KASRA members:

Please share this information with others who may have been affected by the disastrous hurricanes that struck the U.S. this past year.

Hurricane victims can get help from a new IRS publication. See Publication 4492 attached in PDF format. It offers helpful tips for taxpayers affected by Hurricanes Katrina, Rita and Wilma. For example, it tells how to claim unreimbursed losses. It also explains new rules on charitable giving

Submitted by Evo Alexandre

Department of the Treasury
Internal Revenue Service

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Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma

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Contents

Introduction

This publication explains the major provisions of the Katrina Emergency Tax Relief Act of 2005 and the Gulf Opportunity Zone Act of 2005.

Useful Items

You may want to see:

Publication

- ❏ **526** Charitable Contributions
- ❏ **536** Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- ❏ **547** Casualties, Disasters, and Thefts
- ❏ **946** How To Depreciate Property

Form (and Instructions)

- ❏ **4506** Request for Copy of Tax Return
- ❏ **4506-T** Request for Transcript of Tax Return
- ❏ **4684** Casualties and Thefts
- ❏ **5884** Work Opportunity Credit
- ❏ **5884-A** Credits for Employers Affected by Hurricane Katrina, Rita, or Wilma

- ❏ **8863** Education Credits (Hope and Lifetime Learning Credits)
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- ❏ **8915** Qualified Hurricane Retirement Plan Distributions and Repayments

Definitions

The following definitions are used throughout this publication.

Hurricane Katrina Disaster Area

The Hurricane Katrina disaster area covers the area for which the President declared a major disaster before September 14, 2005, because of Hurricane Katrina. The Hurricane Katrina disaster area covers the entire states of Alabama, Florida, Louisiana, and Mississippi.

Katrina Covered Disaster Area

A portion of the Hurricane Katrina disaster area has been designated by the IRS as a covered disaster area. The Katrina covered disaster area covers the following areas in four states.

Alabama. The counties of Baldwin, Bibb, Choctaw, Clarke, Colbert, Cullman, Greene, Hale, Jefferson, Lamar, Lauderdale, Marengo, Marion, Mobile, Monroe, Perry, Pickens, Sumter, Tuscaloosa, Washington, Wilcox, and Winston.

Florida. The counties of Bay, Broward, Collier, Escambia, Franklin, Gulf, Miami-Dade, Monroe, Okaloosa, Santa Rosa, and Walton.

Louisiana. All parishes.

Mississippi. All counties.

Gulf Opportunity (GO) Zone (Core Disaster Area)

The GO Zone (also called the core disaster area) covers the portion of the Hurricane Katrina disaster area determined by the Federal Emergency Management Agency (FEMA) to be eligible for either individual only or both individual and public assistance from the Federal Government. The GO Zone covers the following areas in three states.

Alabama. The counties of Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington.

Louisiana. The parishes of Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana.

Mississippi. The counties of Adams, Amite, Attala, Choctaw, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Holmes, Humphreys, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

Hurricane Rita Disaster Area (Rita Covered Disaster Area)

The Hurricane Rita disaster area (also designated by the IRS as the Rita covered disaster area) covers the area for which the President declared a major disaster before October 6, 2005, because of Hurricane Rita. This area covers the entire states of Louisiana and Texas.

Rita GO Zone

The Rita GO Zone covers the portion of the Hurricane Rita disaster area determined by FEMA to be eligible for either individual only or both individual and public assistance from the Federal Government. The Rita GO Zone covers the following areas in two states.

Louisiana. The parishes of Acadia, Allen, Ascension, Beauregard, Calcasieu, Cameron, Evangeline, Iberia, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Plaquemines, Sabine, St. Landry, St. Martin, St. Mary, St. Tammany, Terrebonne, Vermilion, Vernon, and West Baton Rouge.

Texas. The counties of Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker.

Hurricane Wilma Disaster Area

The Hurricane Wilma disaster area covers the area for which the President declared a major disaster before November 14, 2005, because of Hurricane Wilma. The Hurricane Wilma disaster area covers the entire state of Florida.

Wilma Covered Disaster Area

A portion of the Hurricane Wilma disaster area has been designated by the IRS as a covered disaster area. The Wilma covered disaster area covers the following counties.

Florida. Brevard, Broward, Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Highlands, Indian River, Lee, Martin, Miami-Dade, Monroe, Okeechobee, Osceola, Palm Beach, Polk, St. Lucie, and Sarasota.

Wilma GO Zone

The Wilma GO Zone covers the portion of the Hurricane Wilma disaster area determined by FEMA to be eligible for either individual only or both individual and public assistance from the Federal Government. The Wilma GO Zone covers the following counties.

Florida. Brevard, Broward, Collier, Glades, Hendry, Indian River, Lee, Martin, Miami-Dade, Monroe, Okeechobee, Palm Beach, and St. Lucie.

Extended Tax Deadlines

The IRS has extended deadlines that apply to filing returns, paying taxes, and performing certain other time-sensitive acts for certain taxpayers affected by Hurricane Katrina, Rita, or Wilma, until **February 28, 2006**. The extension applies to deadlines (either an original or extended due date) that occur during the following periods.

- After August 28, 2005 (August 23, 2005, for Florida affected taxpayers), and before February 28, 2006, for taxpayers affected by Hurricane Katrina.
- After September 22, 2005, and before February 28, 2006, for taxpayers affected by Hurricane Rita.
- After October 22, 2005, and before February 28, 2006, for taxpayers affected by Hurricane Wilma.

Affected taxpayer. The following taxpayers are eligible for the extension.

- Any individual whose main home is located in a covered disaster area.
- Any business entity or sole proprietor whose principal place of business is located in a covered disaster area.
- Any individual, business entity, or sole proprietor whose records needed to meet a postponed deadline are maintained or whose tax professional's office is in a covered disaster area. The main home or principal place of business does **not** have to be located in the covered area.
- Any individual visiting a county or parish in the Hurricane Katrina or Hurricane Rita covered disaster area that was injured or killed (and the estate of an individual killed) as a result of the hurricane or its aftermath.
- Any estate or trust whose tax records needed to meet a filing or payment deadline are maintained in a covered disaster area.
- Generally, any individual who is a worker assisting in the relief activities in a covered disaster area. However, a relief worker assisting in the Wilma covered disaster area is not an affected taxpayer unless the worker is affiliated with a recognized government or philanthropic organization assisting in the relief activities.
- The spouse of an affected taxpayer, solely with regard to a joint income tax return with that taxpayer.

