



Taxing Matters for Disaster-Impacted Households

February 8, 2025

2023 Maui Wildfires

Roadmap to Recovery® Webinar

To download and follow the slide deck: [Uphehelp.org/feb8](https://uphelp.org/feb8)

The screenshot shows the United Policyholders website. The top navigation bar includes links for LOG OUT, MY QUESTIONS, ASK AN EXPERT, and FORUMS, along with a search bar. Below this is a secondary navigation bar with links for HOME, ABOUT, MEDIA, RECOVERY HELP, GET PREPARED, ADVOCACY, COMMUNITY, EVENTS, and SUPPORT UP. The main content area features a purple header for 'EVENTS' and a breadcrumb trail: Home » Events » 2023 Hawai'i Wildfires Taxing Matters for Disaster-Impacted Households. The event title is '2023 Hawai'i Wildfires Taxing Matters for Disaster-Impacted Households'. The event details include: Saturday, February 8, 2025, 10:00 am HT; Zoom - registration required; 2023 Hawai'i Wildfires survivors; and a note that facilitators will answer pre-submitted questions. A purple 'REGISTER HERE' button is present. A large blue arrow points from the 'REGISTER HERE' button to a 'RESOURCES' sidebar on the right. The sidebar lists several resources, with 'Taxing Matters for Disaster-Impacted Households Slide Deck' highlighted in yellow.

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HOME ABOUT MEDIA RECOVERY HELP GET PREPARED ADVOCACY COMMUNITY EVENTS SUPPORT UP

EVENTS

Home » Events » 2023 Hawai'i Wildfires Taxing Matters for Disaster-Impacted Households

2023 Hawai'i Wildfires Taxing Matters for Disaster-Impacted Households

📅 Saturday, February 8, 2025
10:00 am HT

📍 Zoom - registration required

👤 2023 Hawai'i Wildfires survivors

★ Facilitators will answer pre-submitted questions.

[REGISTER HERE](#)

CPAs with extensive experience advising disaster survivors share key tips on: Tax strategies for the underinsured; Disaster loss tax filing options; Are insurance proceeds taxable?

RESOURCES

- 🔗 [Tax Tips for Disaster Survivors](#)
- 🔗 [IRS guidance on Casualty, Disaster, and Theft Losses](#)
- 📄 [IRS information about safe harbor](#)
- 📄 [Taxing Matters for Disaster-Impacted Households Slide Deck](#)

United Policyholders (UP) and the Roadmap to Recovery[®] Program

- UP is a national 501(c)3 not-for-profit organization based in California that is a trusted information resource and respected voice for insurance consumers in all 50 states.
- A 34-year track record and expertise assisting wildfire impacted households and communities through information, tools, resources, events and advocacy work.
- The Roadmap to Recovery[®] Program = *Post disaster guidance and services focused on financial, insurance, real estate and construction decision-making and emotional recovery.*
- UP's work is funded by donations and grants, volunteers/*pro bono*. You can't hire us; our services are free but limited.
- Our partners include other non-profits, state and federal agencies and professional and trade associations.

Team UP

- Professional staff
- Government and nonprofit partners
- Volunteers
 - Previous catastrophic loss survivors
 - Consumer-oriented professionals
 - Attorneys that specialize in insurance
 - Claim Adjusters (Public and Independent)
 - Tax and financial planning experts
 - Construction and real estate professionals

Our Three Programs

Roadmap to Recovery[®]

- *Guidance on insurance, restoring assets and getting back home after a catastrophic loss*

Roadmap to Preparedness

- *Helping households and communities reduce risk and be resilient to disasters and adversity*

