Reconstructing Records After a Natural Disaster

Cross References

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Reconstructing records after a disaster may be essential for tax purposes, getting federal assistance, or insurance reimbursement. After a disaster, taxpayers might need certain records to prove their loss. The more accurately the loss is estimated, the more loan and grant money there may be available.

For taxpayers who have lost some or all of their records during a disaster, there are some simple steps to take that can help. The IRS recently posted the following information on their website that includes the steps to take after a disaster so that taxpayers can reconstruct their records and prove loss of personal-use and business property.

Tax Records

- Get free return transcripts immediately by visiting the Get Transcript tool on www.irs.gov.
- To order transcripts by phone, call 800-908-9946 and follow the prompts.
- To get transcripts of previous years returns by mail, file a Form 4506-T, *Request for Transcripts of a Tax Return.*
- To request copies of past returns by mail, file Form 4506, *Request for Copy of Tax Return.*
- Write the appropriate disaster designation, such as "HURRICANE HARVEY," in red letters across the top of Forms 4506-T and 4506 to expedite processing and to waive the normal user fee.

Personal Residence and Real Property

- Take photographs or videos as soon after the disaster as possible. This helps establish the extent of the damage.
- Contact the title company, escrow company or bank that handled the purchase of the home to get copies of appropriate documents. Real estate brokers may also be able to help.
- Use the current property tax statement for land-versus-building ratios if available. If they are not available, owners can usually get copies from the county assessor's office.
- Establish a basis or fair market value of the home by reviewing comparable sales within the same neighborhood. This information can be found by contacting an appraisal company or visiting a website that provides home valuations.
- Check with the mortgage company for copies of appraisals or other information they may have about cost or fair market value in the area.
- Review insurance policies, as they usually list the value of a building, establishing a base figure for replacement value insurance.

- If improvements were made to the home, contact the contractors who did the work to see if records are available. If possible, get statements from the contractors verifying their work and cost.
  a) Get written accounts from friends and relatives who saw the house before and after any improvements. See if any of them have photos taken at get-togethers.
  b) If there is a home improvement loan, get paperwork from the institution that issued the loan. The amount of the loan may help establish the cost of the improvements.
- For inherited property, check court records for probate values. If a trust or estate existed, contact the attorney who handled the estate or trust.
- If no other records are available, check the county assessor's office for old records that might address the value of the property.

Vehicles

There are several resources that can help determine the current fair market value of most cars on the road. These resources are all available online and at most libraries:
- Kelley's Blue Book.
- National Automobile Dealers Association.
- Edmunds.

Additionally, call the dealer where the car was purchased and ask for a copy of the contract. If this is not available, give the dealer all the facts and details, and ask for a comparable price figure. If making payments on the car, check with the lien holder.

Personal Property

- Look on mobile phones for pictures that were taken in the home that might show the damaged property in the background before the disaster.
- Check websites that can help establish the cost and fair market value of lost items.
- Support the valuation with photographs, videos, canceled checks, receipts, or other evidence.
- If items were purchased using a credit card or debit card, contact the credit card company or bank for past statements. Credit card companies and banks often provide user's access to these statements online.

If there are no photos or videos of the property, a simple method to help remember what items were lost is to sketch pictures of each room that was impacted:
- Draw a floor plan showing where each piece of furniture was placed—include drawers, dressers, and shelves.
- Sketch pictures of the room looking toward any shelves or tables showing their contents.
- These do not have to be professionally drawn, just functional.
- Take time to draw shelves with memorabilia on them.
- Be sure to include garages, attics, closets, basements, and items on walls.

Business Records

- To create a list of lost inventories, get copies of invoices from suppliers. Whenever possible, the invoices should date back at least one calendar year.
- Check mobile phones or other cameras for pictures and videos taken of buildings, equipment, and inventory.
- For information about income, get copies of bank statements. The deposits should closely reflect what the sales were for any given time period.
- Get copies of last year's federal, state, and local tax returns. This includes sales tax reports, payroll tax returns and business licenses from the city or county. These will reflect gross sales for a given time period.
- If there are no photographs or videos available, sketch an outline of the inside and outside of the business location. Then start to fill in the details of the sketches. For example, for the inside of the building, record where equipment and inventory was located. For the outside of the building, map out the locations of items such as shrubs, parking, signs, and awnings.
- If the business was pre-existing, go back to the broker for a copy of the purchase agreement. This should detail what was acquired.
- If the building was newly constructed, contact the contractor or a planning commission for building plans.

Casualty and Disaster Tax Losses

A casualty is the damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual. If damage is to personal, income-producing or business property, taxpayers may be able to claim a casualty loss deduction on their tax return.

Taxpayers generally must deduct a casualty loss in the year it occurred. However, if the property was damaged as a result of a federally-declared disaster, taxpayers can choose to deduct that loss on their return for the tax year immediately preceding the year in which the disaster happened. A federally-declared disaster is a disaster that took place in an area declared by the President to be eligible for federal assistance. Taxpayers can amend a tax return by filing a Form 1040X, *Amended U.S. Individual Income Tax Return.*

Figuring the loss. Taxpayers may need to reconstruct their records to prove a loss and the amount of the loss. To compute a loss, determine the following figures:

- The decrease in fair market value of the property that resulted from the casualty or disaster.
- The adjusted basis of the property.

Taxpayers may deduct the smaller of these two amounts, minus insurance or other reimbursement. Additionally, certain deduction limits apply. If the casualty loss deduction causes a taxpayer's deductions for the year to be more than income for the year, the casualty loss may create a net operating loss.

Determining the decrease in fair market value. Fair market value (FMV) is generally the price for which the property could be sold to a willing buyer. The decrease in FMV used to figure the amount of a casualty loss is the difference between the property's fair market value immediately before and after the casualty. FMV is generally determined through a competent appraisal. Without a competent appraisal, the cost of cleaning up or making certain repairs is acceptable under certain conditions as evidence of the decrease in fair market value.

Generally, the cost of cleaning up or making repairs can be used to determine the decrease in FMV if the repairs are:

- Actually made.
- Not excessive.
- Necessary to bring the property back to its condition before the casualty.
- Only made to repair damage.
- Not adding value to the property or making it worth more than before the disaster happened.