To ensure correct processing, affected taxpayers should write the assigned disaster designation (for example, "Hurricane Katrina") in red ink at the top of any forms or documents filed with the IRS. Affected taxpayers can also identify themselves to the IRS or ask hurricane-related questions by calling the special IRS disaster hotline at **1-866-562-5227**.

Acts extended. Deadlines for performing the following acts are extended.

- Filing any return of income, estate, gift, generation-skipping transfer, excise, or employment tax.
- Paying any income, estate, gift, generation-skipping transfer, excise, or employment tax. This includes making estimated tax payments.
- Making certain contributions, distributions, recharacterizing contributions, or making a rollover to or from a qualified retirement plan.
- Filing certain petitions with the Tax Court.
- Filing a claim for credit or refund of any tax.
- Bringing suit upon a claim for credit or refund.
- Certain other acts described in Revenue Procedure 2005-27. You can find Revenue Procedure 2005-27 on page 1050 of Internal Revenue Bulletin 2005-20 at *www.irs.gov/pub/irs-irbs/irb05-20.pdf*.

Forgiveness of interest and penalties. The IRS may forgive the interest and penalties on any underpaid income, estate, gift, employment, or excise tax for the length of any extension.

Charitable Giving Incentives

Temporary Suspension of Limits on Charitable Contributions

Individuals. Qualified contributions are not subject to the overall limit on itemized deductions or the 50% adjusted gross income (AGI) limit. A qualified contribution is a charitable contribution paid in cash or by check after August 27, 2005, and before January 1, 2006, to a 50% limit organization (other than certain private foundations described in section 509(a)(3)) if you make an election to have the 50% limit not apply to these contributions.

Your deduction for qualified contributions is limited to your AGI minus your deduction for all other charitable contributions. You can carry over any contributions you are not able to deduct for 2005 because of this limit. In 2006, treat the carryover of your unused qualified contributions as a carryover of contributions subject to the 50% limit.

Exception. Qualified contributions do not include a contribution to a segregated fund or account for which you (or any person you appoint or designate) have or expect to have advisory privileges with respect to distributions or investments based on your contribution.

Corporations. A corporation may elect to deduct qualified cash contributions without regard to the 10% taxable income limit if the contributions were made after August 27, 2005, and before January 1, 2006, to a qualified charitable organization (other than certain private foundations described in section 509(a)(3)), for Hurricane Katrina, Rita, or Wilma relief efforts. The corporation's deduction for these qualified contributions is limited to 100% of taxable income (as modified for the 10% limit) minus the corporation's deduction for all other charitable contributions. Any qualified contributions over this limit can be carried over to the next 5 years, subject to the 10% limit.

Partners and shareholders. Each partner in a partnership and each shareholder in an S corporation makes a separate election to have the appropriate limit not apply.

More information. For more information, see Publication 526 or Publication 542, Corporations. Publication 526 includes a worksheet you can use to figure your deduction if any limits apply to your charitable contributions.

Standard Mileage Rate for Charitable Use of Vehicles

The following are special standard mileage rates in effect in 2005 and 2006 for the cost of operating your automobile for providing charitable services solely related to Hurricane Katrina.

- 29 cents per mile for the period August 25 through August 31, 2005.
- 34 cents per mile for the period September 1 through December 31, 2005.
- 32 cents per mile for the period January 1 through December 31, 2006.

Mileage Reimbursements to Charitable Volunteers

You can exclude from income amounts you receive as mileage reimbursements for the use of a private passenger automobile for the benefit of a qualified charitable organization in providing relief related to Hurricane Katrina during the period beginning on August 25, 2005, and ending on December 31, 2006. You cannot claim a deduction or credit for amounts you receive as a mileage reimbursement. You must keep records of miles driven, time, place (or use), and purpose of the mileage. The amount you can exclude from income cannot exceed the standard business mileage rate (shown below) for expenses incurred during the following periods.

- 40.5 cents per mile for the period August 25 through August 31, 2005.
- 48.5 cents per mile for the period September 1 through December 31, 2005.
- 44.5 cents per mile for the period January 1 through December 31, 2006.

Charitable Deduction for Contributions of Food Inventory

Any taxpayer engaged in a trade or business is eligible to claim a deduction for a contribution of "apparently wholesome food" inventory to a qualified charitable organization described in section 501(c)(3) (except for private nonoperating foundations) after August 27, 2005, and before January 1, 2006. "Apparently wholesome food" is food that meets all quality and labeling standards imposed by federal, state, and local laws and regulations even though the food may not be readily marketable due to appearance, age, freshness, grade, size, surplus, or other conditions.

The deduction is equal to the lesser of:

- The basis of the donated food plus one-half of the gain that would have been realized if the donated food had been sold at fair market value on the date of the donation, or

- Two times the basis of the donated food.

The taxpayer must receive written certification from the donee stating:

- The donated food is related to the purpose or function of the donee's basis for exemption under section 501(c)(3) and is to be used solely for the care of the ill, the needy, or infants; and
- The food was not given in exchange for money, other property, or services.

For a taxpayer other than a C corporation, the deduction is limited to 10% of the taxpayer's total net income from all trades or businesses from which the food contributions were made (figured without regard to the deduction for charitable contributions). For example, if a taxpayer is a sole proprietor, a shareholder in an S corporation, and a partner in a partnership, and each made a contribution of apparently wholesome food inventory, the taxpayer's deduction is limited to 10% of the taxpayer's total net income from the sole proprietorship, S corporation, and partnership (figured without regard to the deduction for charitable contributions).

Charitable Deduction for Contributions of Book Inventories to Public Schools

A corporation (other than an S corporation) may be allowed a charitable deduction for a qualified book contribution made after August 27, 2005, and before January 1, 2006, to a public school that:

- Provides elementary or secondary education (kindergarten through grade 12), and
- Normally maintains a regular faculty and curriculum and has a regular enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

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The deduction is equal to the lesser of:

- The basis of the donated books plus one-half of the gain that would have been realized if the donated books had been sold at fair market value on the date of the donation, or
- Two times the basis of the donated books.

The corporation must receive written certification from the school stating that the donated books are suitable for the organization's educational programs and will be used for such programs.

Casualty and Theft Losses

The following paragraphs explain changes to casualty and theft losses that were caused by Hurricane Katrina, Rita, or Wilma. For more information, see Publication 547.

Limits on personal casualty or theft losses caused by Hurricane Katrina, Rita, or Wilma. The following losses to personal use property are not subject to the $100 or 10% of adjusted gross income limits.

