

Hurricane Relief Legislation – Feb 5 Update

The Disaster Tax Relief and Airport and Airway Extension Act of 2017 (HR 3823) provides targeted tax relief for taxpayers impacted by Hurricanes Harvey, Irma and Maria. The IRS recently provided instructions to software vendors regarding two of the provisions and TaxSlayer has implemented them in the software:

- Allows taxpayers whose main home was in the hurricane disaster areas to use their earned income from the immediately preceding year for the earned income tax credit and the additional child tax credit if helpful.
- Removes the normal limit that contributions to charitable organizations cannot exceed either 50, 30, or 20 percent of the taxpayer's adjusted gross income (AGI) depending on the status of the recipient organization for all taxpayers who itemize and who make qualified donations in cash between August 23, 2017 and December 31, 2017 for relief efforts in the hurricane disaster areas.

Last Year's Earned Income

Taxpayers may be able to elect to use their 2016 earned income to figure their credit if (a) their 2016 earned income is more than their 2017 earned income, and (b) their main home was located in one of the Presidentially declared disaster areas eligible for this relief on the specified date (note that those taxpayers could now live elsewhere in the country). These IRS web sites have additional information about the provisions and states and counties designated as hurricane disaster areas

- <https://www.irs.gov/individuals/tax-law-provisions-for-disaster-areas>
 - <https://www.irs.gov/newsroom/help-for-victims-of-hurricane-harvey>
 - <https://www.irs.gov/newsroom/help-for-victims-of-hurricanes-irma-and-maria>
- On the Personal Information page in the Basic Information section, check the box shown below if the taxpayer qualifies and then select the hurricane from the dropdown box:

Check here if the Taxpayer or Spouse served in a Combat Zone during the current tax year.

Check here if Taxpayer was a nonresident alien for any part of the year.

Check here if Taxpayer or Spouse was affected by a natural disaster during the current tax year

Disaster Event

Enter Disaster Designation
Hurricane Harvey
Hurricane Irma
Hurricane Maria

Check here if Stateside military address.

- Then, on the *Income* page, select **Begin** for this item at the bottom of the page:

Prior Year Income for Hurricane Disaster Victims	BEGIN
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- On the next page, enter the prior year earned income as provided by the taxpayer. Recommend using the earned income shown on last year's EIC Worksheet if available. Otherwise use the worksheet in the [Form 1040 Instructions](#) on pg 56. If *Use Best Calculation* is selected, TaxSlayer will generally use the earned income that most benefits the taxpayer. **However, try both calculation methods to verify which is better for the taxpayer.**

Prior Year Tax Information for Hurricane Victims

Prior Year Earned Income for Hurricane Victims

\$

Disaster Income Calculation Method

Use Best Calculation

Use Best Calculation

Use Prior Year

- Document the details of the situation, earned income, etc. on the Intake Sheet for the Quality Reviewer.

Contributions to Qualified Disaster Relief Charities

Taxpayers in any part of the country who 1) itemize and 2) have acknowledgement that their charitable contribution met the timing and recipient requirements noted above and 3) whose contributions exceed the normal percent of AGI limits are eligible to deduct the total contribution. Note that that charitable organization must provide written acknowledgment that the use of the funds is for relief efforts in the affected areas.

- Complete the *Cash Gifts to Charity* page on the *Gifts to Charity* page in the *Itemized Deductions* section in the normal manner **1**. Then select the new *Cash Donations to Disaster Relief Charities* item that is added to the *Gifts to Charities* page **2**:

Gifts to Charity

Cash Gifts to Charity	1	EDIT
Cash Donations to Disaster Relief Charities	2	EDIT

- Enter the amount of the charitable contributions that qualify for disaster relief from the charitable organization’s written acknowledgment. Note that TaxSlayer does not cross-check dates so a donation in the Cash Gifts section with a donation date prior to 8/22/2017 will appear on this page.

Cash Donations to Disaster Relief Charities

 You can elect to treat gifts by cash or check as Qualified Contributions if:

- The gift was paid after 08/22/2017 to a qualified charitable organization.
- The gift was made for relief efforts in a Presidentially declared disaster.
- You received a written statement that the contribution was used for relief efforts.

Qualified Cash Contributions Made After 08/22/2017

\$ 6000

Enter the portion of your cash donations totaling \$6,000.00 that qualify for disaster relief.

- Document the details of the situation on the Intake Sheet for the Quality Reviewer.

Other Disaster Relief Tax Provisions

There are other provisions in the hurricane relief bill still to be addressed including:

- Suspends the 10% additional tax on early distributions from retirement plans for up to \$100,000 in distributions made on or after August 23, 2017 and before January 1, 2019 if the distributions were made to an individual: (1) whose principal place of abode on specified dates was in a hurricane disaster area, and (2) who has sustained an economic loss by reason of Hurricanes Harvey, Irma, or Maria.

Allows a taxpayer who received such a distribution to: (1) repay the distribution by making additional contributions to a retirement account within three years, and (2) include the distribution in gross income by dividing the amount over a three-year period.

Assuming a taxpayer qualifies, there will be reporting in some manner required for this purpose. Again, affected returns should be flagged with a *Disaster Relief* Return Tag pending further guidance.

- Allows individuals to re contribute funds to retirement plans if the funds were distributed for a home purchase in a hurricane disaster area that was cancelled on account of the hurricanes. Again, affected returns should be flagged with a *Disaster Relief* Return Tag pending further guidance.

Note: taxpayers who wish to claim casualty losses are not in scope.