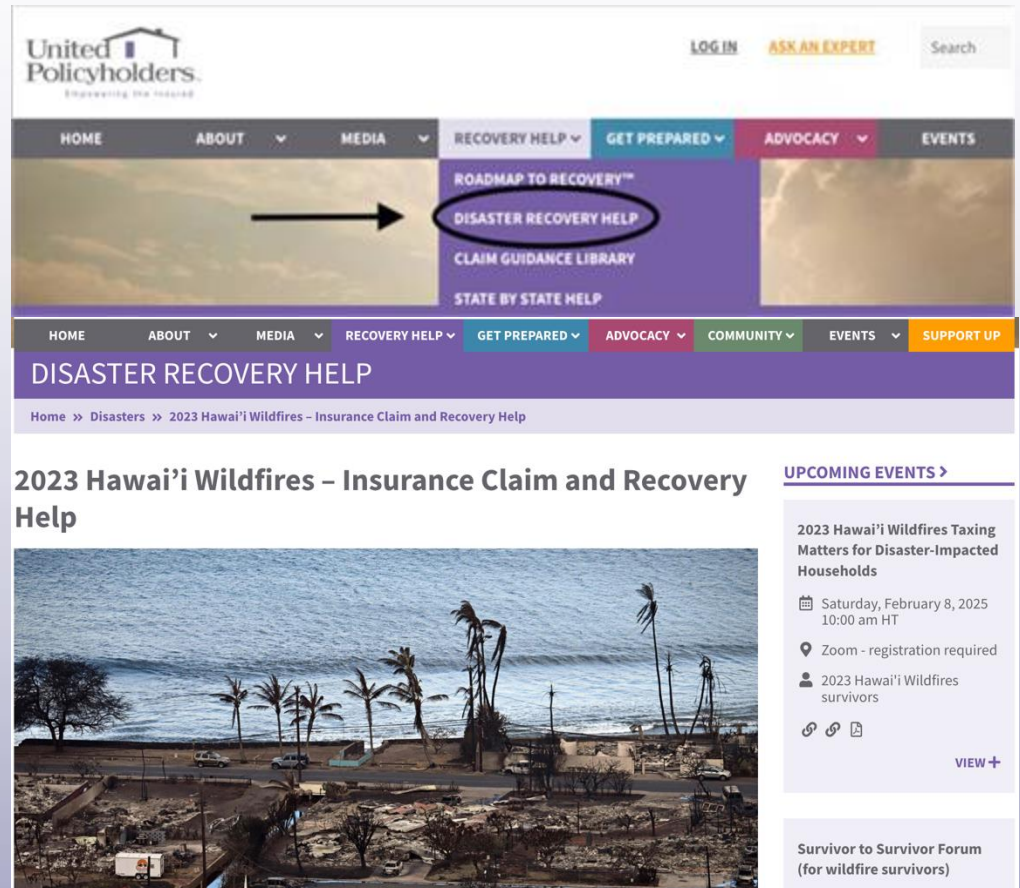
Advocacy and Action

- *Fighting for insurance consumer rights and protections*

Disaster Insurance Help Libraries

uphelp.org/recovery/disaster-recovery-help

- State Specific Resources with Step-by-Step Guidance
- One Click Links to Sign UP for Events And Email Notifications
- Links to Pro-consumer Professional Help
www.uphelp.org/findhelp
- Sample Letters & Claim Forms
www.uphelp.org/samples
- Survivors Speak Tips
www.uphelp.org/survivorsspeak
- Upcoming Workshops and Resources
www.uphelp.org/events



The screenshot displays the United Policyholders website interface. At the top, the logo "United Policyholders" is visible, along with navigation links for "LOGIN", "ASK AN EXPERT", and a search bar. A main navigation bar includes "HOME", "ABOUT", "MEDIA", "RECOVERY HELP", "GET PREPARED", "ADVOCACY", and "EVENTS". The "RECOVERY HELP" dropdown menu is open, highlighting "DISASTER RECOVERY HELP" with a black oval and an arrow. Below this, the "DISASTER RECOVERY HELP" section is active, showing a breadcrumb trail: "Home > Disasters > 2023 Hawai'i Wildfires - Insurance Claim and Recovery Help". The main content area features a large image of a beach with palm trees and a "2023 Hawai'i Wildfires - Insurance Claim and Recovery Help" heading. To the right, an "UPCOMING EVENTS" sidebar lists an event: "2023 Hawai'i Wildfires Taxing Matters for Disaster-Impacted Households" on Saturday, February 8, 2025, at 10:00 am HT, with a Zoom registration link and a "VIEW +" button.

The Fine Print

- This workshop is intended to be general guidance only, not legal advice.
- We do not endorse or warrant any of the sponsors listed at www.uphelp.org or speakers at our workshops.
- Our speakers are volunteering their time as educators.
- If you have a specific legal question, we recommend you consult an experienced attorney.



Today's Presenters

Valerie Brown

Program Specialist, United Policyholders

John Trapani, CPA

Trapani, Certified Public Accountant

John Trapani, CPA

- Licensed in California, Hawaii, Colorado
- Disaster survivor
- 30+ years of disaster tax reporting
- For 30+ years, presents educational seminars to fellow professionals
- Has assisted hundreds of taxpayers with the income tax reporting requirements of disasters



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www.accountantfordisasterrecovery.com/p/contact-us.html

Keeping paperwork organized = \$

- Claim/Recovery Journal
- Save all receipts (scan or photocopy and email, so you have a copy for your records)
- Open a separate bank account for insurance funds received and asset replacement spending
- Establish a special email account for your claim
- Document and track all insurance communications
- Track expenses and \$ matters:
<https://www.uphelp.org/pubs/insurance-accounting-spreadsheet>

Goal of today's presentation: To help you understand tax compliance requirements and benefits available for disaster impacted households and make good financial decisions, including:

