

2007 California Wildfires Disaster Tax Issues Presidentially Declared Disaster Areas



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- Anna Maria Galdieri is a CPA in Oakland, California. She developed her expertise in the area of disaster tax law working to bring tax reform to the victims of the Oakland firestorm.
- Worked with local representatives to draft legislation that eventually was enacted as **Section 1033(h)** writing extensively about the new tax law that brought relief to disaster victims and
- Worked with the local IRS office to obtain private letter rulings and **public revenue rulings** that answered questions which she raised with the IRS.
- Advises disaster victims and their representatives on their insurance settlements.
- Works with plaintiffs' attorneys to structure lawsuit settlements to minimize the tax burden to the plaintiffs.

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Qualified Acquisition Indebtedness

- Qualified acquisition indebtedness is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and is secured by such residence.
- And includes any indebtedness secured by such residence resulting from the refinancing of the indebtedness but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the original qualified acquisition indebtedness reduced by a principal repayments.

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- Past chair of the Disaster Tax subcommittee of the American Institute of Certified Public Accountants where she had responsibility for their Disaster Area Practice Guide
- Current chair of the Disaster Tax Subcommittee of the California Society of Certified Public Accountants
- Member of CSPAS Statewide Committee on Taxation and Estate Planning
- Chair of the Annual Advanced Estate Planning Symposium of the East Bay Chapter of the CSCPAs.
- Chair of the Disaster Recovery Workshop sponsored by the CSCPAs in December, 2003
- Speaker on Disaster Tax for the American Institute of Certified Public Accountants and the California Society of CPAs
- Columnist with the Phoenix Journal and the Oakland Montclairion writing extensively during the rebuilding phase on disaster tax-related topic and has been interviewed and quoted on disaster tax topics since 1991

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WHAT IS an **INVOLUNTARY CONVERSION**?

- It is a tax term of art that describes the tax treatment when your property is destroyed by a fire and you receive one more dollar of insurance proceeds than your tax basis in your home.
- During this presentation I will refer to an involuntary conversion often because that is the code section that controls the tax treatment of the insurance proceeds you receive.

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Mortgage Forgiveness Debt Relief Act of 2007

- This act excludes from the definition of gross income amounts attributable to a discharge of indebtedness on qualified acquisition indebtedness up to \$2 million for single or married filing jointly taxpayers, and \$1 million for taxpayers filing as married filing separately. Effective for debt relief as of January 1, 2007 through December 31, 2009.

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IMPORTANT INFORMATION TO GIVE TO YOUR TAX ADVISOR

- The Southern California Wildfires have been declared a Presidential disaster; the Angora wildfires have not been declared a Presidential disaster.
- IRS Code Section 1033(h)(1)(A)(i) excludes from income insurance proceeds received for unscheduled personal property (household contents).
- IRS Code Section 1033(h)(1)(A)(ii) treats proceeds received for real property and scheduled personal property as a common pool of funds which can be used to rebuild/purchase a replacement home and/or household contents.

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IMPORTANT INFORMATION TO GIVE TO YOUR TAX ADVISOR

- **IRS Code Section 1033(h)(2)** treats insurance proceeds received for loss of personal tangible property used in a trade or business as a common pool of funds.
- **IRS Code Section 1033(a)** requires a more stringent replacement of rental property or real property used in a trade or business which was damaged or destroyed in a fire.
- Taxpayers who lose their homes in a disaster that is not declared a presidential disaster must follow the more restrictive rules of Section 1033(a).
- **IRS Code Section 123** controls the taxation of proceeds received for loss of use of your principal residence.

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- **Interplay between §1033 and §121:** Destruction of a primary residence in a disaster is treated as if the home were sold. Disaster victims are able to exclude \$250,000/\$500,000 of gain realized, if they meet the 2/5 year ownership and occupancy rules of §121. This allows disaster victims to move to a smaller home, to move to an apartment, or to use all their insurance proceeds to rebuild their home. If you use all your insurance proceeds to rebuild/purchase a replacement home, you will have a larger tax basis in your replacement home. (See example.)
- Regulations issued under §121 define a disaster as an unforeseen circumstance, so if you have not lived in your primary residence 2 out of the past 5 year, you get a partial exclusion of the gain you may realize.
- **ITA 200114046** clarifies that contents located at a site other than a personal residence are still considered to be contents. (Personal property located in family vehicle.)

