



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**DETERMINING AND REPORTING
INCOME TAX LOSSES AND GAINS
FROM STORM DAMAGE**



Stuart F. Smith
Charles H. Cuykendall

Department of Agricultural, Resource, and Managerial Economics
College of Agriculture and Life Sciences
Cornell University, Ithaca, New York 14853-7801

It is the Policy of Cornell University actively to support equality of educational and employment opportunity. No person shall be denied admission to any educational program or activity or be denied employment on the basis of any legally prohibited discrimination involving, but not limited to, such factors as race, color, creed, religion, national or ethnic origin, sex, age or handicap. The University is committed to the maintenance of affirmative action programs which will assure the continuation of such equality of opportunity.

Determining and Reporting Income Tax Losses and Gains From Storm Damage

Hundreds of New York farmers, small business owners and individuals experienced property damage from the January 1998 ice storm, summer floods, hail, tornadoes and other several wind storms. Many have received insurance proceeds, USDA disaster assistance, NYS recovery grants, HUD grants and private relief monies to help offset losses and cover related expenses.

It is important that farmers and other taxpayers recognize the type, and extent of loss, or gain that has occurred and how to report it correctly for good tax management.

Casualty loss or gain is the tax term that covers the income tax treatment of gains and losses from storm damage. Casualties also include losses or gains from fire, drought, vandalism and many accidents.

Two different income tax issues result from storm damage and other casualty losses. The first is, how much can the taxpayer deduct as a loss and how and when is the loss reported? The second is, how much income must be reported as a result of payments received for the damaged property and when must those payments be reported.

Although different rules apply when determining personal casual losses versus business casualty losses, here are several general rules and guidelines that apply to all casualty losses:

1. Records or documented evidence is needed to support casualty losses claims. They should show the type of casualty, when it occurred and how it was a direct result of the storm or other disaster.
2. Casualty losses in a disaster area, designated by the President may be claimed for the prior tax year on an amended return.
3. If the casualty loss is covered by insurance, a timely insurance claim must be filed in order to deduct the loss.
4. Casualty gains are more common than casualty losses because insurance and other reimbursements commonly exceed the basis of property destroyed or damaged.
5. Casualty gains are involuntary conversions and may be postponed by purchasing property that is similar or related in service or use to the damaged property, or by using the reimbursement payments to restore the damaged property.

6. Incidental expenses caused by a casualty such as renting equipment, temporary housing, and the treatment of personal injuries, are not part of the casualty loss but if they are directly related to business property, they may be deductible as business expenses.
7. The cost of cleaning up after a casualty and the costs of repairing or replacing damaged property are not automatically included in the casualty loss. They may be business expenses, added to basis or used to help determine the loss in Fair market value (FMV).
8. Determining the fair market value of damaged property before and after the casualty may be an important step in determining a casualty loss or gain.
9. Not all payments received by disaster victims are classified as reimbursement income.

Casualty Losses and Gains to Business Property

A taxpayer must separate business property from personal property when determining the loss or gain from storm damages and other casualties. Special deduction limits that do not effect business property are applied to personal property casualty losses.

Farm business property that has suffered storm damage in 1998 includes farm buildings and structures, farm machinery and equipment, orchards, sugar maples and farm wood lots, farm roads and drainage ditches, windbreaks, farm animals and growing crops.

Determine the extent of loss

Many taxpayers have had damages to more than one item of property in 1998. They must figure the casualty loss or gain on each item separately.

- Step 1: Determine the decrease in FMV of the property and compare it with the adjusted basis in the property before the casualty, then use the smaller of the two amounts.
- Step 2: Add up all insurance and other reimbursement received or to be received for the damage of this item of property.
- Step 3: Subtract the step 2 amount from the step 1 amount. The answer, or the amount in step 1 that exceeds total reimbursement in step 2, is the business casualty loss.