- When to file / timelines for reporting
- What your tax-related options are for insurance claims
- What the difference between a Casualty Loss and an Involuntary Conversion Gain is
- Why you need help

Today's Topics

1. How disaster impacts your taxes

- a) Episodic reporting of disaster recovery and activities over many years
- b) Important tax terms
- c) Annual reporting
- d) Time limitations / Filing extensions

2. Other considerations

- a) Tax treatment for ALE
- b) Purchase of temporary home w/ALE funds
- c) Business losses
- d) Second home tax implications
- e) Rental property tax implications
- f) Litigation / Legal proceeds

Common Tax Questions

- Are some, or all, of my insurance proceeds taxable?
- Will my insurance company send me a tax document?
- How can I have had such a devastating loss and have my insurance proceeds be considered a gain?
- Are there “tax exclusions” available?
- If I’m underinsured in one or more categories, can I offset the losses on my tax return?
- Are litigation proceeds taxable?
- What tax considerations are there if I sell my lot without rebuilding?
- What about recently passed federal legislation: HR 5863

Tax relief...Timing matters

- While all of this is new – loss of your home, dealing with an insurance claim, decisions on rebuilding and more...
- It is “easy” to ignore the need to deal with the tax reporting of the event and resolution of your situation
- Tax reporting is part of the recovery process, and the Tax Code provides opportunities to save taxes – now and in the future
- For those impacted by a federally declared disaster, IRS tax rules allow additional time for certain tax filings. If you receive a penalty notice and are eligible for these extensions, you can appeal

<https://www.irs.gov/newsroom/tax-relief-in-disaster-situations>

How do I find copies of prior tax returns?

- Start with your CPA, bookkeeper, or online filing service as they should have records to provide (Turbo Tax, Tax Act, etc.).
- Submit Form 4506 to obtain copies directly from the IRS. The fees are typically waived for counties located in the “Federal Disaster Declaration” (DR) zone. Simply write in red, at the top of the Form 4506, the official disaster title.
- The IRS has information for taxpayers in reconstructing records after a disaster. Go online to:

<https://www.irs.gov/newsroom/reconstructing-records-after-a-disaster-irs-provides-tips-to-help-taxpayers>

Purpose of tax rules

- To collect money for the operation of the government
- Everything you receive of value has a tax consequence and is taxable, unless specified in the tax code
- In a disaster situation, the tax code is totally reversed
- To take advantage of most of these rules, the disaster declaration (Event Designations starting with “DR”) must be in place. Other designations - “EM” or “FM” are not relevant

These are rules that look simple until you start to apply them.

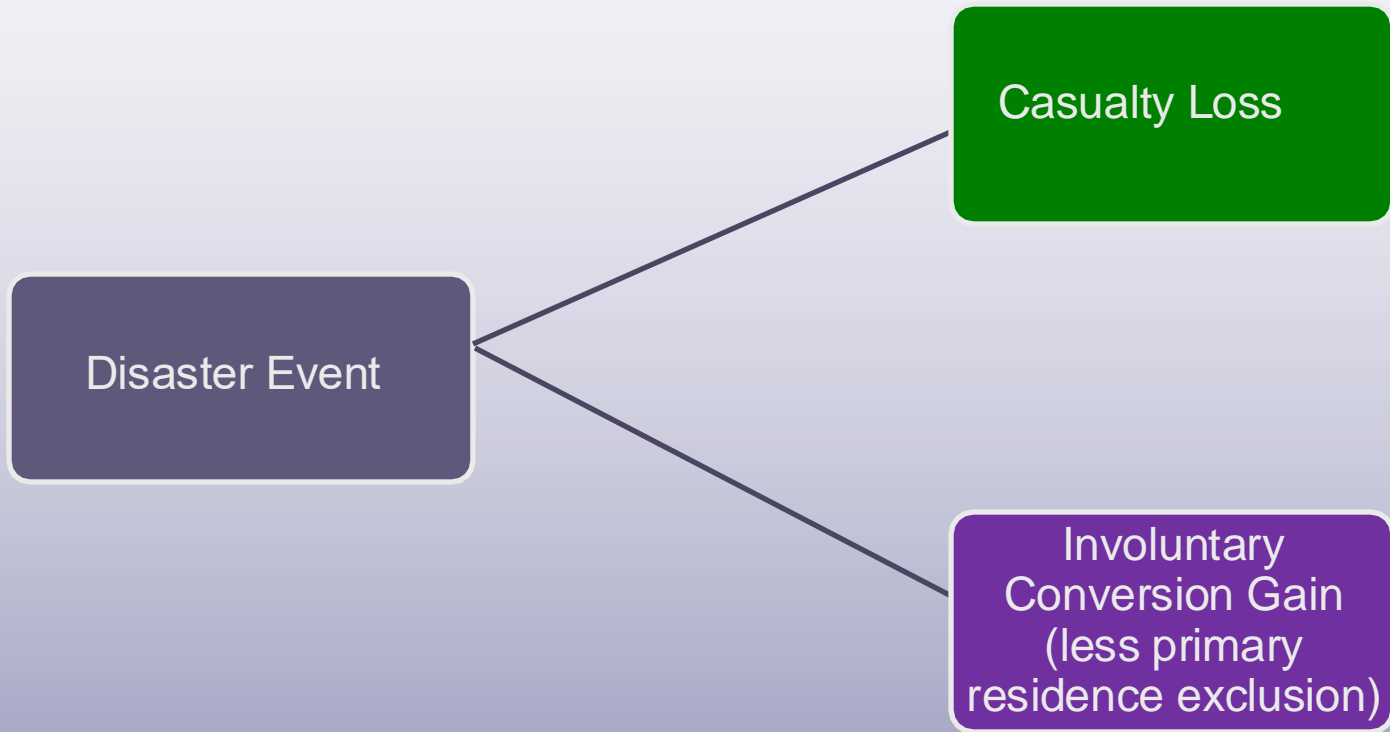
In what tax year should I claim a loss?