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IMPORTANT INFORMATION TO GIVE TO YOUR TAX ADVISOR

- **IRS news release** provides that uninsured disaster victims may use their public grants to purchase a mobile home **IRS Code Section 139**.
- **However, homeowners who receive proceeds for the loss of use of their home cannot use their insurance proceeds to purchase a mobile home.**
- **Revenue Ruling 95-22** clarifies that insurance proceeds received for unscheduled personal property are exempt from tax; real property and scheduled personal property proceeds are treated as a common pool of funds. These funds can be used to rebuild/purchase a replacement residence and/or contents.

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WHY ARE MY INSURANCE PROCEEDS FOR THE DESTRUCTION OF MY HOME TAXED?

- Unless otherwise provided by the tax code, the receipt of money is considered taxable income. Under the provisions of §1033(h), if you realize gain, that gain can be deferred if you reinvest in property that is similar or related in service or use. Under the common pool of funds theory, that means your home and/contents.

HOW DO I DETERMINE WHETHER I HAVE A GAIN OR LOSS ON MY HOME?

- The gain or loss is determined once you know your tax basis in your home and the amount of your insurance settlement.

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IMPORTANT INFORMATION TO GIVE TO YOUR TAX ADVISOR

- **Revenue Ruling 96-32** provides that the sale of the vacant lot is treated as part of the involuntary conversion; mortgage interest on vacant lot is qualified residential interest expense; no allocation of basis between land and building under Section 1033 is required.
- **Revenue Ruling 2003-12** provides that certain disaster relief payments are not includable in income.

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HOW DO I DETERMINE THE TAX BASIS IN MY HOME?

- Did you purchase your home after May 6, 1997?
- Did you make improvements to your home?
- Your tax basis is your purchase price plus improvements made.
- If you used your home in your business, reduce your basis by the amount of depreciation taken.

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- Is this your first and only home which was purchased before May 7, 1997? Your basis is your purchase price plus any improvements you made.
- Did you purchase your home by rolling over the gain from a previous home before May 7, 1997? Make improvements?
- You will need to obtain a copy of your **Form 2119, Sale of a Personal Residence** for the year you purchased your home to determine your basis in your home.
- Your basis is the basis on **IRS Form 2119** plus improvements you made.
- If you used your home in your business, reduce your basis by the depreciation taken.

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Common pool of funds theory applies to Presidentially Declared Disaster

- The proceeds you receive for your home and for scheduled personal property, like jewelry and art works, **MAY RESULT IN A GAIN**, if you receive one more dollar in insurance proceeds than your tax basis in your home and scheduled personal property. These funds are considered as a common pool of funds, and can be used to rebuild/replace your home and/or contents. **YES**, that is correct. The money you receive for your contents is exempt from tax, and you get to use the funds you receive for your real property and scheduled personal property to purchase a home and/or contents.

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- Did you inherit your home? Your tax basis is the fair market value of the home at the time of death of the decedent.
- Did you inherit your spouse's community property interest in your home?
- Your tax basis is the fair market value of the home at the time of your spouse's death.

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The destruction of your home is treated as a sale under the tax law

- The destruction of your home is treated like a "sale". You are able to exclude the first \$250,000/\$500,000 of gain under the provisions of **§121** if you meet the 2/5 year requirement.
- If you then take these funds and use them to rebuild your home, these funds increase your tax basis in your home.
- Or you may decide to rebuild a smaller home.

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DON'T I HAVE TO LUMP MY INSURANCE MONEY ALL TOGETHER TO DETERMINE WHETHER I HAVE A GAIN OR A LOSS?

NO, the amount that you receive for contents in a presidential disaster is exempt from tax. Unfortunately this is not true for all other disaster victims. They must compare their insurance proceeds against the historical cost of their contents. If they realize a gain they must reinvest their insurance proceeds by replacing their household contents.

- Amounts you receive for your home are compared to your tax basis in your home to determine whether you have a gain. If the amount you receive is more than your tax basis, you have realized a gain. This gain can be reduced by the \$250,000/\$500,000 exclusion of **§121**. The balance of the gain, if any, can be deferred by reinvesting that money in a replacement residence and or contents.

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How Do I Compute Gain On The Money I Got From The Insurance Company?

