



IRS Announces Tax Relief For Victims of Hurricane Irene in New Jersey and New York

September 8, 2011 -- Victims of Hurricane Irene that began on Aug. 26/27, 2011 in New Jersey and New York may qualify for tax relief from the Internal Revenue Service, i.e., more time to make tax payments and file returns. The President has declared the following counties federal disaster areas: in New Jersey, all 21 counties -- Atlantic, Bergen, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union and Warren counties, and in New York -- Albany, Clinton, Delaware, Dutchess, Essex, Greene, Montgomery, Nassau, Orange, Otsego, Rensselaer, Rockland, Saratoga, Schenectady, Schoharie, Sullivan, Suffolk, Ulster, Warren and Westchester counties. Individuals who reside or have businesses in these counties may qualify for tax relief.

The declaration permits the IRS to postpone certain deadlines for taxpayers who reside or have businesses in the disaster area. For instance, certain deadlines falling on or after Aug. 27, and on or before Oct. 31, have been postponed to Oct. 31, 2011. This includes corporations and other businesses that previously obtained an extension until Sept. 15 to file their 2010 returns, and individuals and businesses that received a similar extension until Oct. 17. It also includes the estimated tax payment for the third quarter, normally due Sept. 15. In addition, the IRS is waiving the failure-to-deposit penalties for employment and excise tax deposits due on or after Aug. 27, and on or before Sept. 12, as long as the deposits are made by Sept. 12, 2011. The New Jersey Division of Taxation issued an announcement on September 2, 2011 that it will follow the federal guidelines for tax relief as recently announced by the IRS for victims of Hurricane Irene.

If an affected taxpayer receives a penalty notice from the IRS, the taxpayer should call the telephone number on the notice to have the IRS abate any interest and any late filing or late payment penalties that would otherwise apply. Penalties or interest will be abated only for taxpayers who have an original or extended filing, payment or deposit due date, including an extended filing or payment due date, that falls within the postponement period.

The IRS automatically identifies taxpayers located in the covered disaster area and applies automatic filing and payment relief. But affected taxpayers who reside or have businesses located outside the covered disaster area must call the IRS disaster hotline at 1-866-562-5227 to request this tax relief.

Under section 7508A, the IRS gives affected taxpayers until Oct. 31 to file most tax returns (including individual, corporate, and estate and trust income tax returns; partnership returns, S corporation returns, and trust returns; estate, gift, and generation-skipping transfer tax returns; and employment and certain excise tax returns), or to make tax payments, including estimated tax payments, that have either an original or extended due date occurring on or after Aug. 27 and on or before Oct. 31. The IRS also gives affected taxpayers until Oct. 31 to perform other time-sensitive actions that are due to be performed on or after Aug. 27 and on or before Oct. 31.

The postponement of time to file and pay does not apply to information returns in the W-2, 1098, 1099 series, or to Forms 1042-S or 8027. Penalties for failure to timely file information returns can be waived under existing procedures for reasonable cause. Likewise, the postponement does not apply to employment and excise tax deposits. The IRS, however, will abate penalties for failure to make timely employment and excise tax deposits due on or after Aug. 27 and on or before Sept. 12 provided the taxpayer makes these deposits by Sept. 12.

Affected taxpayers have the option of claiming disaster-related casualty losses on their federal income tax return for either this year or last year. Claiming the loss on an original or amended return for last year will get the taxpayer an earlier refund, but waiting to claim the loss on this year's return could result in a greater tax saving, depending on other income factors. Individuals may deduct personal property losses that are not covered by

insurance or other reimbursements. Affected taxpayers claiming the disaster loss on last year's return should put the Disaster Designation "New Jersey/New York/Hurricane Irene" at the top of the form so that the IRS can expedite the processing of the refund.

For further information, contact your Cowan, Guteski & Co. tax advisor at 877-349-6880. Taxpayers may also visit the official IRS website, www.irs.gov, or call toll free 1-800-Tax Form (1-800-829-3676) or, for general tax questions, 1-800-829-1040.

Sources: IRS; NY-2011-34 Sept. 1, 2011 and NJ-2011-42 Sept. 1, 2011, updated Sept. 7, 2011. NJ Dept. of Taxation, Sept. 2, 2011.

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40 Bey Lea Road, Suite A101, Toms River, NJ 08753 Phone: 732.349.6880 Fax: 732.349.1949
730 Hope Road, Tinton Falls, NJ 07724 Phone: 732.676.4100 Fax: 732.676.4101
Member of CPAmerica International
www.CowanGuteski.com