

Tax Relief

Federal Tax Relief

The Internal Revenue Service (IRS) has announced that it will provide victims of the Hawaii wildfires with tax relief. This relief is extended to individuals and households that reside or have a business in counties in the disaster area designated by FEMA. A full list of the relief available can be found in the IRS's official announcement: <https://www.irs.gov/newsroom/irs-hawaii-wildfire-victims-qualify-for-tax-relief-oct-16-deadline-other-dates-postponed-to-feb-15>.

IRS Filing and Payment Deadline Postponement

- Any tax filing and payment deadlines falling in the period from August 8, 2023 to February 15, 2024 will now be postponed to February 15, 2024. The new February 15, 2024 deadline applies to the following:
 - Individuals who had a valid extension to file their 2022 return due to run out on Oct. 16, 2023. The IRS noted, however, that because tax payments related to these 2022 returns were due on April 18, 2023, those payments are not eligible for this relief.
 - Quarterly estimated income tax payments normally due on Sept. 15, 2023, and Jan. 16, 2024.
 - Quarterly payroll and excise tax returns normally due on Oct. 31, 2023, and Jan. 31, 2024.
 - Calendar-year partnerships and S corporations whose 2022 extensions run out on Sept. 15, 2023.
 - Calendar-year corporations whose 2022 extensions run out on Oct. 16, 2023.
 - Calendar-year tax-exempt organizations whose extensions run out on Nov. 15, 2023.
- Penalties for the failure to make payroll and excise tax deposits due on or after August 8, 2023, and before September 7, 2023, will be abated as long as the deposits are made by Sept. 7, 2023.

Eligibility

The IRS will automatically apply relief to any taxpayer with an IRS address of record in the disaster area.

- If you are eligible for relief but have a different address on file with the IRS and you receive a penalty notice, you should call the number on the notice to have the penalty abated.
- If you live outside the disaster area you may still qualify for relief if your records necessary to meet a tax deadline are located in the disaster area, or if you are assisting the relief efforts as part of a recognized government or philanthropic organization. In these cases, you should call the IRS at 866-562-5227.

Tax Deductions for Lost or Damaged Personal Property and Belongings

If your property was lost or damaged as a result of the wildfires, and you will not be fully compensated by insurance or otherwise, you may be eligible to claim the personal casualty loss

deduction on your 2023 taxes or your 2022 taxes. You have extra time—up to six months after the due date of your federal income tax return for the disaster year—to make this election.

- As a general rule, you must first reduce the amount of the loss by \$100 and then further subtract 10% of your Adjusted Gross Income before taking this deduction.
- If you receive insurance or another type of reimbursement for the damaged or lost property, you must subtract the amount received when calculating your loss.
- Be sure to write the FEMA declaration number—DR-4724-HI—on any return claiming a loss.
- For more information, please see IRS Publication 547: <https://www.irs.gov/pub/irs-pdf/p547.pdf>.

Generally No Tax on Qualified Disaster Relief Payments

Qualified disaster relief payments are generally excluded from gross income. In general, this means that you will not have to pay taxes on amounts received from a government agency for reasonable and necessary personal, family, living or funeral expenses, as well as for the repair or rehabilitation of your home, or for the repair or replacement of its contents. In some uncommon situations where you are also compensated for the same necessary expense by insurance or otherwise, you may have to include the payment you receive from the government in your taxable income. See IRS Publication 525 for further details: <https://www.irs.gov/pub/irs-pdf/p525.pdf>.

State Tax Relief

The Department of Taxation has announced state income tax relief for Hawaii taxpayers. For purposes of Hawaii income tax law, you may claim all of the loss deductions allowed by federal law as outlined above. The Department has also announced an exemption from general excise tax for amounts received from property or casualty insurance policies for losses resulting from the wildfires. Read more here: <https://files.hawaii.gov/tax/news/announce/ann23-03.pdf>.

If you are having trouble meeting your tax obligations, the Department will consider requests for extensions, waivers, and other relief on a case-by-case basis. If you are filing a paper tax return with the Department, make sure the return is clearly labeled “2023 Wildfire Relief” at the top-center so requests for relief can be appropriately considered. If your filing address is not within the areas directly affected by the fires, include a brief statement as to how the disaster has affected your ability to pay your taxes.