- Insurance proceeds for real property **\$350,000**
- Basis **(\$30,000)**
- Gain **\$320,000**

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What Makes Me Eligible To Exclude The Gain On My Home Destroyed In The Wildfires?

- You must have lost your home in a disaster and owned and occupied your home for 2 out of the last 5 years as your principal residence unless you were in a nursing home.
- If you owned and lived in it less than 2 years, you will be able to exclude part of the gain. The numerator is the number of days you lived in the home over 730 times the amount of gain realized.
- If it was not your principal residence, you can NOT take this exclusion.

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- Purchase price new home \$350,000
 - Less deferred gain (\$150,000)
 - Basis in home \$200,000
- If you decide to invest all of your insurance proceeds:
- Purchase price of new home \$750,000
 - Less deferred gain (\$150,000)
 - Basis in home \$600,000

Proof:
Basis in destroyed home \$100,000
\$121 Exclusion \$500,000
Basis in new home \$600,000

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Computing your gain and basis in your replacement residence—single taxpayer

- Proceeds \$750,000
- Basis (\$100,000)
- Gain \$650,000
- **\$121** Exclusion (\$250,000)
- Deferred gain \$400,000
- Amounts reinvested \$750,000
- Deferred gain (\$400,000)
- Basis in new home \$350,000

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I TOOK MY EXCLUSION AND STILL HAVE A GAIN. WHAT DO I HAVE TO DO TO AVOID TAXES ON MY INSURANCE SETTLEMENT?

- You must reinvest the balance in another principal residence and/or contents.
- If you do not reinvest the balance in another home and or contents, you will be taxed on the remainder of the gain.

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Computing your gain and basis in your replacement residence—married filing jointly

- Insurance settlement \$750,000
- Tax basis (\$100,000)
- Gain \$650,000
- **\$121** Exclusion \$500,000
- Deferred gain \$650,000
(\$500,000)
\$150,000

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HOW DO I DETERMINE HOW MUCH I HAVE TO REINVEST?

- | | SINGLE | MARRIED |
|---------------------------|---------------|---------------|
| • Insurance | \$350,000 | \$350,000 |
| • Tax basis | <u>30,000</u> | <u>30,000</u> |
| • Gain | \$320,000 | \$320,000 |
| • \$121 Exclusion | (\$250,000) | (320,000) |
| • Amount to reinvest | \$100,000 | \$0 |
| • In home and/or contents | | |

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CAN I SPEND MY INSURANCE PROCEEDS ON MY HOME AND CONTENTS?

YES, if you lost your principal residence the new law allows you to take the money you got for your home and scheduled personal property and **reinvest** it in a **new home and contents**, or just **contents!**

- You pay tax on the smaller of the gain realized **\$70,000**, or
- The amount of your unspent proceeds (**\$100,000**), or
- For example, you could spend **\$50,000** and pay tax on **\$50,000**.

WHAT IF I DON'T WANT TO BUY ANOTHER HOME?

You may not have any tax to pay if you **reinvest in household contents**

	SINGLE	MARRIED
• Insurance	\$350,000	\$350,000
• Tax Basis	(\$30,000)	(\$30,000)
• Gain	\$320,000	\$320,000
• Exclusion	(\$250,000)	(\$320,000)
• Gain	\$70,000	0
• Amount to reinvest	\$100,000	0

WHAT HAPPENS IF I SELL MY LOT AND BUY ANOTHER HOME ELSEWHERE?

The sale proceeds are treated as part of the involuntary conversion of the home and are **added** to the amount of insurance proceeds received to determine the amount that you have realized and the gain realized.

WHAT IF I DON'T REINVEST THAT AMOUNT?

- If you do not reinvest that **\$100,000** you pay tax on **\$70,000**. The federal long-term capital gains rate is **5-15%** depending upon your other income. California does not have a capital gains rate. You will be taxed at your marginal income tax rate.
- You can reinvest some of the money and pay tax on the balance not reinvested.

WHAT IF I DON'T WANT TO REBUILD ON MY LOT?

- You **are not required** to rebuild on your lot for tax purposes.
- You **are required** to replace your destroyed residence with another personal residence and or/contents if you have any remaining gain.

MY CABIN WAS UNINSURED. I WANT TO SELL MY LOT AND MOVE ELSEWHERE. WHAT TAXES WILL I HAVE TO PAY?