- Event year vs. loss deduction year
- Generally, losses can only be deducted in the year in which the loss occurs and all claims for reimbursement are settled
- For losses that occurred due to a federal major disaster declaration (DR), you can elect to take the loss on an original or amended return for the year preceding the year the loss is settled.
 - If you settle in 2025 (insurance and the fund), then you can claim the loss on your 2025 or 2024 return – you have until October 15, 2026, to make that decision - only relevant if you have a disaster casualty loss after collecting funds from the trust.

Do you have a Casualty Loss or Involuntary Conversion Gain?

- Start with the Cost Basis. Have the proceeds you've received, or expect to receive, exceeded the Cost Basis of the home you lost?
- If they don't exceed the Cost Basis, you MAY have a Casualty Loss
- If they do exceed the Cost Basis, you have an Involuntary Conversion Gain

Path to a Casualty Loss (primary residence)



What do I need to know NOW?

- File your return or extension **timely** and report what you do know (reported in 2023 and again in 2024) - assume you have an Involuntary Conversion Gain (provided you had homeowners insurance and/or participating in the special fund). Follow provisions of IRC Section 1033 – make annual disclosures of your progress)
- Don't rush to claim a Casualty Loss as it may turn out to be an Involuntary Conversion Gain. Document!
- Maintain records of all insurance proceeds, costs expended related to the event – extra expense, related to property lost
- Keep a journal of all conversations, information

Stage 1: Document the Cost Basis for Real Property

Your next step is to document, and preserve for later, the Cost Basis for your Real Property (home). You need to determine a reasonable, good faith computation of what your "Cost Basis" was at time of loss.

- How much you paid - Tax records: ask your Realtor, check Zillow for purchase price
- If you have plans, you can get a bid on what was built at time of construction (minus code upgrades); then depreciate construction costs back to time of construction
- If you have an adjuster's report/scope of loss, make sure the details are correct (room dimensions, SF, finishes, fixtures)
- Include home improvements, additions and enhancements. Improvements also include landscaping, trees, other structures, not just remodeling

Stage 2: Identify and document your insurance proceeds

Document and continue to track what you receive in insurance proceeds to use in determining what insurance proceeds decisions mean for income taxes.

- Track all coverages – Dwelling, Ordinance & Law, Landscaping & Trees, Debris Removal, Extended Coverage, Other Structures, Contents, Scheduled Property, ALE
- If you purchase Real Property with ALE, track that expense/purchase as well. It could lead to a taxable Gain
- Documentation can include settlement letters and checks
- UP's sample Insurance Accounting spreadsheet can help you track both your max limits and insurance proceeds -
<https://www.uphelp.org/pubs/insurance-accounting-spreadsheet>

Stage 3: Document your recovery costs

Your goal is to capture all costs of rebuilding your home or purchasing a replacement home (permits, architect, required testing, etc.) and the costs of replacement of your lost personal property

- If rebuilding, document contractor costs, permits, fees, architect costs, required testing, etc.
- If buying a replacement home, document the purchase price, fees, inspections, required “fixes,” etc.
- For replacing contents, you get to count these as if these were paid for the Real Property replacement, which has the net effect of negating some deferred Gain from Real Property insurance proceeds

Why does it matter how my disaster was designated?

It impacts your cash position and tax options

- Insurance proceeds and grants or gifts specifically designated for “contents” damaged or destroyed related to a primary residence are not subject to taxation if the disaster was federally declared, even when they cause a Gain or potential Gain
- Contents losses can be considered when calculating deductions for “Casualty Losses” (“Casualty Loss” requires a DR)
- You **may** be able to amend your prior year’s return and claim a loss if you sustained a loss as the IRS defines it
- If your disaster did not get a DR, then the insurance proceeds you collect for contents/personal property are “reportable” and may or may not be taxable

Does my fire have a “Federal Disaster Declaration (DR)”?