- Losses that arose in the Hurricane Katrina disaster area after August 24, 2005, and that were caused by Hurricane Katrina.
- Losses that arose in the Hurricane Rita disaster area after September 22, 2005, and that were caused by Hurricane Rita.
- Losses that arose in the Hurricane Wilma disaster area after October 22, 2005, and that were caused by Hurricane Wilma.

Qualifying losses include losses from flooding or other casualty, and from theft, that arose in the hurricane disaster area and that were caused by the hurricane.

Special instructions for individuals who elect to claim a Hurricane Katrina, Rita, or Wilma casualty or theft loss for 2004. Casualty and theft losses are generally deductible only in the year the casualty occurred or theft was discovered. However, Hurricane Katrina, Rita, and Wilma are Presidentially declared disasters. Therefore, you can elect to deduct losses from these hurricanes on your tax return for the previous year. If you make this election, use the following additional instructions to complete your forms.

Individuals filing or amending their 2004 tax return whose only casualty or theft losses to personal use property claimed on that return were caused by Hurricane Katrina, Rita, or Wilma should write "Hurricane Katrina," "Hurricane Rita," or "Hurricane Wilma" at the top of Form 1040 or 1040X. They must also complete and attach the 2004 Form 4684 and write "Hurricane Katrina,""Hurricane Rita," or "Hurricane Wilma" on the dotted line next to line 11 and enter -0- on lines 11 and 17.

Individuals filing or amending their 2004 tax return who also have casualty or theft losses to personal use property not related to Hurricane Katrina, Rita, or Wilma should disregard the caution directing taxpayers to use only one Form 4684, located above line 13, and complete lines 13 through 18 on two Forms 4684.

- The Form 1040 or 1040X and the first Form 4684 should be prepared as explained above for Hurricane Katrina, Rita, or Wilma losses only.

- The second Form 4684 should be prepared in the normal manner for all gains and non-Hurricane Katrina, Rita or Wilma losses.
- If both Forms 4684 have a loss on line 18, they should carry the combined losses from that line to Schedule A (Form 1040), line 19.
- If there is a gain on line 15 of the second Form 4684, disregard the instruction to enter it on Schedule D (Form 1040), and instead enter on Schedule A (Form 1040), line 19, the excess of the loss from the first Form 4684 over the gain on line 15 of the second Form 4684.

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Time limit for making election. You must make this election to claim your casualty or theft loss in 2004 by the later of the following dates.

- The due date (without extensions) for filing your 2005 income tax return.
- The due date (with extensions) for filing your 2004 income tax return.

Example. If you are a calendar year individual taxpayer, you have until April 17, 2006, to amend your 2004 tax return to claim a casualty or theft loss that occurred during 2005.

Replacement Period for Nonrecognition of Gain

Generally, an involuntary conversion occurs when property is damaged, destroyed, stolen, seized, requisitioned, or condemned, and you receive other property or money in payment, such as insurance or a condemnation award. Generally, you do not have to report a gain (if any) if you replace the property within 2 years (4 years for a main home in a Presidentially declared disaster area). However, for property that was involuntarily converted after August 24, 2005, as a result of Hurricane Katrina, a 5-year replacement period applies if substantially all of the use of the replacement property is in the Hurricane Katrina disaster area. For more information, see the Instructions for Form 4684.

Net Operating Losses

Qualified GO Zone loss. Generally, you can carry a net operating loss (NOL) back to the 2 tax years before the NOL year. However, the portion of an NOL that is a qualified GO Zone loss can be carried back to the 5 tax years before the NOL year. In addition, the 90% limit on the alternative tax NOL deduction (ATNOLD) does not apply to such portion of the ATNOLD.

A qualified GO Zone loss is the smaller of:

1. The excess of the NOL for the year over the specified liability loss for the year to which a 10-year carryback applies, or
2. The total of the following deductions (to the extent they are taken into account in computing the NOL for the tax year):
   a. Qualified GO Zone casualty loss (as defined below),
   b. Moving expenses paid or incurred after August 27, 2005, and before January 1, 2008, for the employment of an individual whose main home was in the GO Zone before August 28, 2005, who was unable to remain in that home because of Hurricane Katrina, and whose main job location (after the move) is in the GO Zone,
   c. Temporary housing expenses paid or incurred after August 27, 2005, and before January 1, 2008, to house employees of the taxpayer whose main job location is in the GO Zone,
   d. Depreciation or amortization allowable for any qualified GO Zone property (even if you elected not to claim the special GO Zone depreciation allowance for such property) for the year placed in service, and
   e. Repair expenses (including expenses for the removal of debris) paid or incurred after August 27, 2005, and before January 1, 2008, for any damage from Hurricane Katrina to property located in the GO Zone.

Qualified GO Zone casualty loss. A qualified GO Zone casualty loss is any deductible section 1231 loss of property located in the GO Zone if the loss was caused by Hurricane Katrina. For this purpose, the amount of the loss is reduced by any recognized gain from an involuntary conversion caused by Hurricane Katrina of property located in the GO Zone. Any such loss taken into account in figuring your qualified GO Zone loss is not eligible for the election to be treated as having occurred in the previous tax year.

5-year NOL carryback of certain timber losses. Generally, you can carry the portion of an NOL due to income and deductions attributable to a farming business back to the 5 tax years before the NOL year. You can treat income and deductions attributable to qualified timber property as attributable to a farming business if any portion of the property is located in the GO Zone, Rita GO Zone, or Wilma GO Zone, and the income and deductions are allocable to the part of your tax year which is after the applicable date below.

1. August 27, 2005, if any portion of the property is located in the GO Zone.
2. September 22, 2005, if any portion of the property is located in the Rita GO Zone (but not in the GO Zone).
3. October 22, 2005, if any portion of the property is located in the Wilma GO Zone (but not in the GO Zone or the RITA GO Zone).

These rules will not apply after 2006.

However, these rules apply only to a timber producer who:

1. Held qualified timber property (defined in Publication 535, Business Expenses) on the applicable date below:
   a. August 28, 2005, if any portion of the property is located in the GO Zone,
   b. September 23, 2005, if any portion of the property is located in the Rita GO Zone (but not in the GO Zone), or
   c. October 23, 2005, if any portion of the property is located in the Wilma GO Zone (but not in the GO Zone or the Rita GO Zone);
2. Is not a corporation with stock publicly traded on an established securities market;
3. Is not a real estate investment trust; and
4. Did not hold more than 500 acres of qualified timber property on the applicable date above.