- **It depends.** The sale of your lot would be considered to be part of the *involuntary conversion* of your home.
- Whether you have a casualty loss or a gain depends upon how much you sell your vacant lot for and what your tax basis is in your destroyed home.
- If you sell at a loss, it is subject to a \$100 floor and 10% of your adjusted gross income.
- If you sell at a gain, you can exclude the gain under §121.

HOW LONG DO I HAVE TO REINVEST?

- You have **4 years** from the end of the year in which you receive **one more dollar** from your insurance company than your **tax basis** in your **home** and **scheduled personal property**.
- You have **2 years** if you lost your **second home**.
- You have **2 years** if you lost real property that you used as **rental** or in your **business**.
- **Extensions of time to reinvest can be requested from the IRS.**

Computation of gain or loss on sale of vacant lot- uninsured taxpayer

• Selling price	\$90,000	\$90,000
• Basis	(30,000)	(150,000)
Gain (loss)	\$60,000	(60,000)

- **\$60,000 of gain can be excluded under the rules of §121.**
- **\$60,000 of loss can be taken subject to the casualty loss rules of a floor of \$100 and reduction of 10% of adjusted gross income.**

EXAMPLE

- Your basis in your home is **\$30,000**. You are single.
- You receive **\$125,000** from your insurance company in **2007**.
- You receive an additional **\$225,000** in **2008**.
- Since **\$125,000** is more than your tax basis in your home, you have **4 years** from the end of **2007** to reinvest.
- By **December 31, 2011** you must reinvest in another home and/or contents. an extension of time.

THERE ARE DIFFERENT RULES IF YOU LOST A VACATION HOME IN THE FIRESTORMS

- If you lost your second home, and you have a **gain**, the rules are different. You must reinvest your real property proceeds in real property and you must reinvest your contents money in contents.
- There is no clear guidance whether you can use a common pool of funds theory here. There is no clear guidance whether you can spend your money on any type of contents, or whether you have to replace with the same type of contents as you lost.

WHAT HAPPENS IF I CAN'T REBUILD WITHIN THE TIME PERIOD?

- If you cannot rebuild, you can request a year by year extension of time from the IRS.
- You may need to do this if there are delays in rebuilding because of infrastructure problems or because you are still negotiating a settlement with your insurance company.

CAN I TAKE MY INSURANCE PROCEEDS RECEIVED FOR MY RENTAL HOME AND REINVEST THE MONEY IN A BED AND BREAKFAST?

- A rental home **is not** the same kind of business as a bed and breakfast.
- This is an area where reform is needed. Since you lost your rental in a disaster you are covered by the more restrictive rules of **§1033(a)**. There are unduly restrictive requirements for disaster victims who lose real property that they use in a trade or business or which they hold for investment .

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IT WILL COST \$500,000 TO REBUILD. MY INSURANCE COMPANY IS ONLY PAYING ME \$350,000. WHAT IS MY TAX LOSS?

- Assuming your tax basis in your home is **\$30,000**, you have a tax gain of **\$320,000 (\$350,000-\$30,000)**. You will take your **Section 121** exclusion.
- You have **no tax loss** since your insurance settlement is greater than your tax basis in your home.
- You have an **economic, nondeductible loss** unless policy reformation is possible.

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I OPERATED A COFFEE STAND THAT WAS DESTROYED IN THE WILDFIRES. CAN I TAKE MY INSURANCE MONEY AND BUY A SMALL BUILDING ELSEWHERE?

NO, unfortunately. But you could take your insurance money and reinvest in any other **tangible personal property that you use in your trade or business**. So you could, for example, reinvest in computer equipment and start a computer consulting business.

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- Remember that you cannot take a disaster loss if you are insured until you have exhausted all means of recovery.
- If you suffer a disaster loss in an area that has been declared a Presidential disaster, you have the ability to take the loss either on the tax return of the year of the loss or on the prior year's tax return.
- For the 2007 California wildfires, you can elect to take the loss either on your 2006 tax return or on your 2007 tax returns.
- If you suffered a loss in a Presidentially declared disaster, you have to make this decision by April 15, 2008. You must decide whether to take that loss on your 2006 federal income tax return. You have until October 15, 2008 to make that decision for California. If you miss the deadline, under limited circumstances, you can request an extension of time from the IRS.