Only Presidential Federal Disaster Declarations (**DR**) are recognized by the IRS as qualifying

- <https://www.fema.gov/disasters/disaster-declarations>
- <https://www.irs.gov/newsroom/around-the-nation>

Added provisions available:

- Contents related proceeds for damaged or destroyed property related to a primary residence are not subject to taxation, even when they cause a Gain or potential Gain (“Safe Harbor”)
- Contents related losses can be considered (added in) when calculating deductions for “Casualty Losses” (*as defined by IRS*)
- Additional time may be allowed for replacing items and extended timelines for certain tax filings

Which payments MAY be taxable by IRS?

For those impacted by a disaster loss regardless of disaster declaration, taxable reimbursements will include:

- Unemployment compensation
- Payments for real estate can be treated the same as if they are proceeds paid by the insurance company
- Some ALE insurance proceeds, if used to purchase an asset rather than to pay for temporary living expenses
- Some insurance proceeds related to contents, also contents in a second home, even if a DR

Non-taxable payments/proceeds

For those impacted by a disaster loss regardless of declaration, non-taxable reimbursements may include:

- Payments for ALE or Additional Living Expenses (to the extent they are being used to pay for additional living expenses), including insurance proceeds and FEMA payments
- Payments from social welfare agencies, charitable organizations, and in-kind services such as free meals, medical supplies, and shelters
- FEMA payments under authority of Code Section 139

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How to determine Cost Basis

- “Purchase cost” or “inherited cost” is used, **not market value**
- Certain upgrades and additions can add to the Cost Basis
- “Integral nature” rule for personal use real estate (land, fences, home combined) can be combined and added to your Cost Basis

If I'm underinsured, do I automatically have a loss for tax purposes?

- No, because you may have actually had a Gain (in the IRS's view) if you paid less for your home than the amount of your dwelling claim payment
- Your fire needs a Federal Disaster Declaration DR for you to be able to claim a Casualty Loss on your tax return
- Your insurance loss is calculated differently than your dwelling's "Cost Basis" to determine a "Casualty Loss"
- You may be subject to a Gain if your insurance proceeds/payments are greater than the Cost Basis of your property
- There are ways to "offset" and/or "convert" these Gains

Form 4684 Scenario A1

Case:		A1
Cost Basis	2	176,000
Insurance	3	30,000
Gain	4	-
Value before loss	5	180,000
Value after loss	6	50,000
Loss – (Economic) Line 5 less line 6	7	130,000
Loss – smaller of line 2 or line 7	8	130,000
Subtract line 3 from line 8, if zero or less, enter zero - LOSS	9	100,000

Form 4684 Scenario A2

Case:		A2
Cost Basis	2	176,000
Insurance	3	150,000
Gain	4	-
Value before loss	5	180,000
Value after loss	6	50,000
Loss – (Economic) Line 5 less line 6	7	130,000
Loss – smaller of line 2 or line 7	8	130,000
Subtract line 3 from line 8, if zero or less, enter zero - LOSS	9	-0-

Form 4684 Scenario A3

Case:		A3
Cost Basis	2	176,000
Insurance	3	150,000
Gain	4	-
Value before loss	5	300,000
Value after loss	6	120,000
Loss – (Economic) Line 5 less line 6	7	180,000
Loss – smaller of line 2 or line 7	8	176,000
Subtract line 3 from line 8, if zero or less, enter zero - LOSS	9	26,000

Form 4684 Scenario A4

Case:		A4
Cost Basis	2	126,000
Insurance	3	150,000
Gain	4	24,000
Value before loss	5	
Value after loss	6	
Loss – (Economic) Line 5 less line 6	7	
Loss – smaller of line 2 or line 7	8	
Subtract line 3 from line 8, if zero or less, enter zero - LOSS	9	

Do I have a Casualty Loss?

Probably not, it is very rare that this is established and documented

Other provisions of the disaster tax code can be of assistance in reducing any potential tax burden – good news, not bad

A personal Casualty Loss is the lesser of

- The Cost Basis of the damaged or destroyed property OR
 - The decline in “Fair Market Value” (FMV) using before and after the casualty
- ...reduced by all insurance reimbursements, payments and proceeds

What about Form 4684?

- If you don't have a Casualty Loss, then you don't file Form 4684
- While this is the only form the IRS provides for disaster taxes, Publication 547 explains that if you have a Gain, you must provide a statement attached to tax return with all circumstances reported (15 items to be addressed)
- Don't think you don't have to report something just because there aren't forms for it

In other words, this area is so complex that the IRS cannot even provide a form for reporting

How to substantiate a Casualty Loss?

