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Natural disasters can strike anywhere and the financial cost to individual households and businesses can be staggering. Insurance may help defray some of the costs associated with restoring and replacing damaged and destroyed property. In some cases, the IRS may institute special programs and provisions designed to bring added relief to victims living in affected areas. Nevertheless, a little preparation and an understanding of relevant sections of the tax code are critical to limiting your financial loss.

The National Association of Enrolled Agents offers the following tax tips to help prevent a natural disaster from becoming a financial disaster. It is important to note that with passage of the Tax Cuts and Jobs Act, those who suffer casualty losses caused by natural disasters will only be eligible for tax relief if their property is located within a federally declared disaster area.

Tip One: Prepare for a Rainy (Or Fiery) Day

When it comes to protecting yourself from virtually any type of disaster, remember the old adage, "an ounce of prevention is worth a pound of cure." In addition to the usual advice of stocking up on water and batteries, take time now to make an inventory of the valuables in your home or business to help you document losses for insurance and tax purposes. FEMA has a useful checklist to get you started on this task.

Photographing or videotaping each room in your home or business is a great way to help document what was there and what condition it was in before the damage. One of the easiest ways to do this is to use your smartphone and then back up those images to the cloud in case your phone is lost or destroyed. Take photos of property

Tip Two: Document Losses Before Cleanup Begins

Photograph personal property damage to the inside and outside of your house or business before the cleanup process has begun since you may not remember later what you threw away. Consult IRS Publication 584, Casualty, Disaster, and Theft Loss Workbook, to help you conduct and organize a written room-by-room inventory of damage.

Tax deductions for homes and buildings with structural damage require a qualified appraisal and records of the repairs to restore the building to its previous condition. Homeowners insurance will cover some personal goods in many cases, whether or not the home is covered for the type of disaster that occurred. Keep in mind that all claims for damage must first be submitted to the property owner's insurance carrier, even if the property is not covered, in order to take a casualty loss deduction. In other words, your disaster loss may be tax deductible but only to the amount over any insurance reimbursement. There are two additional limitations:

1. You must deduct $100 per event;
2. You must further reduce the total of all personal use property losses by 10 percent of the taxpayer's adjusted gross income. These limitations may be waived in certain federally declared disaster areas.

Tip Three: Reconstruct Lost or Damaged Records

Documenting the value of property losses becomes much more difficult without the invoices, receipts or other records that prove their value. However, even if these records go missing, you still have options. The IRS offers useful guidance on reconstructing important records lost or damaged in a natural disaster. For example, use the Kelley Blue Book or Edmunds to help determine the current fair market value of lost vehicles. Look at past bank or credit card statements to find out what you paid for lost items. Old department store catalogs can be a useful resource to document

abreast of any special announcements, including special relief offered for individual disasters as was done in the wake of Hurricanes Irma and Maria.

Tip Five: Decide When to Deduct a Casualty Loss

Disaster-related losses are claimed on IRS Form 4684, Casualties and Thefts, where casualty is defined as, "the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual." These losses can be deductible on your tax return — if you follow the rules and provide the appropriate documentation.

Typically, casualty losses are deductible during the taxable year that the loss occurred. However, the IRS may permit you to decide whether to claim your loss in the year that it occurred or in the previous year's return. This could make a huge difference if, for example, both your house and your employer were wiped out by the same storm and you no longer have a workplace to return to. Under this scenario, your income and the taxes you paid in the previous year could be much higher than in the present year; thus, your refund would be greater in the non-disaster year than an offset of tax owed in the current, disaster year.

Tip Six: Consult a Tax Expert

Studying the tax code and relevant IRS bulletins may be too big a burden for those coping with all of the challenges brought on by a disaster. Get help from an enrolled agent or other licensed tax professional to make sure you take advantage of every relevant tax provision available to you. Visit the free "Find a Tax Expert" directory at eatax.org to find an enrolled agent near you. Enrolled agents are the only federally-licensed tax practitioners who specialize in taxation and have unlimited rights to represent taxpayers before the IRS.

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