

TAXES TODAY

eNewsletter for
Tax Professionals

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Tax Relief for California Wildfire Victims

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With this Taxes Today, I would like to pivot from year-end tax planning (we all have plenty of that on our plate right now) and focus on two important California specific topics: **the tax relief provided to California wildfire victims and misconceptions of California tax law under the Tax Cuts and Jobs Act (TCJA).**

Do you have a client that was adversely impacted by one of California's recent devastating wildfires such as the Camp, Hill & Woolsey, or Carr Fire? If so, they likely qualify for federal (and California) tax relief.

Federal tax relief may include extending the filing deadline for individual, business, nonprofit, and quarterly payroll and excise tax returns.

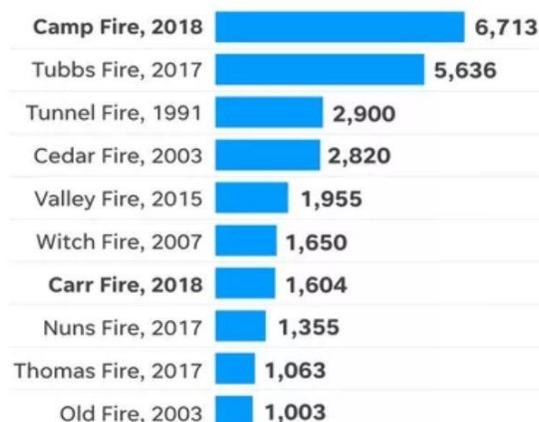
Further, a "[disaster loss](#)" may also be available to these individuals. *Note: California law generally follows federal law regarding the treatment of losses incurred as a result of a casualty or a disaster.*

Affected taxpayers are automatically identified within the covered disaster area, but taxpayers who live or have a business outside the area and have been impacted, should call the IRS disaster hotline at 866-562-5227.

We have found that clients impacted by a wildfire have greatly appreciated information on the above.

Please see the IRS posting, [Tax relief for victims of wild fire and high winds in Northern California](#), for just one example of the announcements the IRS makes for each of these events.

Camp Fire has destroyed more structures than any other California wildfire



SOURCE California Department of Forestry and Fire Protection

On another topic, while many of our clients believe that the Tax Cuts and Jobs Act will increase their California income taxes, this may not actually be the case.

The reason California income taxes are not impacted by the TCJA is because California did conform to the federal tax law changes for this act. California's heavily Democratic Legislature would have had to introduce bills to do so.

For example, on a California tax return, individuals can...

- still deduct interest on up to \$1 million in mortgage debt used to buy or improve a first and second residence, along with \$100,000 in home-equity debt that was not use to buy or improve a home.
- continue to itemize deductions (even if they are taking the higher standard deduction on their federal tax return).
- still take exemption credits for themselves and their dependents.

Further, even with individuals losing significant federal tax deductions, some Californians will pay less even in federal taxes this year with the repeal of the alternative minimum tax, which tended to hit higher-income people in high-tax states, such as California.

The confusion regarding California tax law under the TCJA may lie in the fact that California has conformed to federal tax changes in the past. This has occurred as recently as [2015](#) - individuals may also be thinking back to the overhaul of the tax code in [1986](#).

For more information on this topic, please read the article, [Relax: Federal law won't raise your California income tax](#).

Finally, we encourage you to review the article, [Tax Deductions 2018: 42 Tax-Write offs You May Not know About](#). Simply forwarding this to a client for their own review would be immediate (and low effort) value-add.

We are here to help.

As always, please feel free to reach out and call (916-405-9166) or email (spitchford@towerpointwealth.com) with any questions, thoughts, or needs you may have. At Towerpoint Wealth, we are happy to be a direct and no-strings-attached resource for you.



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