Example: Farmer Franklin's maple sugar house and dairy barn were damaged by the January ice storm. The loss in FMV to the sugar house was estimated at \$1200 and it had a \$800 basis before the storm. The dairy barn lost \$22,000 in FMV and had a basis of \$24,000 before the storm. Franklin received \$700 of New York State disaster aid to repair his sugar house and \$20,000 insurance to fix the barn. He uses the three-step casualty loss or gain calculation as follows:

	Property Item:	Sugar House	Dairy Barn
Step 1	Loss in FMV	\$1,200	\$22,000
	Adjusted basis	<u>800</u>	<u>24,000</u>
	Select smaller amount	800	22,000
Step 2	Total reimbursement received	700	20,000
Step 3	Step 1 minus	800	22,000
	Step 2	<u>-700</u>	<u>-20,000</u>
	Amount of Casualty Loss	\$100	\$2,000

Franklin has a casualty loss of \$100 on the maple sugar house even though it lost \$1,200 in fair market value in the ice storm. He has a \$2,000 casualty loss on the dairy barn because its loss in FMV exceeds insurance received by \$2,000.

When business property is completely destroyed, the decrease in FMV is not used in the casualty loss calculation. The adjusted basis minus the reimbursement is the casualty loss. If the dairy barn owned by Farmer Franklin had been completely destroyed the casualty loss would have been \$4,000.

Determining fair market value (FMV)

The change in FMV is used to determine casualty losses when it is less than the adjusted basis of business property. This can occur when damage is light and/or when property is new.

Example: Farmer Madison lost 25% of the metal roof off her new storage building in a September wind storm. The adjusted basis of the building was \$40,000 before the storm. The 25% roof loss reduced the FMV by \$20,000. Madison will figure her casualty loss by subtracting insurance and other compensation received to cover the loss, from the loss in FMV. But if Madisons reimbursement exceeds \$40,000 she has a casualty gain.

Usually a competent appraisal is needed to determine the decrease in FMV. The appraiser must determine the FMV of the property immediately before and immediately after the casualty. The appraiser must be able to separate the change in property value caused by general economic conditions from the change in value caused by storm damage. Only changes in FMV attributed to damaged property are used in the casualty loss calculation.

The decrease in FMV can be determined from the cost of making repairs and cleaning up when the following conditions are met:

1. The repairs and clean-up are necessary to bring the property back to its pre-casualty condition.
2. The amount spent for repairs is not excessive.
3. The costs used in the determination are to repair damages caused by the casualty only.
4. The value of the property after the repairs is not, due to the repairs, more valuable than the property before the casualty.

Published automobile and truck “book values” may be used to help determine pre-casualty FMV’s of vehicles.

Since August 5, 1997 taxpayers in Presidentially declared disaster areas have been allowed to use federal disaster area loan (or loan guarantee) appraisals, to establish the amount of loss in FMV for making casualty claims.

Casualty gains

Farm buildings and other depreciable property, lost or damaged by storm or fire often result in casualty gains because insurance payments or other reimbursements, exceed a low adjusted basis. When total reimbursements exceed the adjusted basis of property before the casualty, there is a casualty gain. The adjusted basis of property is always used to determine the extend of business casualty gains, even when it is greater than the loss in FMV.

Example: During a Labor Day wind storm a tree fell on Farmer Cayuga’s farm truck and demolished it. The truck had an adjusted basis of \$17,000 before the storm. Cayuga’s insurance company will pay \$28,000 on the truck, or approximately it’s loss in FMV. The casualty gain is \$11,000. The loss in FMV is not considered.

Casualty gains are generally reported in the year reimbursement is received but may be postponed under certain conditions and requirements explained later. The value of similar property received to replace property lost in a casualty is not included in the casualty gain calculation. The replacement property merely receives the adjusted basis of the property damaged and replaced.

Reimbursement vs. excludible gifts

Insurance and other reimbursement received and expected to be received to cover property damaged or lost must be included in the calculation of a casualty gain or loss. Furthermore, when damaged property is covered by insurance, a claim must be timely filed in order to deduct the related casualty loss. The portion of the loss not covered by insurance (e.g. a deductible) is not subject to this rule.

