

Overview

This packet provides guidance on Federal and North Carolina state income tax relief available to individuals and businesses impacted by Hurricane Helene in western North Carolina. It includes details on extensions, deductions, and other tax provisions designed to assist those recovering from the disaster, including those who experienced loss of inventory, documents, or property due to flooding.

Federal Income Tax Relief

The Internal Revenue Service (IRS) provides several forms of tax relief for taxpayers affected by federally declared disasters, including Hurricane Helene.

1. Filing Extensions

- **Automatic Extension:** The IRS may grant automatic filing and payment extensions to taxpayers in the designated disaster areas. Check the IRS website or contact the IRS Disaster Assistance Hotline at **1-866-562-5227** for updated deadlines.
- **Eligibility:** Individuals, businesses, and tax-exempt organizations in counties affected by Hurricane Helene are eligible for these extensions.

2. Casualty Loss Deductions

- **What Qualifies:** You may claim unreimbursed losses to property, inventory, or documents damaged or destroyed by Hurricane Helene as a casualty loss on your Federal tax return.
- **When to Claim:** Losses can be claimed on either your 2023 or 2024 tax return (if the hurricane occurred in 2024). To maximize your benefit, consult a tax professional to determine the best year to claim.
- **How to Claim:**
 1. Complete **Form 4684 (Casualties and Thefts)**.
 2. Attach it to your Federal income tax return.
- **Additional Notes:** The loss amount must be reduced by any insurance reimbursement and a \$500 threshold per casualty event. Further reductions apply to the extent the loss exceeds 10% of your adjusted gross income (AGI).

3. Business Losses

- **Inventory Losses:** Businesses that lost inventory due to flooding or other hurricane-related damage can claim these losses as part of their casualty loss deduction. This includes spoiled goods or items destroyed by water damage.
- **Recordkeeping:** Maintain detailed records of damaged inventory, including photographs, receipts, and insurance claim documentation.
- **Document Replacement Costs:** Expenses incurred to replace essential documents (e.g., financial records, deeds, or contracts) may also qualify as deductible disaster-related expenses.

4. Access to Retirement Funds

- **Penalty-Free Withdrawals:** If you need to withdraw funds from a retirement account (e.g., IRA, 401(k)) due to disaster-related expenses, you may qualify for a waiver of the 10% early withdrawal penalty.
- **Repayment Option:** Withdrawals can often be repaid within three years to avoid income tax on the distribution.
- **Action Required:** Consult with your plan administrator or a tax professional for details.

5. Earned Income Tax Credit (EITC) Flexibility

- If your income was significantly reduced in 2024 due to the disaster, you may use your 2023 income to calculate your EITC. This can result in a larger refund or reduced tax liability.

6. Taxpayer Assistance

- **Disaster Hotline:** Contact the IRS Disaster Assistance Hotline at **1-866-562-5227** for additional help.
- **Free Tax Preparation Assistance:** Look for Volunteer Income Tax Assistance (VITA) sites in your area.

North Carolina State Income Tax Relief

The North Carolina Department of Revenue (NCDOR) offers similar relief to taxpayers in declared disaster areas.

1. Filing Extensions

- **Automatic Extension:** State filing and payment deadlines are automatically extended for taxpayers in affected counties. Extensions typically align with IRS deadlines.
- **Action Required:** Check the NCDOR website or call **1-877-252-3052** for up-to-date information.

2. Disaster-Related Deductions

- **Casualty Losses:** You may deduct unreimbursed disaster-related losses, including property, inventory, or documents, on your state income tax return. These deductions align with Federal guidelines but may have specific state modifications.

3. Sales and Use Tax Refunds

- **Eligibility:** If you incurred expenses for disaster recovery materials, you may qualify for a refund of sales and use tax paid on those purchases.
- **How to Claim:**
 1. Complete **Form E-585 (Nonprofit and Governmental Entity Claim for Refund)**.
 2. Submit the form along with receipts for qualifying purchases.

4. Penalty and Interest Waivers

- Penalties and interest may be waived for late payments caused by Hurricane Helene's impact. Submit a written request or include a disaster relief statement when filing your return.

5. Property Tax Relief

- If your property or business inventory was damaged, you may qualify for a reduction in assessed property value, potentially lowering your property taxes. Contact your local county tax office for details.

Important Reminders

1. **Document Everything:**
 - Keep detailed records of losses, expenses, and any insurance payments.

- Maintain receipts, photographs of damage, and replacement costs for inventory and essential documents.
- 2. Consult a Professional:**
- Tax professionals can provide tailored advice and help you navigate complex filings.
- 3. Monitor Deadlines:**
- Ensure compliance with Federal and state deadlines to avoid penalties.
- 4. Utilize Free Resources:**
- Visit the IRS and NCDOR websites for forms, instructions, and additional resources.
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Key Resources

- **IRS Disaster Relief Information:** <https://www.irs.gov>
 - **North Carolina Department of Revenue:** <https://www.ncdor.gov>
 - **Federal Emergency Management Agency (FEMA):** <https://www.fema.gov>
 - **Taxpayer Advocate Service:** <https://www.taxpayeradvocate.irs.gov>
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Contact Information

- **IRS Disaster Assistance Hotline: 1-866-562-5227**
 - **North Carolina Department of Revenue: 1-877-252-3052**
 - **FEMA Assistance Hotline: 1-800-621-3362**
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This information packet is provided to assist taxpayers affected by Hurricane Helene. For personalized advice, consult a tax professional or contact the IRS or NCDOR directly.