

Homeowners can deduct for repairs beyond foundations

By Eric Bedner

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The IRS has determined that homeowners with crumbling foundations can apply for the federal casualty loss deduction for certain repairs such as landscaping that aren't covered by the state-run captive insurer, Connecticut Foundations Solutions Indemnity Co.

Specifically, the IRS has confirmed that if the repaired feature eligible for casualty loss coverage was damaged due to a crumbling foundation or was destroyed during repair of the foundation, the cost to fix it would be eligible for federal tax relief.

The clarification, U.S. Rep.

Joseph D. Courtney, D-2nd District, said, is another in a series of positive developments for homeowners maneuvering through the foundation crisis.

He noted that while the state fund can provide up to \$175,000 for foundation repairs, the company will not cover peripheral projects such as driveways, decks, or landscaping.

"The process of repairing a home's foundation can come along with collateral damage, and those damages and subsequent repairs should qualify under the federal casualty loss deduction," Courtney said.

IRS Commissioner Charles Rettig outlined scenarios in which casualty loss coverage

would be applicable, including repairs to swimming pools, gardens, landscaping, and driveways, if the damage was caused by and necessary for foundation repair.

"If the taxpayer's driveway abuts the residence's foundation, and a portion of the driveway must be removed to access the foundation so that it can be repaired, then the cost of repairing that particular portion of the driveway would be treated as part of the casualty loss," he said.

If other expenses were incurred, such as repairing damage to drywall, framing, and decks, the taxpayer would have to determine whether the damage was due to the crumbling foundation or was damaged in

the process of replacing the foundation, Rettig said.

He added that other expenses, such as lodging while a home is being fixed, relocation, lost wages, and other such expenses are not eligible for the federal deduction.

"This is good news for homeowners who suffer stress and uncertainty from the discovery of crumbling foundations in their home," said U.S. Rep. John B. Larson, D-1st District. "They should not have to worry that fixing the problem will cost them even more money or damage to their home."

Michael Maglaras, superintendent of the state's captive insurance fund, said that since the company just lifted its first house April 3, the timing of the

IRS clarification is welcome news.

"Within the next four weeks, we will raise three dozen houses, and this will make all the difference in the world to the victims of this crisis," he said.

Thursday's clarification comes in response to a February letter from Courtney detailing the expenses a homeowner faces other than for the foundation itself.

Considering tax season was approaching, Courtney requested a response no later than March 9, but didn't receive the clarification from Rettig until Monday.

Homeowners are advised to consult with a qualified tax preparer to see whether they qualify for the deduction.