Insurance payments received for damaged property is the most common type of includible reimbursement. USDA disaster assistance payments, federal disaster loans forgiven, state and federal recovery grants and private relief funds are includible reimbursement for the extent they are received for compensation of property damage. The amount lessees pay to repair damaged property they lease, or to pay the lessor to make repairs is an includible reimbursement for the lessor. Court awarded damages for a casualty, less legal fees and related expenses are an includible reimbursement.

Grants, gifts and other payments received to help after a casualty are includible reimbursements only to the extent they are received specifically to repair or replace property. Cash gifts received with no restrictions or limits on how to use the money are excluded from casualty loss calculations even if the money is used to repair damaged property.

Food, medical supplies, and other forms of assistance received do not reduce a casualty loss unless they are replacements for lost or destroyed property. They also are not taxable income.

Example: Farmer Jefferson's sugar bush, maple equipment, barn, house and farm shop where damaged by the January 1998 ice storm. Jefferson received \$45,000 of insurance to make building and equipment repairs, a \$15,000 USDA disaster payment to offset lost farm income, a \$5,000 recovery grant for general clean-up, a \$2,500 unspecified cash gift from friends and relatives and \$1,000 worth of food and supplies.

- The \$45,000 of insurance is an includible reimbursement.
- The \$15,000 disaster payment is excluded from the casualty loss calculation but is reported as 1998 or 1999 Sch.F. income.
- The \$5,000 recovery grant is excluded from the casualty loss calculation. The amount used to clean-up business property would be reported as farm income and offsetting expense on Sch. F.
- The \$2,500 unspecified cash gift and the \$1,000 of food and supplies are excluded from the casualty calculation and the tax form.

The requirement to included expected reimbursements not yet received may cause an adjustment in a later tax year. If less reimbursement is received than reported, report the difference as a casualty loss in the year received. If more reimbursement is received than was reported, report the difference as a casualty gain in the year received unless the original claim didn't reduce taxable income. The return for the claim year is not amended to make these adjustments.

Postponement of gain

Reporting casualty gains may be postponed by purchasing property that is similar or related in service or use to the destroyed property within a specified 2 year replacement period. Casualty gains on damaged property may also be postponed if the reimbursement is used to repair the damaged property.

The replacement period begins on the date the casualty occurred and ends 2 years after the close of the first tax year in which any part of the gain is realized. The replacement period is 4 years for the taxpayers main residence if located in a federally declared disaster area.

To postpone all the gain, the cost of qualified replacement property must be as much or more than the reimbursement received. If the replacement cost is less, the unspent reimbursement is included as capital gain income.

If destroyed business property is located in a federally declared disaster area, any tangible replacement property acquired for use in the business, is treated as similar or related in service or use to the destroyed property.

Property purchased from a taxpayers other business entity(s) does not qualify as replacement property to postpone casualty gain. A taxpayer may postpone the gain by purchasing a controlling interest (at least 80%) in a corporation owning property similar or related in service or use.

The basis in replacement property is its cost less any gain postponed. When all the rules are followed, gain is postponed until the qualified replacement property is sold.

Reporting the option and postponing the gain

Postponing casualty gains is an option that should be used to maximize after tax income over a reasonable planning period. If reporting current casualty gains in the current tax year will produce less taxable income than if reported in a later tax year, probably the gains should not be postponed. But postponing taxes is an attractive option when a taxpayer has suffered financial loss from a casualty and future income and tax rates are uncertain.

To make the option to postpone a casualty gain attach a statement to the tax return for the year the gain occurs, that contains the following information:

- Date and detail of the casualty;
- Dollar amount of includible reimbursement received;
- How gain was calculated;
- State that the property will be replaced within the required replacement period.

When the replacement property is acquired, attach to that year's tax return a statement that includes:

- A description of the replacement property;
- The gain postponed;
- The basis adjustment that reflects the gain postponed;
- Any gain reported as income.

If the replacement property is acquired in the tax year the gain is realized, include this additional information on the original statement. When qualified replacement property is acquired in more than the tax year, an attached statement is needed for each year.

