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Bulletin

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Natural Disaster Income Tax Credit

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

For information or forms
Visit our website at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

To:

- ***Taxpayers who sustained damage to qualified real property located in Illinois disaster areas as declared by the Governor due to flooding in 2017 (refer to list on Page 3), and***
- ***All township assessors and chief county assessment officers located in affected counties.***

Public Act 100-0555 provides for an income tax credit to taxpayers who sustained damages to qualified real property located in an Illinois-declared disaster area as a result of flooding in 2017 and were issued a Natural Disaster Credit Certificate from their township assessor or chief county assessment officer (CCAO).

What is the Natural Disaster Credit?

The Natural Disaster Credit is a credit against individual or business income tax for the 2017 tax year (fiscal filers - for tax years beginning prior to January 1, 2018). **You are eligible for the Natural Disaster Credit if you own “qualified real property” that:**

- is located in a county in Illinois that was declared a State disaster area due to flooding in 2017 (refer to list on Page 3),
- was damaged as a result of events related to this flooding, and
- did not or will not receive a Natural Disaster Homestead Exemption on property taxes as a result of this flooding.

The amount of the credit is the **lesser** of \$750 or the casualty loss deduction allowed with respect to the qualified real property under Section 165 of the Internal Revenue Code (IRC), whether or not you actually claimed the casualty loss deduction on your federal income

tax return. For this purpose, the amount of the casualty loss deduction under IRC Section 165 is determined without regard to either the 2% rule, the \$100 rule, or the 10% rule. Generally, this is the amount of loss you determine for qualified real property on Line 9 or Line 27 of federal Form 4684, and does not include any amount reimbursed by insurance. See the instructions for federal Form 4684 and federal Publication 547.

What is qualified real property?

“Qualified real property” is defined as property that is your principal residence (not including personal property, such as furniture), or real property that is owned by a small business.

The term “small business” means a corporation or concern that employs fewer than 50 full-time employees, or has gross annual sales of less than \$4 million, and is not dominant in its field. (5 ILCS 100/1-75)

Note: Qualified real property does not include property that is rented or leased. For example, a strip mall that leases units to businesses, and a house that is rented by an individual are not qualified real property.

How is the Natural Disaster Credit administered?

The county or the township in which the property is located will administer the issuance of the Natural Disaster Credit Certificate to a taxpayer who has met all qualifications for the natural disaster income tax credit. Please refer to our website at tax.illinois.gov for more information.

The certificate includes the name and address of the property owner, the property index number or permanent index number (PIN) of the damaged property, the amount of the credit, and the property-specific certificate number.

The county will be required to certify to the Department a listing of the taxpayers, properties, PINs, and certificate numbers for the properties that have been awarded certificates.

How do I qualify for the Natural Disaster Credit?

To qualify for the credit, the following must apply:

- the property is located in a county that was declared a state disaster area for flooding by the Governor in 2017 (see list on Page 3) and was damaged by the same flooding;
- you have not or will not receive a Natural Disaster Homestead Exemption under Section 15-173 of the Property Tax Code with respect to the qualified real property as a result of the flood damage;
- the property is “qualified real property” as defined in “What is qualified real property?” and
- if a business, you are a “small business” as defined in “What is qualified real property?”

Important: You must provide documentation to request a Natural Disaster Credit Certificate from the county in which the damaged property is located.

How do I claim the credit?

1. Obtain a Natural Disaster Credit Certificate.

In order to claim the Natural Disaster Credit, you must obtain a Natural Disaster Credit Certificate from the designated issuer in the county in which your property is located. **Note:** You must be able to prove that you incurred a casualty loss with respect to qualified real property, and establish the amount of that loss, in the manner required to obtain the casualty loss deduction under IRC Section 165. Your credit is equal to the **lesser of \$750 or the amount of loss you determine for the qualified real property on Line 9 or Line 27 of U.S. Form 4684**. If you did not claim a casualty loss deduction on your federal income tax return (for example, because you did not itemize deductions), you should complete a pro-forma federal Form 4684 to determine the amount of the casualty loss deduction you would have been allowed. See IRS Publication 547, “Casualties, Disasters, and Thefts,” for more information.

Documentation required:

- a copy of federal Form 4684 verifying your casualty loss deduction, or if you did not claim a casualty loss deduction on your federal income tax return (for example, because you did not itemize deductions), you should complete a pro-forma federal Form 4684 to determine the amount of the casualty loss deduction you would have been allowed. See IRS Publication 547, “Casualties, Disasters, and Thefts,” for more information.

In addition, include any of the following as support for the damages incurred:

- copies of receipts for repair of damages resulting from the flood.
- copies of estimates made on repair of damages resulting from the flood.
- copies of insurance claims and receipts for reimbursement for damages incurred from the flood.

2. Claim the credit on your 2017 Illinois income tax return. Follow the instructions included with the Natural Disaster Credit Certificate.

- For **individuals**, claim this credit on the “other credits” Lines of the Schedule 1299-C, Lines 54-56, and attach a copy of the certificate to your return.
- For **businesses**, claim this credit on the “other credits” Lines of the Schedule 1299-A, Lines 60-62, or Schedule 1299-D, Lines 62-64, depending on which return you file, and attach a copy of the certificate to your return.

Note: This credit may not reduce your tax liability to less than zero. However, if the amount of your credit exceeds your tax liability, the excess amount may be carried forward for up to 5 years. If you are a partnership or Subchapter S corporation that qualifies for the Natural Disaster Credit for small businesses, the credit is allowed to your partners or shareholders in accordance with the determination of income and distributive shares of income under IRC Sections 702 and 704 and Subchapter S of the IRC.

**Counties Declared Disaster Areas
in 2017**

April 28 - May 3, 2017

Alexander
Clinton
Jackson
Marshall
Union
Woodford

July 11 - 12, 2017

Lake
McHenry
Kane
Cook

July 19, 2017

Carroll
Henry
Jo Daviess
Lee
Ogle
Rock Island
Stephenson
Whiteside

Warning: Intentionally submitting false information is a crime under Section 1301 of the Illinois Income Tax Act.