

Claim Flood Damage in More Than One Year

A Tax Guide for 2010 Flood Victims- Issue 13

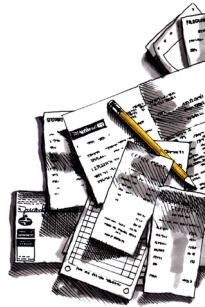
Federal disaster area counties: Benton, Cannon, Carroll, Cheatham, Chester, Clay, Crockett, Davidson, Decatur, Dyer, DeKalb, Dickson, Fayette, Gibson, Giles, Hardeman, Hardin, Haywood, Henderson, Hickman, Houston, Jackson, Humphreys, Lauderdale, Lawrence, Lewis, Macon, Madison, Marshall, Maury, McNairy, Montgomery, Obion, Perry, Putnam, Robertson, Rutherford, Shelby, Smith, Stewart, Sumner, Tipton, Trousdale, Wayne, Williamson and Wilson.

Special tax rules apply to everyone living in these 46 counties. This part may help you if you had storm or flood damage. Don't live in one of these counties? Then talk to a tax expert or go to the IRS web site at www.irs.gov.

Did the flood damage your home, household goods, cars, trucks or personal property? You can claim a casualty loss on your income tax return. **Casualty loss** means your property or belongings were damaged in the flood. To find out more, read Issue 7 "Claiming a Casualty Loss on Your Tax Return".

When your flood loss is more than your income

If your casualty loss is more than your income, you may have a **net operating loss**. Most of the time, only businesses can claim a net operating loss. But if you had flood damage, your casualty loss from the 2010 flood may give you a net operating loss. You may be able to carry the net operating loss back to an earlier year.



How this can help you

Did you have flood damage? Then you may be able to claim a net operating loss. First, you

must claim the casualty loss on your 2009 or 2010 income tax return.

Is your casualty loss more than your income on your tax return? If the answer is yes, then you may have a net operating loss.

There are 3 things that you can do with the net loss:

1. Use it all up the year it is claimed.
2. Carry the part you didn't use back to an earlier year and get a refund. This is called a **carryback**. You can do this for the last 3 years.
3. Carry the part you didn't use forward to a future year. This is called a **carryforward**. You can do this for up to 20 years.

Example: John and Susan's house flooded. Their casualty loss was \$100,000. Their net income before counting the loss was \$60,000. Their loss is greater than their income ($\$100,000$ less $\$60,000$ = a $\$40,000$ net operating loss). They can carry the loss back as far as 3 years. But they may not use it all. Then they can carry it forward for the next 20 years. They should talk to the person who does their taxes. Then they can decide what is best for them.



Use Special Forms

To carry back a loss, use either IRS Form 1045 or IRS Form 1040X.

WARNING! Net operating losses have special rules. The rules are complex and they can be very hard to understand. For more information, see **IRS Publication 536 Net Operating Losses for Individuals, Estates and Trusts.**

This can be found at www.irs.gov. We recommend that you discuss your loss situation with your accountant or tax person.



Legal Aid Society

of Middle Tennessee and the Cumberland

1-800-238-1443 It's a free call.

On the internet at www.las.org

NOTE: This information was written by Robert B. Nadler, a lawyer with Legal Aid Society. It cannot take the place of advice from a lawyer. Each case is different and needs individual legal advice.