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- IF YOU ARE **UNINSURED**, YOU HAVE A **CASUALTY LOSS**.
- IF YOU ARE **UNDERINSURED**, YOU MAY HAVE AN **ECONOMIC LOSS**, BUT **NOT A TAX LOSS**.

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WHAT ARE MY REMEDIES IF I SUFFER AN ECONOMIC LOSS?

Policy reformation which can be achieved by working with other disaster victims, sharing information, and working with organizations like CARE.

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CAN I TAKE A DEDUCTION FOR LEGAL EXPENSES INCURRED TO SETTLE WITH MY INSURANCE COMPANY?

- NO.** Jasko lost his home in the Oakland firestorm in 1991.
- He spent all of his insurance settlement on replacing his home, and was out of pocket for the legal expenses incurred to settle his claim.
 - He argued that he was entitled to deduct these legal fees under §212. He lost. Legal expenses are added to basis.

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Reconstructing Contents

- Keep a notebook with you at all times and write down anything when you remember it.
- Your tax loss is comparatively small compared to your economic loss. Be prepared for an audit of your return.
- The IRS has a disaster tax booklet available at their website, www.irs.gov Publication 2194, 2007 Disaster Losses Kit for Individuals; Publication 2194-B Disaster Losses Kit for Businesses.

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WHY CAN'T I TAKE MY LEGAL EXPENSES AS A CASUALTY LOSS?

- The Court in Jasko held they related back to the insurance claim, and under the origin of claim doctrine they related to a capital asset, the personal residence. **Losses on a personal residence aren't deductible unless they fit into the definition of a casualty.**
- Legal expenses incurred to sue your insurance company are netted against your recovery to determine the amount realized, the gain realized and the amount required to be reinvested.

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HOW DO I DETERMINE MY GAIN OR LOSS ON MY HOUSEHOLD CONTENTS?

- You **do not need** to determine whether you have a **gain on your contents** if you lost your home in a Presidentially Declared Disaster. The money you get for your contents is exempt from tax. For all other disaster losses, compare your adjusted basis (purchase price) to the amount of insurance you received.
- To determine whether you have a **loss** on your contents, you must determine when you purchased each item, how much it cost, and then depreciate it.

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MEASURING THE LOSS

- Depreciated value is a fact of life. Whether you used your personal property for business or not, the tax law measures your loss by the decline in fair market value before and after the fire.
- When everything is burned up, it is clear that the value is zero after the fire. The value before the fire is more difficult to determine.
- The law says you must use the lower of the decline in fair market value or depreciated basis.

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WHAT IF MY INSURANCE COMPANY DOESN'T GIVE ME ENOUGH TO REPLACE MY CONTENTS?

- You **may** have a casualty loss if the sum of the depreciated value of your household contents minus your insurance proceeds is more than zero, and
- Greater than \$100 and 10% of your adjusted gross income and you already itemize.

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DO I HAVE TO COMPUTE THE LOSS OR GAIN ON EACH OF THE THINGS THAT WERE IN MY HOME?

NO, you will add up the sum of the **depreciated value** of your contents and **reduce** this by the **insurance proceeds** you received for your contents.

- The balance of your loss is then reduced by **\$100** and **10%** of your adjusted gross income.

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- Replacement cost of contents \$195,000
- Historical cost of contents \$55,000
- Depreciated value of contents \$21,000
- Insurance proceeds \$10,000
- Casualty loss before adjustments \$11,000
- \$100 floor (\$100)
- 10% of Adjusted gross income (\$7,000)
- Casualty loss \$3,900
- Assume federal marginal tax rate of 28%, tax savings is **\$1,092**

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HOW CAN I TAKE A LOSS IF THE INSURANCE PROCEEDS ARE EXEMPT?

- You can take a loss whether or not the proceeds are exempt. If the depreciated value of your items is greater than the amount of insurance you got, you have a loss.
- While the insurance company asks you to determine the replacement cost of your household items to determine whether you will be paid out policy limits, depreciated value is the measure for determining your casualty loss.

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I WAS A RENTER AND LOST EVERYTHING IN THE FIRE. I HAD A \$25,000 RENTERS POLICY. MY CONTENTS COST ME MORE THAN THAT TO REPLACE. WHERE DO I TAKE MY LOSS?

- **It depends.** Does the depreciated value of your household contents exceed **\$25,000**?
- If it does, you may have a casualty loss if it is greater than **\$100** and **10%** of your adjusted gross income and you already itemize.