More information. For more information on NOLs, see Publication 536 or Publication 542, Corporations.

IRAs and Other Retirement Plans

New rules provide for tax-favored withdrawals, repayments, and loans from certain retirement plans for taxpayers who suffered economic losses as a result of Hurricane Katrina, Rita, or Wilma.

Definitions

Qualified hurricane distribution. A qualified hurricane distribution is any distribution you received from an eligible retirement plan if all of the following apply.

1. The distribution was made:
   a. After August 24, 2005, and before January 1, 2007, for Hurricane Katrina;
   b. After September 22, 2005, and before January 1, 2007, for Hurricane Rita; or
   c. After October 22, 2005, and before January 1, 2007, for Hurricane Wilma.
2. Your main home was located in a hurricane disaster area listed below on the date shown for that area.
   a. August 28, 2005, for the Hurricane Katrina disaster area.
   b. September 23, 2005, for the Hurricane Rita disaster area.
   c. October 23, 2005, for the Hurricane Wilma disaster area.
3. You sustained an economic loss because of Hurricane Katrina, Rita, or Wilma and your main home was in that hurricane disaster area on the date shown in (2) above for that hurricane. Examples of an economic loss include, but are not limited to:
   a. Loss, damage to, or destruction of real or personal property from fire, flooding, looting, vandalism, theft, wind, or other cause;
   b. Loss related to displacement from your home; or
   c. Loss of livelihood due to temporary or permanent layoffs.

If (1) through (3) above apply, you can generally designate any distribution (including periodic payments and required minimum distributions) from an eligible retirement plan as a qualified hurricane distribution, regardless of whether the distribution was made on account of Hurricane Katrina, Rita, or Wilma. Qualified hurricane distributions are permitted without regard to your need or the actual amount of your economic loss.

The total of your qualified hurricane distributions from all plans is limited to $100,000. If you have distributions in excess of $100,000 from more than one type of plan, such as a 401(k) plan and an IRA, you may allocate the $100,000 limit among the plans any way you choose.

A reduction or offset (after August 24, 2005, for Katrina; after September 22, 2005, for Rita; or after October 22, 2005, for Wilma) of your account balance in an eligible retirement plan in order to repay a loan can also be designated as a qualified hurricane distribution.

Eligible retirement plan. An eligible retirement plan can be any of the following.

- A qualified pension, profit-sharing, or stock bonus plan (including a 401(k) plan).
- A qualified annuity plan.
- A tax-sheltered annuity contract.
- A governmental section 457 deferred compensation plan.
- A traditional, SEP, SIMPLE, or Roth IRA.

Main home. Generally, your main home is the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, evacuation, or vacation, will not change your main home.

Taxation of Qualified Hurricane Distributions

Qualified hurricane distributions are included in income in equal amounts over three years. However, if you elect, you can include the entire distribution in your income in the year it was received.

Qualified hurricane distributions are not subject to the additional 10% tax (or the additional 25% tax for certain distributions from SIMPLE IRAs) on early distributions from qualified retirement plans (including IRAs). However, any distributions you receive in excess of the $100,000 qualified hurricane distribution limit may be subject to the additional tax on early distributions.

For more information, see Form 8915.

Repayment of Qualified Hurricane Distributions

If you choose, you generally can repay any portion of a qualified hurricane distribution that is eligible for tax-free rollover treatment to an eligible retirement plan. Also, you can repay a qualified hurricane distribution made on account of a hardship from a retirement plan. However, see *Exceptions* below for qualified hurricane distributions you cannot repay.

You have three years from the day after the date you received the distribution to make a repayment. Amounts that are repaid are treated as a qualified rollover and are not included in income. Also, for purposes of the one-rollover-per-year limitation for IRAs, a repayment to an IRA is not considered a qualified rollover. See Form 8915 for more information on how to report repayments.

Exceptions. You cannot repay the following types of distributions.

1. Qualified hurricane distributions received as a beneficiary (other than a surviving spouse).
2. Required minimum distributions.
3. Periodic payments (other than from an IRA) that are for:
   a. A period of 10 years or more,
   b. Your life or life expectancy, or
   c. The joint lives or joint life expectancies of you and your beneficiary.

Repayment of Qualified Distributions for the Purchase or Construction of a Main Home

If you received a qualified distribution to purchase or construct a main home in the Hurricane Katrina, Rita, or Wilma disaster area, you can repay that distribution before March 1, 2006, to an eligible retirement plan after August 24, 2005 (Katrina); after September 22, 2005 (Rita); or after October 22, 2005 (Wilma). For this purpose, an eligible retirement plan is any plan, annuity, or IRA to which a qualified rollover can be made.

To be a qualified distribution, the distribution must meet all of the following requirements.

1. The distribution is a hardship distribution from a 401(k) plan, a hardship distribution from a tax-sheltered annuity contract, or a qualified first-time homebuyer distribution from an IRA.
2. The distribution was received in 2005 after February 28 and before:
   a. August 29 for Hurricane Katrina;
   b. September 24 for Hurricane Rita; or
   c. October 24 for Hurricane Wilma.
3. The distribution was to be used to purchase or construct a main home in the Hurricane Katrina, Rita, or Wilma disaster area that was not purchased or constructed because of Hurricane Katrina, Rita, or Wilma.

Amounts that are repaid before March 1, 2006, are treated as a qualified rollover and are not included in income. Also, for purposes of the one-rollover-per-year limitation for IRAs, a repayment to an IRA is not considered a qualified rollover.

A qualified distribution not repaid before March 1, 2006, may be taxable for 2005 and subject to the additional 10% tax (or the additional 25% tax for certain SIMPLE IRAs) on early distributions.

You must file Form 8915 if you received a qualified distribution that you repaid, in whole or in part, before March 1, 2006.

Loans From Qualified Plans

The following benefits are available to qualified individuals.

- Increases to the limits for distributions treated as loans from employer plans.
- A 1-year suspension for payments due on plan loans.

Qualified individual. You are a qualified individual if any of the following apply.

- Your main home on August 28, 2005, was located in the Hurricane Katrina disaster area and you had an economic loss because of Hurricane Katrina.
- Your main home on September 23, 2005, was located in the Hurricane Rita disaster area and you had an economic loss because of Hurricane Rita.
- Your main home on October 23, 2005, was located in the Hurricane Wilma disaster area and you had an economic loss because of Hurricane Wilma.