- Similar to what is required for insurance companies
- Must be able to show the following:
 - Type of loss and date that it occurred
 - Loss was a direct result of the casualty
 - Proof you owned the property, or, for leased property, you were contractually liable for the damage
 - Whether a claim for reimbursement exists for which there is a reasonable expectation for recovery
 - Documented evidence to support the claimed loss

Determining Amount of Loss

- Appraisal method
- Cost of repairs method
 - Subsequent receipts
- “Safe Harbor” computations

Year to deduct – Loss sustained or prior year

Loss cannot exceed Cost Basis

What information is needed to report a Casualty Loss?

- Cost Basis or other basis of each property
- Insurance or other reimbursement
- FMV of property before casualty
- FMV of property after casualty (not necessarily zero if completely destroyed since land remains)

Form 4684
Department of the Treasury
Internal Revenue Service
Name(s) shown on tax return

Casualties and Thefts
▶ Go to www.irs.gov/Form4684 for instructions and the latest information.
▶ Attach to your tax return.
▶ Use a separate Form 4684 for each casualty or theft.

OMB No. 1545-0177
2017
Attachment Sequence No. 26

Identifying number

SECTION A—Personal Use Property (Use this section to report casualties and thefts of property not used in a trade or business or for income-producing purposes. If reporting a casualty loss from a disaster, see the instructions before completing this section.)

1 Description of properties (show type, location, and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft. You must use a separate Form 4684 (through line 12) for each casualty or theft event involving personal use property.

Property A _____
Property B _____
Property C _____
Property D _____

	Properties			
	A	B	C	D
2 Cost or other basis of each property				
3 Insurance or other reimbursement (whether or not you filed a claim) (see instructions)				
Note: If line 2 is more than line 3, skip line 4.				
4 Gain from casualty or theft. If line 3 is more than line 2, enter the difference here and skip lines 5 through 9 for that column. See instructions if line 3 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year				
5 Fair market value before casualty or theft				
6 Fair market value after casualty or theft				
7 Subtract line 6 from line 5				
8 Enter the smaller of line 8, or line 7				
9 Subtract line 3 from line 8. If zero or less, enter -0-				
10 Casualty or theft loss. Add the amounts on line 9 in columns A through D				

What to know about reporting

- Gain on unscheduled property – Gain is not taxable and no tax reporting/disclosure necessary for primary personal residence in a federally declared disaster
- Proceeds on scheduled property is separate from unscheduled property and treated as if it were Real Property (cost of scheduled property is added to cost basis of Real Property) and insurance proceeds get added to Real Property proceeds (treated as a single item of property)
- If reimbursements for business property or personal residence are not received until the year following the disaster in a Gain situation and there is no intention to reinvest, report in the year reimbursement is received

Do I have an Involuntary Conversion Gain?

- It is very possible, especially if your home was purchased many years ago and values have risen
- You can have a Gain, even if underinsured
- IRS regulations provide help to “offset” or “defer” Gains from “Involuntary Conversions”
- There are ways that you can reduce the taxable Gain while following the regulations

If I have a Gain, can I defer it?

- An Involuntary Conversion Gain may occur if payments/reimbursements exceed the Cost Basis of the property
- For personal, primary residences, it may be possible to utilize an Exclusion to offset the gain under sale of personal residence rules (IRC Section 121)
- It is possible to defer the Gain if reimbursements are reinvested in rebuilding home or to acquire a replacement home or homes within 4 years (not from the event but end of first year you first realize a Gain) if in a Federal Disaster Declaration (DR) or 2 years if it is not a primary residence (runs from end of first year you have a Gain, NOT from date of disaster)

What are the rules for using the Primary Residence Exclusion (IRC 121)?

- You may exclude up to \$250,000 per individual or \$500,000 per married couple of an Involuntary Conversion Gain on a personal use primary residence
 - “Complete Destruction”
 - “Unforeseen Circumstances”
 - “Modified” General Rules
- Must have been your personal residence 2 out of the last 5 years (pro-rata exclusion amount if less than 2 years)

How long do you have to replace property on Involuntary Conversion Gain?

- Deadline is four (4) years for primary, personal residence in DR
- Deadline is two (2) years for all others
- Extensions may be available and must be filed

Note: not from the event but end of first year you first realize a Gain

Replacement period time limits of the 2 or 4 years from the date the *proceeds are received* must be followed or formally extended

Can I buy multiple properties to offset an Involuntary Conversion Gain?

- Buying multiple, smaller properties
- There is no limit on the number of “replacement properties” to avoid the taxation on an Involuntary Conversion Gain
- Must be “similar or related”
 - Any personal use real estate generally qualifies
- Acquisition of “replacement contents” (not necessarily identical) also counts
- Replacement period time limits must be followed or formally extended

If I sell my lot, will the proceeds be taxable?