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- Replacement cost of contents \$195,000
- Historical cost of contents \$55,000
- Depreciated value of contents \$21,000
- Insurance proceeds \$100,000
- Casualty loss 0

Since insurance paid is greater than the depreciated value of contents

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HOW ARE MY LOSS OF USE INSURANCE PROCEEDS TAXED?

- Currently the IRS requires you to **compare** your living expenses before the disaster to your living expenses after the disaster. Only the **incremental increase** in these expenses is allowed to be netted against your insurance recovery.

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Additional Living Expense Example

Expense	Before	After
• Rent	0	\$1,500
• Food	\$400	\$1,000
• Utilities	\$150	\$ 250
• Transportation	\$140	\$ 250
• Total	\$690	\$3,000
• Increase		\$2,310

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- Your total ALE settlement is \$150,000. You incur \$135,000 in additional living expenses. Your "excess" ALE settlement is \$15,000.
- You move back into your home in 2009. On your 2009 income tax return, you will include \$15,000 in your income.

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You will keep track of these expenses during the time that you are out of your principal residence. In the tax year that you return to your home, you will compare the total additional living expenses with your insurance settlement. If you do not spend all your ALE, you will include the unspent ALE in your income.

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I HEARD THAT THE IRS RULED THAT WE COULD PURCHASE A MOBILE HOME.

- The IRS news release said the following: Uninsured disaster victims who received certain government payments in the Southern California wildfires may use those funds to purchase a mobile home. The ruling covered payments received under **§139** of the Internal Revenue Code.
- This ruling does not cover payments received under an insurance contract. Those payments are covered under **§123**.

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I OWN ANOTHER RENTAL HOME THAT I MOVED INTO WHILE MY HOME IS BEING REBUILT. CAN I USE MY LOSS OF USE SETTLEMENT TO REBUILD MY HOME?

- NO**, the tax law only allows you to use these proceeds for loss of use expenses: temporary housing, utilities, food, transportation and other miscellaneous services to the extent that these exceed your normal living expenses.
- If you use these funds to rebuild, you will pay capital gains tax on these funds.

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CAN I USE MY ALE TO PURCHASE A MOBILE HOME SINCE THERE ARE NO RENTAL UNITS AVAILABLE IN MY AREA?

- NO**, use of these proceeds to purchase a mobile home results in **taxable income**.
- Work with your local representatives to get a favorable ruling from the IRS.

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HOW CAN I GET THE IRS TO ISSUE A FAVORABLE RULING SO THE MONEY SPENT TO PURCHASE A MOBILE HOME IS NOT TAXED?

- Go to your local representatives and ask them to lobby on your behalf.
- The IRS can issue a revenue ruling that would hold the following.

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LOCAL PROPERTY TAX RELIEF

- Check your local assessor's office for available property tax relief.
- In California taxpayers whose property is destroyed in a disaster can transfer their property tax base to a new property.
- Assessor mandated to write down value of property until property is rebuilt.

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- Since there is **insufficient rental housing** available in the area destroyed by the Southern California wildfires, victims of the disaster who use their loss of use funds to purchase a mobile home **will not be taxed**.
- The IRS's ruling could hold that these amounts are to compensate or reimburse such individuals for living expenses incurred for themselves and members of their household resulting from the loss of use or occupancy of their principal residence.

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Property tax issues

- Property tax basis can be transferred to another property if you purchase your new property within the same county. If the purchase price is greater than 120% of the market value of your destroyed home, your property tax base will be increased by the amount in excess of 120%.
- You have a **three year** period in which to do this. There is **no time limitation** if you rebuild your home on your vacant lot.

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MY RENT EXPENSE IS GREATER THAN MY INSURANCE SETTLEMENT. WHERE DO I TAKE MY LOSS?

- You do not have a tax deduction for your personal living expenses that exceed your insurance settlement.
- Consider **policy reformation** to increase your benefits under your policy.
- If the insurance company gives you a lump sum settlement, the IRS has ruled that whether it is taxable is determined after the taxpayers move back into their principal residences.

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Counties that allow transfer of property tax base

- You may be able to **transfer** your tax basis to your replacement home if you purchase one in **another** county that allows the transfer of your tax basis.
- Counties that allow for property tax base year transfer are **Alameda, Los Angeles, Orange, San Diego, San Mateo, Santa Clara and Ventura**.

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