Examples of an economic loss include, but are not limited to:

- Loss, damage to, or destruction of real or personal property from fire, flooding, looting, vandalism, theft, wind, or other cause;
- Loss related to displacement from your home; or
- Loss of livelihood due to temporary or permanent layoffs.

Limits on plan loans. The $50,000 limit for distributions treated as plan loans is increased to $100,000. In addition, the limit based on 50% of your vested accrued benefit is increased to 100% of that benefit. The higher limits apply only to loans received during the following period.

- If your main home was located in the Hurricane Katrina disaster area, the period began on September 24, 2005, and ends on December 31, 2006.
- If your main home was located in the Hurricane Rita or Wilma disaster area, the period began on December 21, 2005, and ends on December 31, 2006.

If you are a qualified individual based on Hurricane Katrina and another hurricane, use the period based on Hurricane Katrina.

One-year suspension of loan payments. Payments on plan loans due before 2007 may be suspended for 1 year by the plan administrator. To qualify for the suspension, the due date for any loan payment must occur during the period beginning on:

- August 28, 2005, if your main home was located in the Hurricane Katrina disaster area.
- September 23, 2005, if your main home was located in the Hurricane Rita disaster area.
- October 23, 2005, if your main home was located in the Hurricane Wilma disaster area.

If you are a qualified individual based on more than one hurricane, use the period with the earliest beginning date.

Additional Tax Relief for Individuals

Earned Income Credit and Child Tax Credit

You can elect to use your 2004 earned income to figure your earned income credit (EIC) and additional child tax credit for 2005 if:

1. Your 2005 earned income is less than your 2004 earned income, and
2. At least one of the following statements is true.
   a. Your main home on August 25, 2005, was in the Gulf Opportunity (GO) Zone.
   b. Your main home on August 25, 2005, was in the Hurricane Katrina disaster area and you were displaced from that home because of Hurricane Katrina.
   c. Your main home on September 23, 2005, was in the Rita GO Zone.
   d. Your main home on September 23, 2005, was in the Hurricane Rita disaster area and you were displaced from that home because of Hurricane Rita.
   e. Your main home on October 23, 2005, was in the Wilma GO Zone.
   f. Your main home on October 23, 2005, was in the Hurricane Wilma disaster area and you were dis-

placed from that home because of Hurricane Wilma.

Earned income. For the purpose of this election, your earned income for both the EIC and the additional child tax credit is the amount of earned income used to figure your EIC, even if you did not take the EIC and even if that amount is different than your earned income for the additional child tax credit. If you are claiming only the additional child tax credit, you must figure the amount of your earned income for EIC purposes to determine your eligibility to make the election and the amount of the credit.

Joint returns. If you file a joint return, you qualify to make this election even if only one spouse meets the requirements. If you make the election, your 2004 earned income is the sum of your 2004 earned income and your spouse's 2004 earned income.

Making the election. If you make the election to use your 2004 earned income, the election applies for figuring both the EIC and the additional child tax credit. However, you can make the election for the additional child tax credit even if you do not take the EIC.

Electing to use your 2004 earned income may increase or decrease your EIC. Take the following steps to decide whether to make the election.

1. Figure your 2005 EIC using your 2004 earned income.
2. Figure your 2005 additional child tax credit using your 2004 earned income for EIC purposes.
3. Add the results of (1) and (2).
4. Figure your 2005 EIC using your 2005 earned income.
5. Figure your 2005 additional child tax credit using your 2005 earned income for additional child tax credit purposes.
6. Add the results of (4) and (5).
7. Compare the results of (3) and (6). If (3) is larger than (6), it is to your benefit to make the election. If (3) is equal to or smaller than (6), making the election will not help you.

If you elect to use your 2004 earned income and you are claiming the EIC, enter "PYEI" and the amount of your 2004 earned income on the dotted line next to line 66a of Form 1040, on the line next to line 41a of Form 1040A, or in the space to the left of line 8a of Form 1040EZ.

If you elect to use your 2004 earned income and you are claiming the additional child tax credit, enter your 2004 earned income for EIC purposes (even if you did not claim the EIC) on Form 8812, Additional Child Tax Credit, line 4a, and check the box on that line.

Because Form 8812 was released before the GO Zone legislation was enacted, the instructions refer only to individuals whose main home was in the Hurricane Katrina disaster area. When completing Form 8812, line 4a, use the above rules to determine your eligibility to make the election (instead of the Form 8812 instructions).

Getting your 2004 tax return information. If you do not have your 2004 tax records, you can get the amount of earned income used to figure your 2004 EIC by calling 1-866-562-5227. You can also get this information by visiting the IRS website at *www.irs.gov*.

If you prefer to figure your 2004 earned income yourself, copies or transcripts of your filed and processed tax returns can help you reconstruct your tax records. See *Request for Copy or Transcript of Tax Return* on page 16.

Additional Exemption for Housing Individuals Displaced by Hurricane Katrina

You may be able to claim an additional exemption amount of $500 for providing housing in your main home for each individual displaced by Hurricane Katrina. The additional exemption amount is claimed on new Form 8914. The additional exemption amount is allowable once per taxpayer for a specific individual in 2005 or 2006, but not in both years. The maximum additional exemption amount you can claim for all displaced individuals is $2,000 ($1,000 if married filing separately). The additional exemption amount you claim for displaced individuals in 2005 will reduce the $2,000 maximum for 2006. If two or more taxpayers share the same main home, only one taxpayer in that main home can claim the additional exemption amount for a specific displaced individual. If married filing separately, only one spouse may claim the additional exemption amount for a specific displaced individual. In order for you to be considered to have provided housing, you must have a legal interest in the main home (that is, own or rent the home). To qualify as a displaced individual, the individual:

1. Must have had his or her main home in the Hurricane Katrina disaster area on August 28, 2005, and he or she must have been displaced from that home. If the individual's main home was located outside the core disaster area, that home must have been damaged by Hurricane Katrina or the individual must have been evacuated from that home because of Hurricane Katrina,
2. Must have been provided housing in your main home for a period of at least 60 consecutive days ending in the tax year in which the exemption is claimed, and
3. Cannot be your spouse or dependent.

You cannot claim the additional exemption amount if you received rent (or any other amount) from any source for providing the housing. You are permitted to receive payments or reimbursements that do not relate to normal housing costs, including the following.

- Food, clothing, or personal items consumed or used by the displaced individual.
- Reimbursement for the cost of any long distance telephone calls made by the displaced individual.
- Reimbursement for the cost of gasoline for the displaced individual's use of your vehicle.

