California Disaster Relief Tax Provisions

San Bernardino County Wildfires: San Bernardino County California, July 2006

Introduction

Here is a brief overview of the California tax treatment for victims of the San Bernardino County Wildfires. The Governor of California declared the San Bernardino County Wildfires a disaster. Refer to our publication, *Disaster Losses*, (FTB Pub 1034) for more detailed information.

Disaster Loss Rules

California law is generally the same as federal law for casualties and disasters. Property lost or damaged due to an earthquake, fire, flood, or similar sudden, unexpected, or unusual event is considered a casualty loss. Damage to your property that is not repaid by insurance or other reimbursements qualifies as a casualty loss deduction for tax purposes. Your casualty loss becomes a disaster loss when both of the following occur:

1) You sustain the loss in an area the President of the United States or the Governor of California designates as a disaster area. (Note: If the disaster is declared by the Governor of California only, subsequent state legislation is required for the disaster provision to be activated).
2) You sustain the loss because of the declared disaster.

Special tax rules apply to disaster losses. You can claim a disaster loss in the tax year the disaster occurred or in the tax year before the disaster occurred. The benefit to claiming your disaster loss in the year before the disaster occurred is that we can process your amended return and issue your refund right away. If you wait to claim the loss in the year the disaster occurred, you will have to wait till the next filing season for your refund.

Taxpayers whose losses exceed their income qualify for 100 percent carryover of any excess disaster loss to future taxable years. The Legislature enacted new law to add legislation adding the Southern California Wildfires to the list of eligible disasters identified in California Revenue and Taxation Code Sections 17207 and 24347.5. The disaster loss deduction and carryover rules are not suspended for the 2005 and 2006 tax years, as are other net operating losses.

When to Claim Your Disaster Loss

The deadlines for electing a prior year deduction versus claiming your loss on the current year are:

Personal Returns:

Year of Loss	Prior Year Return	Current Year Return
	2005	2006
2006	Claim on original or amended 2005 tax year return by October 15, 2007.	Claim on the 2006 tax year return.

Corporation Returns:

Year of Loss	Prior Year Return	Current Year Return
	2005	2006
2006	Claim on original or amended 2005 tax year return by the current year's original due date, the 15th day of the tenth month after the close of the taxable year.	Claim on 2006 tax year return.

Speeding Up Your Refund

Print **"San Bernardino County Wildfires"** in red ink at the top of Side 1 of your tax return. If you e-file your tax return, please follow the software instructions to enter the above information when prompted.

For More Information

Request our publication, *Disaster Losses* (FTB Pub. 1034). You can download this publication at the FTB's Website at **www.ftb.ca.gov** or order one by calling (800) 852-5711. To learn more about deducting casualty and disaster losses, see IRS Publication 547, *Casualties, Disaster, and Thefts (Business and Nonbusiness)*.