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## VICTIMS OF THE SAN BRUNO PIPELINE DISASTER

This will probably be the last of the series of articles that I am going to write—until we have further clarification from the Internal Revenue Service.

The latest news to give you is as followings: There are two types of insurance proceeds that you will receive. A) Real property insurance proceeds to rebuild the physical structure that was burned in the fire. B) Personal property insurance proceeds. This the money used to replace contents that were lost in the fire.

Because Section 1033 ( h ) Federal declared disaster was not proclaimed—you fall under the old rules rather than the new rules. The old rules are as follows: You must spend the money you receive for real property proceeds to rebuild or replace the property that was burned down. This should be easy to prove because you received that money—it is labeled as real property insurance proceeds. You will probably have a contract with a contractor so you will be able to say, "I received X amount of dollars—I spend X plus dollars with this contractor—here is my contract. That satisfies the requirements so there will be no taxable income regarding the real property insurance proceeds.

The key now becomes what do you do about the personal property? Personal property proceeds you receive must replace like for like which means the following: you will have to keep separate track of all the personal property that you buy to replace what was lost in the fire. Things like carpeting, drapes, appliances, refrigerators, stoves, dishwashers, washing machine, dishes, bedding, linens, etc. are all considered personal property. The easiest way for you to do this is to get a separate credit card and get one that gives you airline mileages with one of the airlines. Be sure to match up all of the receipts each month to your credit card statements. Those receipts will prove to the Internal Revenue Service that you replaced the personal property that was lost in the fire. You will have received Y dollars in personal property insurance proceeds. Your credit card statements will show you spent Y+ and, therefore, you have no taxable income.

In the meantime the best of luck to all of you during tax season. Thank you for the privilege of being able to share this information with you.

RLC:dd