

## Home Damaged By Hurricane Sandy? Get Some Tax Relief

Hurricane Sandy will go down as one of the costliest storms in U.S. history, with millions of people suffering damage to their homes.

If you're one of the unlucky ones, you may face months of waiting for much-needed repairs and insurance reimbursements. And even after final insurance checks come in, you may find that you're still left footing a hefty bill.

But you might find some relief from an unlikely source: the IRS.

### Casualty Losses and You

The tax laws allow taxpayers who itemize their deductions to get a tax break for losses they suffer from natural disasters. However, the way that the IRS defines a loss is different from what you might expect. Rather than looking at repair costs, the IRS defines a casualty loss as the amount by which the fair market value of your property decreased as a result of the storm.

Although [IRS Publication 547](#) allows you to use repairs as a measure of the decrease in fair market value, you have to take into account any potential *increase* in value that results from work you have done on your home.

Once you've determined the amount of your loss, you can estimate your eventual deduction. For a home, you have to subtract \$100 from your losses and then further reduce your deduction by 10% of your adjusted gross income on your tax return before listing the final amount as an itemized deduction. For business property, these limitations don't apply; you can deduct the full amount against your business income.

### You Don't Have to Wait

By now, you might wonder if you'll have to wait until April to get any tax relief. The answer is no, because the areas hit by Sandy got a presidential declaration as disaster areas. As a result, you can go back and amend your *2011* tax return to deduct your casualty loss in order to get an immediate refund.

Of course, you may want to wait if the amount of your deduction will be higher or if you'll get more of a tax benefit from the deduction this year rather than last.

For more information about how casualty loss deductions work and the records you should gather and keep, be sure to check out the [IRS website](#). In addition, tax preparer Jackson Hewitt has put together a [disaster recovery guide](#) to help lead you through the process of documenting your loss for IRS purposes.