

AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

FINANCIAL & BUSINESS INFORMATION

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The 2008 Disasters – Were You Affected?

The Emergency Economic Stabilization Act of 2008 provides national disaster relief for victims of *all* presidentially-declared disaster areas in 2008 and 2009, which includes the September 2008 Cook County floods. Further relief (where noted below) was provided for victims of certain tornadoes, severe storms and flooding in the designated “Midwestern Disaster Area” (5/21/08-7/31/08), which includes Lake County, Illinois.

Personal Casualty Loss Deduction Changes: For all disaster victims described above who itemize:

- 10% of adjusted gross income (AGI) threshold for deductibility is waived and
- \$100-per-casualty loss floor increases from \$100 to \$500 in 2009 (this is completely eliminated for Midwestern Disaster Area victims).

If the disaster victims described above are non-itemizers, they can claim casualty losses as an additional amount to the standard deduction.

Carrybacks: Net operating losses due to the casualty losses for disasters described above can be carried back 5 years (rather than the normal 2 year period).

Remember that taxpayers in presidentially declared disaster areas have the option of claiming disaster-related casualty losses in the year the loss occurred or the year prior.

Other relief measures that apply specifically to Midwestern Disaster Area victims include:

- The Hope and Lifetime Learning Credits for qualified college students are doubled for tax years 2008 and 2009.
- The 10% early-withdrawal penalty can be waived for qualified distributions from an IRA or tax-favored retirement plan.
- Retirement plan withdrawals for home purchases that were not finalized due to the occurrence of these disasters may be recontributed back to the plan in certain situations without tax consequences.

If you believe any of these above items may apply to you, please contact us for further details about the relief measures.

Note: If you make estimated tax payments, the final 2008 estimate is due January 15, 2009!