However, you cannot claim the additional exemption amount if you received any reimbursement for the extra costs of heat, electricity, or water used by the displaced individual.

Also, you must report on Form 8914 the displaced individual's social security number or individual taxpayer identification number to claim an additional exemption amount.

For more information, see Form 8914.

Education Credits

The education credits have been expanded for students attending an eligible educational institution located in the Gulf Opportunity Zone (GOZ students) for any tax year beginning in 2005 or 2006. The Hope credit for a GOZ student is increased to 100% of the first $2,000 in qualified education expenses and 50% of the next $2,000 of qualified education expenses for a maximum credit of $3,000 per student. The lifetime learning credit rate for a GOZ student is increased from 20% to 40%.

The definition of qualified education expenses for a GOZ student also has been expanded. In addition to tuition and fees required for the student's enrollment or attendance at an eligible educational institution, qualified education expenses for a GOZ student include the following.

1. Books, supplies, and equipment required for enrollment or attendance at an eligible educational institution.
2. For a special needs student, expenses that are necessary for that person's enrollment or attendance at an eligible educational institution.
3. For a student who is at least a half-time student, the reasonable costs of room and board, but only to the extent that the costs are not more than the greater of the following two amounts.
    a. The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student.
    b. The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution.

You will need to contact the eligible educational institution for qualified room and board costs.

For more information, see Form 8863.

Recapture of Federal Mortgage Subsidy

Generally, if you financed your home under a federally subsidized program (loans from tax-exempt qualified mortgage bonds or loans with mortgage credit certificates), you may have to recapture all or part of the benefit you received from that program when you sell or otherwise dispose of your home. However, you do not have to recapture any benefit if your mortgage loan was a qualified home improvement loan of not more than $15,000. This amount is increased to $150,000 if the loan was provided before 2011 and was used to:

- Repair damage caused by Hurricane Katrina to a residence in the Hurricane Katrina disaster area, or
- Alter, repair, or improve an existing owner-occupied residence in the GO Zone, Rita GO Zone, or Wilma GO Zone.

Exclusion of Certain Cancellations of Indebtedness by Reason of Hurricane Katrina

Generally, discharges of nonbusiness debts (such as mortgages) made after August 24, 2005, and before January 1, 2007, are excluded from income for individuals whose main home was in the Hurricane Katrina disaster area on August 25, 2005. If the individual's main home was located outside the core disaster area, the individual also must have had an economic loss because of Hurricane Katrina. Examples of an economic loss include, but are not limited to:

1. Loss, damage to, or destruction of real or personal property from fire, flooding, looting, vandalism, theft, wind, or other cause;
2. Loss related to displacement from your home; or
3. Loss of livelihood due to temporary or permanent layoffs.

This relief does not apply to any debt secured by real property located outside the Hurricane Katrina disaster area.

You may also have to reduce certain tax attributes by the amount excluded. For more information, see Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment).

Tax Relief for Temporary Relocation

Under the Gulf Opportunity Zone Act of 2005, the IRS may adjust the internal revenue laws to ensure that taxpayers do not lose a deduction or credit or experience a change of filing status in 2005 or 2006 as a result of a temporary relocation caused by Hurricane Katrina, Rita, or Wilma. However, any such adjustment must ensure that an individual is not taken into account by more than one taxpayer for the same tax benefit. The IRS has exercised this authority as follows.

- In determining whether you furnished over one-half of the cost of maintaining a household, you can exclude from total household costs any assistance received from the government or charitable organizations because you were temporarily relocated as a result of Hurricane Katrina, Rita, or Wilma.
- In determining whether you provided more than one-half of an individual's support, you can disregard any assistance received from the government or charitable organizations because you were temporarily relocated as a result of Hurricane Katrina, Rita, or Wilma.
- You can treat as a student an individual who enrolled in school before August 25, 2005, and who is unable to attend classes because of Hurricane Katrina, for each month of the enrollment period that individual is prevented by Hurricane Katrina from attending school as planned.
- You can treat as a student an individual who enrolled in school before September 23, 2005, and who is unable to attend classes because of Hurricane Rita, for each month of the enrollment period that individual is prevented by Hurricane Rita from attending school as planned.
- You can treat as a student an individual who enrolled in school before October 23, 2005, and who is unable to attend classes because of Hurricane Wilma, for each month of the enrollment period that individual is prevented by Hurricane Wilma from attending school as planned.

Additional Tax Relief for Businesses

Special Depreciation Allowance

You can take a special depreciation allowance for qualified Gulf Opportunity (GO) Zone property (as defined below) you place in service after August 27, 2005. The allowance is an additional deduction of 50% of the property's depreciable basis (after any section 179 deduction and before figuring your regular depreciation deduction). The special allowance applies only for the first year the property is placed in service.

The allowance is deductible for both the regular tax and the alternative minimum tax (AMT). There is no AMT adjustment required for any depreciation figured on the remaining basis of the property.

You can elect not to deduct the special GO Zone depreciation allowance for qualified property. If you make this election for any property, it applies to all property in the same class placed in service during the year.

Qualified GO Zone property. Property that qualifies for the special GO Zone depreciation allowance includes the following.

- Tangible property depreciated under the modified accelerated cost recovery system (MACRS) with a recovery period of 20 years or less.
- Water utility property.
- Computer software that is readily available for purchase by the general public, is subject to a nonexclusive license, and has not been substantially modified. (The cost of some computer software is treated as part of the cost of hardware and is depreciated under MACRS.)
- Qualified leasehold improvement property.
- Nonresidential real property and residential rental property.

For more information on this property, see Publication 946.

Other tests to be met. To be qualified GO Zone property, the property must also meet all of the following tests.

- You must have acquired the property, by purchase, after August 27, 2005, but only if no binding written contract for the acquisition was in effect before August 28, 2005.

- The property must be placed in service before 2008 (2009 in the case of nonresidential real property and residential rental property).
- Substantially all of the use of the property must be in the GO Zone and in the active conduct of your trade or business in the GO Zone.
- The original use of the property in the GO Zone must begin with you after August 27, 2005. Used property can be qualified GO Zone property if it has not previously been used within the GO Zone. Also, additional capital expenditures you incurred after August 27, 2005, to recondition or rebuild your property meet the original use test if the original use of the property in the GO Zone began with you.

Excepted property. Qualified GO Zone property does not include any of the following.

