

Licensed:
Florida
Connecticut
Rhode Island

Marc J. Soss, JD, LL.M

mjs@fl-estateplanning.com
www.fl-estateplanning.com



HOMEOWNER RELIEF FROM CORROSIVE DRYWALL COURTESY OF THE IRS

On December 1, 2010, the Internal Revenue Service provided relief to homeowners who have suffered property losses due to the effects of certain imported drywall installed between 2001 and 2009. Under Revenue Procedure 2010-36, taxpayers may treat drywall damage as a “casualty loss” (under § 165 of the Internal Revenue Code) and a formula for determining the amount of the loss.

A taxpayer who repairs damage to their personal residence or a household appliance resulting from corrosive drywall may treat the amount paid as a casualty loss in the year of payment. The loss amount will be limited based upon whether the taxpayer has a pending claim for reimbursement (or intends to pursue reimbursement) of the loss through property insurance, litigation, or otherwise. A taxpayer who does not have a pending claim for reimbursement may claim all unreimbursed amounts paid to repair the damage. Alternatively, a taxpayer who has a pending claim (or intends to pursue reimbursement) may claim a loss for 75 percent of the unreimbursed amount paid to repair the damage.

Amounts paid for improvements or additions that increase the value of the taxpayer’s personal residence, above its pre-loss value, are not allowed as a casualty loss. Only amounts paid to restore the taxpayer’s personal residence to the condition existing immediately prior to the damage qualify for loss treatment. When a household appliance is replaced, rather than repaired, the amount of the loss attributable to the appliance is the lesser of the current cost to replace the original appliance or the basis of the original appliance.

The casualty loss must report the loss on Form 4684 (“Casualties and Thefts”) and must mark “Revenue Procedure 2010-36” at the top of the form. The revenue procedure is only effective for federal income tax returns (including amended federal income tax returns) filed after September 29, 2010.