

## **3 Tax Prep Tips for Natural Disasters**

<http://www.thestreet.com/story/12558031/1/3-tax-prep-tips-for-natural-disasters....>

Were you the victim of a tornado, flood, fire, hurricane or other natural disaster last year? According to the Federal Emergency Management Agency, there were 62 declared disasters across the U.S. last year.

Aside from direct relief from Uncle Sam usually via FEMA), there are some good tax breaks disaster survivors can take on their 2013 tax forms.

United Policyholders, a nonprofit insurance group that helps insurance customers through the process of filing a claim and dealing with personal insurance matters, has released Tax Tips For Disaster Survivors, which is worth reviewing if you've suffered from Mother Nature's worst last year.

While you should take a thorough look for yourself, here's some of the best advice:

Don't rush your claim. United Policyholders advises not claiming a loss on your past or current year's tax return before there is a "closed transaction" and a settled outcome from the disaster. "Until you receive all the proceeds from insurance, government aid or legal settlements and identify all the damage, you cannot know the true amount of your unreimbursed losses," UP says.

Document everything. The IRS requires thorough documentation on any disaster-related tax claims. UP advises creating a system that works for you to copy, file, organize and keep track of all information. In particular, file the cost basis of property damaged or destroyed in the disaster, along with your insurance claim. That includes your policy and all related documents, checks, invoices, correspondence, reports and estimates, UP says.

Use home appraisals to maximum advantage. UP calls professional appraisals of your home after a disaster highly useful. "This is particularly true if you are underinsured and believe the amounts you will recover from your insurance will be less than the 'cost basis' of your property," the nonprofit says. The group also states that a professional appraiser "can help you prove the pre- and post-loss value of your home and help you make a decision on replacing it by buying elsewhere versus rebuilding." Don't wait to create a checklist. Appraisals of high value personal property items just before and just after the loss are helpful if you anticipate insurance shortfalls for those items, UP says.

To see if you qualify for a disaster-related tax break, check out FEMA's "Declared Disaster" website here.

Make sure the damage to your home and property is thoroughly documented, with photos, in case the IRS comes calling.

Nobody wants to experience a flood or hurricane. But if you did, at least get what's coming to within the full capacity of tax law.

It could add up to more than you might think.