- Property required to be depreciated using the Alternative Depreciation System (ADS).
- Property any portion of which is financed with the proceeds of a tax-exempt obligation under section 103.
- Property for which you are claiming a commercial revitalization deduction.
- Any property used in connection with any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, or any store, the principal business of which is the sale of alcoholic beverages for consumption off premises.
- Any gambling or animal racing property (as defined below).
- Property in the same class as that for which you elected not to claim the special GO Zone depreciation allowance.

Gambling or animal racing property is:

- Any equipment, furniture, software, or other property used directly in connection with gambling, the racing of animals, or the on-site viewing of such racing, and
- The portion of any real property (determined by square footage) that is dedicated to gambling, the racing of animals, or the on-site viewing of such racing, unless this portion is less than 100 square feet.

Recapture of special allowance. If, in any year after the year you claim the special allowance, the property ceases to be qualified GO Zone property, you may have to recapture as ordinary income any excess benefit you received from claiming the special allowance.

Increased Section 179 Deduction

An increased section 179 deduction is allowable for qualified section 179 Gulf Opportunity (GO) Zone property (as defined later) placed in service in the GO Zone.

Increased dollar limit. The limit on the section 179 deduction ($105,000 for 2005, $108,000 for 2006) for qualified section 179 GO Zone property acquired after August 27, 2005, is increased by the smaller of:

- $100,000, or
- The cost of qualified section 179 GO Zone property placed in service during the year (including such property placed in service by your spouse, even if you are filing a separate return).

The amount for which you can make the election is reduced if the cost of all qualified section 179 GO Zone property you placed in service during the year exceeds $420,000 for 2005 ($430,000 for 2006) increased by the smaller of:

- $600,000, or
- The cost of qualified section 179 GO Zone property placed in service during the year.

Qualified section 179 GO Zone property. Qualified section 179 GO Zone property is section 179 property that is qualified GO Zone property (explained earlier under *Special Depreciation Allowance*). Section 179 property does not include nonresidential real property or residential rental property. For more information, including the requirements that must be met for property to qualify for the section 179 deduction, see chapter 2 of Publication 946.

Work Opportunity Credit

For the work opportunity credit, the definition of “targeted group employee” has been expanded to include a Hurricane Katrina employee.

Hurricane Katrina employee. A Hurricane Katrina employee is:

- A person who, on August 28, 2005, had a main home in the core disaster area and, within a two-year period beginning on that date, is hired to perform services principally in the core disaster area; or
- A person who, on August 28, 2005, had a main home in the core disaster area, was displaced from that main home as a result of Hurricane Katrina, and was hired during the period beginning on August 28, 2005, and ending on December 31, 2005.

Qualified wages. Generally, qualified wages do not include wages you paid to a targeted group employee who worked for you previously. However, wages will qualify if:

- You paid them to an employee who is a Hurricane Katrina employee,
- The employee was not in your employment on August 28, 2005, and
- This is your first hire of the employee as a Hurricane Katrina employee after August 28, 2005.

For more information, see Form 5884.

Certification requirements. An employee must provide to the employer reasonable evidence that he or she is a Hurricane Katrina employee. An employer may accept a completed Form 8850, Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits, as such evidence. The certification requirements described in Form 8850 do not apply to a Hurricane Katrina employee. Do not send any Forms 8850 that have **only** box 1 checked to the state employment security agency. Instead, the employer should keep these Forms 8850 with the employer's other records. For more information, see Form 8850 and its instructions.

Employee Retention Credit

An eligible employer who conducted an active trade or business in the Gulf Opportunity (GO) Zone, the Rita GO Zone, or the Wilma GO Zone can claim the employee retention credit. The credit is 40% of qualified wages for each eligible employee (up to a maximum of $6,000 in qualified wages per employee). Generally, you must reduce your deduction for salaries and wages by the amount of this credit (before the tax liability limit). Use Form 5884-A to claim the credit. See the following rules and definitions for each hurricane.

Employers affected by Hurricane Katrina. The following definitions apply to employers affected by Hurricane Katrina.

Eligible employer. For this purpose, an eligible employer is any employer who conducted an active trade or business on August 28, 2005, in the GO Zone and whose trade or business was inoperable on any day after August 28, 2005, and before January 1, 2006, because of damage caused by Hurricane Katrina.

Eligible employee. For this purpose, an eligible employee is an employee whose principal place of employment on August 28, 2005, with such eligible employer was in the GO Zone. An employee is not an eligible employee for purposes of Hurricane Katrina if the employee is treated as an eligible employee for the work opportunity credit.

Employers affected by Hurricane Rita. The following definitions apply to employers affected by Hurricane Rita.

Eligible employer. For this purpose, an eligible employer is any employer who conducted an active trade or business on September 23, 2005, in the Rita GO Zone and whose trade or business was inoperable on any day after September 23, 2005, and before January 1, 2006, because of damage caused by Hurricane Rita.

Eligible employee. For this purpose, an eligible employee is an employee whose principal place of employment on September 23, 2005, with such eligible employer was in the Rita GO Zone. An employee is not an eligible employee for purposes of Hurricane Rita if the employee is treated as an eligible employee for the work opportunity credit or the Hurricane Katrina employee retention credit.

Employers affected by Hurricane Wilma. The following definitions apply to employers affected by Hurricane Wilma.

Eligible employer. For this purpose, an eligible employer is any employer who conducted an active trade or business on October 23, 2005, in the Wilma GO Zone and whose trade or business was inoperable on any day after October 23, 2005, and before January 1, 2006, because of damage caused by Hurricane Wilma.

Eligible employee. For this purpose, an eligible employee is an employee whose principal place of employment on October 23, 2005, with such eligible employer was in the Wilma GO Zone. An employee is not an eligible employee for purposes of Hurricane Wilma if the employee is treated as an eligible employee for the work opportunity credit or the Hurricane Katrina or Rita employee retention credit.

Qualified wages. Qualified wages are wages you paid or incurred before January 1, 2006, (up to $6,000 per employee) for an eligible employee beginning on the date your trade or business first became inoperable at the employee's principal place of employment immediately before the applicable hurricane, and ending on the date your trade or business resumed significant operations at that place. In addition, the wages must have been paid or incurred after the following date.

- August 28, 2005, for Hurricane Katrina.
- September 23, 2005, for Hurricane Rita.
- October 23, 2005, for Hurricane Wilma.

This includes wages paid even if the employee performed no services, performed services at a place of employment other than the principal place of employment, or performed services at the principal place of employment before significant operations resumed.

