma and Napa Counties during October 2017 are Federal and State Declared Disaster Areas.

Our guidance to taxpayers with casualty losses: hire a qualified CPA or Enrolled Agent experienced in casualty loss cases, to help determine what the casualty loss is, and the best way to report it (which may well be on a 2016 amended return).

We can assist taxpayers who have suffered damages in the October 2017 wildfires in the following situations:

1. TP has a net casualty loss (i.e. after receiving insurance settlements & relief funds) and chooses not to claim the loss on their 2017 tax return.
2. TP wants to file a 2017 return by April 17th, **while waiting for their insurance settlement.** Then, at a later date, they can decide whether they should file an amended return using a qualified tax professional to report any casualty loss after the insurance settlement is completed. We can prepare their 2017 return provided all other tax items are within scope.
3. TP wants to file a **six-month extension (Form 4868)** while waiting to determine their net casualty loss. They will then need to see a qualified tax professional to file **their final 2017 return by October 15, 2018.** If they will owe taxes on their estimated 2017 return, they should make a payment with their extension. We can prepare the extension for them based on the 2017 tax statements they have on hand.

Local EAs and CPAs can best be found by talking to others with similar losses. The National Assoc. of Enrolled Agents website: <https://www.naea.org> has a search function "Find a Tax Expert" by zip code. A searchable list of registered EAs and CPAs is on the website: <https://www.irs.treasury.gov/rpo> but this only confirms credentials. It doesn't indicate any specialization in casualty losses.

Notes:

- United Way of the Wine Country is tentatively planning one or more clinics to assist those with casualty losses in preparing their tax returns. Taxpayers can call 707-528-4485 for more information. (John Broughton will keep us updated on this)
- If a taxpayer used the Tax-Aide program in 2016, we can print a copy of their 2016 tax returns, to replace lost copies. Otherwise, taxpayers should contact their previous tax preparer, or get *free* copies from the IRS [Form 4506; write "California, Wildfires", in red, at top] and California [FTB Form 3516; write "Tubbs Fire" or similar in red at top].
- As is the case with all taxpayers, whether affected by the fire or not, we cannot do the tax return of someone who rented their (undamaged) house for 15 days or more during 2017.