- The sale of the residual land can, in most cases, be treated the same as if it is proceeds received from insurance
- It will likely be substantially all Gain
- If the \$250,000/\$500,000 Exclusion has not been fully used prior to the sale, it can be applied to the land sale, but only if the sale is closed within 2 years of the date of the loss

Reporting an Involuntary Conversion Deferred Gain

- Reporting is required annually detailing the overall and current status of the reimbursement process, the replacement/reinvestment process as well as other data and information
- Accuracy and completeness of this reporting is the key to communicating with the IRS and state tax offices in order to meet all requirements. No pre-printed form is provided by the IRS
- Reports are part of the regular income tax return and are included starting in the year of the loss and end upon the completion of the replacement process

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OTHER CONSIDERATIONS

What are your circumstances?

Rental property?

Second home?

Number of replacement properties?

Trust?

Lot sale?

Lawsuit settlement?

Divorce or death?

Change of use?

Business loss and taxes?

Tax treatment of funds for ALE

- In all cases, including a DR, insurance proceeds for ALE and other funds received for temporary rent are not taxable to the extent that they are used toward actual temporary/additional living costs (expenses incurred after the event, not part of the disaster itself)
- Not part of “Casualty Loss” calculations
- Excess ALE insurance proceeds are taxable in the year taxpayer no longer incurs additional living costs
- Out of pocket payments for ALE that insurance did not cover are not deductible

HOWEVER,...

Purchase of a temporary home/RV (Real Property) with ALE proceeds

The purchase of temporary housing is not considered an Additional Living Expense (ALE). The acquisition of a Capital Asset (Real Property) results in a substantial portion of ALE proceeds becoming taxable.

The temporary residence may be treated as part of the replacement property. This will spread the deferred Gain over more properties. If you reside in the temporary residence for at least two years and sell it to move into the permanent home, you can apply the \$250,000/\$500,000 Exclusion, eliminating allocated deferred Gain

- Once you move into the Capital Asset you purchased as a temporary residence, you are no longer incurring temporary living costs/ALE since you are living in your Capital Asset. Whatever is left over becomes taxable at that point
- What if I do a lease/purchase agreement, or buy a temporary home through my business and lease it to myself?

What about legal/litigation proceeds?

These require complex analysis and depend on what type of litigation. It can take years for these actions to play out to a final outcome

- Generally, non-physical injury claims that align with Real Property, ALE, and Contents should be treated in same manner as insurance reimbursements, so could be considered taxable (goes into your calculations for loss/gain)
- Emotional distress and personal loss of income are taxable (if payments are coming from insurance company you sued). HR 5863 made trust/litigation fund payments through end of 2025 not taxable (Maui Wildfires Settlement Trust Fund would be similar)
- Compensation for medical care and bodily injury are not taxable
- Rental property loss of income, you can deduct the legal fees as ordinary, necessary business expense (like mortgage interest)

Is the reporting business-related losses different than personal losses?

There is a different standard for qualified replacement property for business losses.

Gain on Involuntary Conversion calculation is similar to personal property with the following differences:

- Land is not included (unless land is sold due to it no longer being economically viable to owner)
- No exclusion on Gain available
- Deduction not limited by 10% of AGI and \$100
- Loss must be substantiated, similar to individual losses
 - Providing an inventory
 - Cost basis will be based on your depreciation schedule, computed up through the date of your event

Can I defer a Gain for a business Involuntary Conversion?

- If the Gain results from proceeds in excess of Cost Basis for your business, you treat the reimbursements as proceeds to be reinvested
- You have two years after realizing a Gain to reinvest or use in repairs/rebuilding the damaged/destroyed property

Note: Federal Disaster Declaration allows a more lenient determination of qualified replacement property

Tax implications from losing a “second home”

- For vacation/second homes, no Exclusion available. You have 2 years to replace beginning calendar year when the total proceeds exceed the Cost Basis of the property; if you have good reasons, you can ask the IRS for an extension, one year at a time
- Combine the land, landscaping, building improvements, building itself – all one integral unit/one number
- Unlike primary residence, Contents proceeds are subject to regular recovery rules (have to determine Cost Basis and document insurance proceeds)

Tax implications from losing a rental property

- Rentals are considered investment property
- No loss of rental income, you just don't pay taxes on the rental income you didn't receive
- If not insured, most likely have a Casualty Loss
- Have rental property's depreciation schedule from previous tax returns to use in tax calculations –
 - identify items lost (since land is not lost, not part of Casualty Loss)
 - Landscaping, building – becomes basis for determining Loss
- Loss is simply adjusted basis of property at time of disaster (potentially skip before/after appraisals)

Do I want/need professional help?