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). Qualified wages also include amounts you paid for medical or hospitalization expenses in connection with sickness or accident disability. Qualified wages for any employee must be reduced by the amount of any work supplementation payment you received under the Social Security Act.

For agricultural employees, if the work performed by any employee during more than half of any pay period qualified under FUTA as agricultural labor, that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see section 51(h)(1)(B).

Qualified wages do not include the following.

- Wages paid to your dependent or a related individual. See section 51(i)(1).
- Wages paid to any employee during the period for which you received payment for the employee from a federally funded on-the-job training program.
- Wages for services of replacement workers during a strike or lockout.

For more information, see Form 5884-A.

Hurricane Katrina Housing Credit

An employer who conducted an active trade or business in the Gulf Opportunity (GO) Zone can claim the Hurricane Katrina housing credit. The credit is equal to 30% of the value (up to $600 per month per employee) of in-kind lodging furnished to a qualified employee (and the employee's spouse or dependents) from January 1, 2006, through July 1, 2006. The value of the lodging is excluded from the income of the qualified employee but is treated as wages for purposes of taxes imposed under the Federal Insurance Contributions Act (FICA) and the Federal Unemployment Tax Act (FUTA). Generally, you must reduce your deduction for salaries and wages by the amount of this credit (before the tax liability limit). The employer must use Form 5884-A to claim the credit.

A qualified employee is an individual who had a main home in the GO Zone on August 28, 2005, and who performs substantially all employment services in the GO Zone for the employer furnishing the lodging. The employee cannot be your dependent or a related individual. See section 51(i)(1).

For more information, see Form 5884-A.

Reforestation Costs

You may be able to elect to deduct a limited amount of reforestation costs for each qualified timber property. The deduction for any tax year generally is limited to $10,000 ($5,000 if married filing separately, $0 for a trust). However, this limit is increased if you paid or incurred reforestation costs after the applicable date below and any portion of the qualified timber property is located in one of the following areas.

1. August 27, 2005, if any portion of the property is located in the GO Zone.
2. September 22, 2005, if any portion of the property is located in the Rita GO Zone (but not in the GO Zone).
3. October 22, 2005, if any portion of the property is located in the Wilma GO Zone.

The limit for each qualified timber property is increased by the smaller of:

- $10,000 ($5,000 if married filing separately, $0 for a trust), or
- The amount of reforestation costs you paid or incurred after the applicable date for the qualified timber property, any portion of which is located in the zone described above.

The increase in the limit applies only to costs paid or incurred before 2008.

However, these rules do not apply to any timber producer who:

- Held more than 500 acres of qualified timber property at any time during the tax year,
- Is a corporation with stock publicly traded on an established securities market, or
- Is a real estate investment trust.

For more information about the election to deduct reforestation costs, see chapter 8 in Publication 535, Business Expenses.

Demolition and Clean-up Costs

You can elect to deduct 50% of any qualified GO Zone clean-up costs for the tax year in which the costs are paid or incurred, instead of capitalizing them. Qualified GO Zone clean-up costs are any amounts paid or incurred after August 27, 2005, and before January 1, 2008, for the removal of debris from, or the demolition of structures on, real property located in the GO Zone that is:

- Held by you for use in a trade or business or for the production of income, or
- Inventory or other property held primarily for sale to customers in the ordinary course of your trade or business.

Increase in Rehabilitation Tax Credit

The rehabilitation credit is increased for qualified rehabilitation expenditures paid or incurred after August 27, 2005, and before January 1, 2009, on buildings located in the GO Zone as follows.

- For pre-1936 buildings (other than certified historic structures), the credit percentage is increased from 10% to 13%.
- For certified historic structures, the credit percentage is increased from 20% to 26%.

For more information, see Form 3468, Investment Credit.

Request for Copy or Transcript of Tax Return

Request for copy of tax return. You can use Form 4506 to order a copy of your tax return. Generally, there is a $39.00 fee for requesting each copy of a tax return. If your main home, principal place of business, or tax records are located in a Presidentially declared disaster area, the fee will be waived if the assigned disaster designation (for example, "Hurricane Katrina") is written in red across the top of the form when filed.

Request for transcript of tax return. You can use Form 4506-T to order a free transcript of your tax return. A transcript provides most of the line entries from a tax return and usually contains the information that a third party requires. You can also call 1-800-829-1040 to order a transcript.

How To Get Tax Help

Special IRS assistance. The IRS is providing special help for those affected by Hurricane Katrina, Rita, or Wilma, as well as survivors and personal representatives of the victims. We have set up a special toll-free number for people who may have trouble filing or paying their taxes because they were affected by Hurricane Katrina, Rita, or Wilma, or who have other tax issues related to the hurricanes.

Call **1-866-562-5227**
Monday through Friday
In English–7 a.m. to 10 p.m. local time
In Spanish–8 a.m. to 9:30 p.m. local time

The IRS website at *www.irs.gov* has notices and other tax relief information. Check it periodically for any new guidance.

Other help from the IRS. You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate toll free at 1-877-777-4778.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1-800-829-4059 if you are a TTY/TDD user.
- Visit *www.irs.gov/advocate*.

For more information, see Publication 1546, How To Get Help With Unresolved Tax Problems (now available in Chinese, Korean, Russian, and Vietnamese, in addition to English and Spanish).

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Internet. You can access the IRS website 24 hours a day, 7 days a week, at *www.irs.gov* to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your refund. Click on *Where's My Refund*. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.

- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using our Form W-4 calculator.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 and press 2 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* If you would like to check the status of your refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

- *Products.* You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- *Services.* You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you're more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.

Mail. You can send your order for forms, instructions, and publications to the address below and receive a response within 10 business days after your request is received.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

CD-ROM for tax products. You can order Publication 1796, IRS Tax Products CD-ROM, and obtain:

- A CD that is released twice so you have the latest products. The first release ships in late December and the final release ships in late February.
- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).

- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.

Buy the CD-ROM from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $25 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for $25 (plus a $5 handling fee).

CD-ROM for small businesses. Publication 3207, The Small Business Resource Guide CD-ROM, has a new look and enhanced navigation features. This CD includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes.
- IRS Tax Map to help you find forms, instructions, and publications by searching on a keyword or topic.
- Web links to various government agencies, business associations, and IRS organizations.
- “Rate the Product” survey—your opportunity to suggest changes for future editions.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3676 or by visiting *www.irs.gov/smallbiz*.

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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