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The IRS is making it easier for victims of personal property loss in federally-designated disaster areas. In a new ruling, it says that a taxpayer can now take an additional six months for making a special election for fast tax relief, among other changes (Rev. Proc. 2016-53, 10/13/16). The IRS has also issued new temporary and proposed regulations with corresponding rules.

The provision authorizing taxpayers to make this election, Section 165(i), is unusual in the tax code. It often provides quick tax refunds for individuals in dire need.

Annual casual losses for personal property are limited to the excess above 10 percent of your adjusted gross income (AGI) after subtracting \$100 per casualty. Generally, you may only claim a loss for damage caused by a natural disaster or other qualified event on the tax return for the year of the event. However, if you suffer a casualty loss in an area designated by the president as a federal disaster area, you have another option. Under Section 165(i), you can choose to treat the casualty loss as having occurred in the year immediately preceding the tax year in which the disaster actually occurred.

Taxpayers can make this election on an original return or an amended return. Prior to the new ruling, taxpayers effectively had until the due date of the return for the year of the disaster, without any extensions, to make the election.

However, the requirements for the Section 165(i) election don't always allow enough time for taxpayers affected by natural disasters to decide about the election. For instance, timing of losses may be affected by the AGI limits. As a result, the IRS has frequently issued reprieves to taxpayers in federally-designated disasters, like certain victims of Hurricane Katrina and Sandy.

Now the IRS is giving taxpayers more breathing room. Under the new temporary

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