- Adhering to time limits, allowances established by the Tax Code, and reporting are extremely important to protect your resources
- Failing to report a disaster loss event on a tax return could result in totally avoidable penalties and loss of valuable tax opportunities
- It is difficult to correctly calculate and successfully claim a “Casualty Loss” / Reporting an “Involuntary Conversion” is even more difficult
- Changing rules and complexity often make it wise to seek advice from a qualified, vetted expert

<https://uphelp.org/recovery/professional-help-directory/>

<https://uphelp.org/claim-guidance-publications/hiring-professional-help-for-an-insurance-claim/>

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To be added to our mailing list for notices of future events and updated guidance:

Encourage friends to sign up:

www.uphelp.org/2023Hlwildfires

To request a copy of today's slides or video,
email: **info@uphelp.org**

Stay connected to other disaster survivors – S2S Forums

- Great source of information about:
 - Insurance and rebuilding
 - Negotiation and financial strategies
 - Referrals and warnings re: professionals
- Important source of emotional support
 - No one else understands your challenges and emotions like another survivor
- Find upcoming Survivor 2 Survivor Forums and register at: <http://www.uphelp.org/events>



[Home](#) » [Contact Insurance](#)

CONTACT INSURANCE

The DCCA will be open 7:45 AM – 4:30 PM (Hawaii Standard Time), Monday to Friday, except state holidays.



Mailing Address

Insurance Division
P.O. Box 3614
Honolulu, Hawaii 96811



Office Location

King Kalakaua Building
335 Merchant Street, [Rm. 213](#)
Honolulu, Hawaii 96813



Maps:

[Google Map](#)



Phone Numbers

(808) 586-2790

Upcoming Roadmap to Recovery[®] Events

United Policyholders
Empowering the Insured

LOG IN ASK AN EXPERT FORUMS Search

HOME ABOUT MEDIA RECOVERY HELP GET PREPARED ADVOCACY COMMUNITY EVENTS SUPPORT UP

EVENTS

Home >> Events

UPCOMING EVENTS

2024 California Mountain and Park Fire Taxing Matters for Disaster-Impacted Households

Thursday, February 13, 2025
6:30 pm PT

Zoom - registration required

2024 California Mountain and Park Fire survivors

[Link 1](#) [Link 2](#) [Link 3](#)

VIEW +

Survivor to Survivor Forum (for wildfire survivors)

Tuesday, February 18, 2025
5 pm HT/ 7 pm PT/ 8 pm MT

Zoom - registration required

All wildfire survivors

[Link 1](#)

VIEW +

Navigating Your Contents Claim

Wednesday, February 26, 2025
5:00 pm PT

Zoom - Registration Required

2024 California Park Fire and 2025 California Los Angeles County Wildfires survivors

[Link 1](#) [Link 2](#) [Link 3](#) [Link 4](#)

VIEW +

www.uphelp.org/events

Register for upcoming events.

View recordings of past events and related resources.

Ask an Expert Forum

uphelp.org/ask-an-expert/

- Register. It's free.
- Write in your questions.
- Get an answer from an expert in construction, insurance, laws and disaster recovery.

The screenshot shows the top navigation bar of the United Policyholders website. The logo 'United Policyholders' is in the top left, with the tagline 'Engineering the Future' below it. In the top right, there are links for 'LOG IN' and 'ASK AN EXPERT'. Below the logo is a dark navigation bar with links for 'HOME', 'ABOUT', 'MEDIA', 'RECOVERY HELP', 'GET PREPARED', and 'ADVOCACY'. A green banner below this navigation bar reads 'ASK AN EXPERT'. Underneath the banner is a light green navigation bar with links for 'COMMUNITY', 'ASK AN EXPERT', 'MEET OUR EXPERTS', 'FORUMS', and 'ACCOUNT'. The main content area contains a paragraph explaining the forum's purpose: 'This website offers extensive information, links and resources. Please use the navigation bar and "Search" box to find what you need. If you are an insurance consumer (policyholder) and you can't find what you need by searching this site, you can post a question in this forum, and we will do our best to provide an answer from our staff or expert volunteers. Expert volunteers include professionals in construction, insurance claims and insurance law.' Below this is a notice: 'JANUARY, 2025: We are currently prioritizing answering questions from wildfire-impacted California residents.' Another notice follows: 'PLEASE ALLOW TIME TO GET A RESPONSE. We're not able to respond to urgent or time-sensitive questions. UP staff reserves the right to view and approve your question before it appears on our site.' At the bottom of the screenshot, there is a section titled 'WHAT DO YOU WANT TO KNOW?' with a search bar containing the text 'Search' and a magnifying glass icon. Below the search bar, it says 'Filter: All'.

Thank you to our funders for their generosity!

