



TaxNewsFlash

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Rev. Procs. 2018-08, 2018-09: Safe harbor methods for determining casualty, hurricane-related losses of individuals

The IRS today released advance versions of two revenue procedures—Rev. Proc. 2018-08 and Rev. Proc. 2018-09—providing safe harbor methods for individual taxpayers to use in determining the amount of casualty losses, and in particular losses incurred as a result of hurricanes in 2017.

Rev. Proc. 2018-08

[Rev. Proc. 2018-08](#) [PDF 70 KB] provides safe harbor methods for individual taxpayers to use in determining the amount of their casualty and theft losses for their homes and personal belongings. As noted in an IRS transmittal message:

- Four of the safe harbor methods may be used for any qualifying casualty or theft loss.
- Three of the safe harbor methods are specifically applicable only to losses occurring as a result of a federally declared disaster.

As noted in a related IRS release ([IR-2017-202](#)), one of the safe harbor methods allows a homeowner to determine the amount of loss, up to \$20,000, by obtaining a contractor estimate of repair costs. Another safe harbor method allows a homeowner to determine the amount of loss resulting from a federally declared disaster using the repair costs on a signed contract prepared by a licensed contractor. The revenue procedure also provides a table for determining the value of personal belongings damaged, destroyed or stolen as a result of a federally declared disaster.

Rev. Proc. 2018-08 states that:

- The IRS will not challenge an individual's determination of the decrease in fair market value of personal-use residential real property if the individual qualifies

for and uses one of the safe harbor methods described in this revenue procedure.

- The IRS will not challenge an individual's determination of the decrease in fair market value of personal belongings if the individual qualifies for and uses one of the safe harbor methods described in this revenue procedure.
- If an individual uses a safe harbor method pursuant to this revenue procedure, the individual also must take into account the value of any no-cost repairs.
- Use of one of these safe harbor methods is not mandatory. An individual may decide to use the actual reduction in the fair market value of personal-use residential real property or personal belongings, pursuant to Reg. section 1.165-7(a)(2) if the individual has proper substantiation.
- These safe harbor methods apply only to the circumstances within the scope of the revenue procedure. These methods may not be used in any other circumstances.

Rev. Proc. 2018-09

[Rev. Proc. 2018-09](#) [PDF 105 KB] provides a safe harbor method under which individual taxpayers may use one or more cost indexes to determine the amount of loss to their homes as a result of specific hurricanes and tropical storms in 2017—Hurricane and Tropical Storm Harvey, Hurricane Irma, and Hurricane Maria.

The cost indexes provide tables with cost per square foot for Texas, Louisiana, Florida, Georgia, South Carolina, Puerto Rico, and the U.S. Virgin Islands.

Rev. Proc. 2018-09 states that:

- The IRS will not challenge an individual's determination of the decrease in fair market value of personal-use residential real property attributable to one of the 2017 hurricanes if the individual qualifies for and uses the safe harbor method described in this revenue procedure.
- If an individual uses this safe harbor method, the individual also must take into account the value of any no-cost repairs.
- Use of the safe harbor method is not mandatory. An individual may, instead, use a safe harbor method described in Rev. Proc. 2018-08 (as noted above), or the actual reduction in the fair market value of the personal-use residential real property, pursuant to Reg. section 1.165-7(a)(2) if the individual has proper substantiation.
- The safe harbor method applies only to the circumstances within the scope of this revenue procedure, and may not be used in any other circumstances.

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