Disaster Impacts on VITA/TCE tax preparation in TY24

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Hurricane Helene resulted in a federal disaster declaration for the state of North Carolina that may impact volunteer tax preparation for TY24. In addition, the NCDOR also announced State tax relief. Here are links to those announcements:

IRS Announcement Oct 1 NCDOR Announcements and other information

This note identifies some possible impacts on TY24 tax preparation and some of the resources that may be helpful.

1. The tax season for all of NC (and SC) is extended to May 1. Each site is free to decide when they will close. The IRS notes that very few returns were prepared during the extension in past disasters so plan accordingly for your client base. There may be some limits on direct debit after April 15—that will be clarified in the coming months.

2. Some penalties for late submission and missed estimated tax payments are waived. If a return is being prepared for a TP in one of the disaster counties and the TP may possibly be affected by a penalty then the declaration should be included on the Federal and NC returns (see how to enter in TSO here). The declaration is not required to claim exemption but MAY help.

3. Casualty Losses: clients who experienced financial loss may inquire about casualty loss tax deductions. Volunteer preparers **MUST** use the VITA/TCE CASUALTY LOSS SCREENING TOOL to determine if those returns are in scope. Form 4684, required for disaster casualty losses, is out-of-scope.

4. IRS Publication 5396 has specific guidance for site operations that local leaders should consult. Job Aid Publication 5396a covers missing income documents.

5. Taxpayers who need missing federal tax documents may request free copies of returns or transcripts following the instructions in the IRS Announcement.

6. Waiver of 10% early withdrawal penalty for up to $1,000 of retirement distributions for emergency expenses. Code 23, Form 5329.

7. Qualified Disaster Recovery Distributions from retirement plans (IRS Pub 590-B) require Form 8915-F and are out of scope except for COVID distributions.

We may learn of other changes in tax preparation for TY24 as the season matures. This document will be revised accordingly.