An amended return, for the tax year the gain was realized, will be required if either of the following things happen:

1. Qualified replacement property is not acquired within the required period.
2. The qualified replacement property costs less than the casualty gain postponed.

The original casualty gain or the portion that has not been postponed is reported on the amended return and any additional tax is paid.

The option to postpone gain may be made on an amended return any time before the replacement period. The applicable statement including the casualty date and details, reimbursement gain calculation and replacement property must be attached to the amended return.

Reporting the casualty gain when it occurs.

The best tax management strategy may be to report some or all casualty gains in the tax year they occur. This is true when casualty gains are needed to offset casualty losses and other deductible expenses. Casualty gains are first reported on Form 4684 where they are combined with casualty losses. Net gains from non depreciable business property are then reported in Part I or Part II of Form 4797. Gains from depreciable property held more than one year are subject to recapture and are reported in Part III, Form 4797. Depreciation taken on Sec. 1250 property will be unrecaptured Sec. 1250 gain, usually taxed at the 25% maximum capital gains rate.

The comprehensive farm example at the end of this publication illustrates many of the reporting rules and options.

Non-business Property Casualty Rules

The deduction for casualty and theft losses on income producing and personal-use property is limited by rules that do not affect business property.

Property held for investment

Casualty losses on income producing property held for investment such as stocks, works of art and real property held for investment, are reported with other miscellaneous deductions on Sch. A and are subject to the 2 percent AGI deduction.

Personal-use property

The first \$100 of a casualty (or theft) loss on personal-use property is not deductible. The deduction is made after all reimbursements have been subtracted from the total casualty loss. The \$100 deduction is made once for each casualty event or natural disaster. If 2 or more personal-use property casualty losses occurred in one casualty event, the deduction is only \$100. If casualty claims result from 2 or more casualty events, the \$100 deduction must be taken for each event but not necessarily for each item of property damaged.

Total personal-use casualty (or theft) losses must be reduced by 10 percent of AGI. This deduction is made after applying the \$100 reduction rule and after combining casualty gains and losses on all personal-use property. If gains are more than losses the 10 percent rule does not apply.

Married taxpayers filing a joint return are treated as one individual when applying the \$100 rule and the 10 percent rule. It does not matter if damaged property is owned jointly or separately. Marrieds filing separately apply the rules to their individual returns as applicable.

Computing a loss

To determine the casualty loss on personal-use property begin with the same 3 step procedure used to determine business property casualty losses described earlier. Then make the \$100 and 10 percent reductions if and when applicable.

When figuring a loss to personal-use real estate, all improvements, such as building and ornamentals, are considered together in one casualty loss calculation. Casualty losses to each item of personal property are determined in separate calculations.

Example: Mr. & Mrs. Syracuse had their home, garage, ornamental trees, fence, automobile and camper damaged by the September wind and rain storm. Their casualty losses (or gains) are computed as follows:

	Personal use real estate	Auto	Camper
FMV before storm	\$150,000	\$25,000	\$3,500
FMV after storm	<u>100,000</u>	<u>20,000</u>	<u>0</u>
Loss in FMV	50,000	5,000	3,500
Adjusted basis (cost)	<u>80,000</u>	<u>30,000</u>	<u>3,000</u>
Smaller amount	50,000	5,000	3,000
Total insurance and other reimbursement	- <u>40,000</u>	- <u>4,500</u>	- <u>3,400</u>
Loss (gain) after reimbursement	\$10,000	\$500	(\$400 gain)
Less \$100 deduction	- <u>100</u>	-	-
Total loss after \$100 rule	\$9,900 + 500 = 10,400		
Less 10% of \$53,000 AGI	-5,300		
Casualty loss	5,100		
Net casualty loss/gain deduction	\$5,100 – 400 = \$4,700 loss		

Mr. and Mrs. Syracuse file a joint return and have an AGI of \$53,000. The \$100 deduction is applied once because the losses occurred in one casualty event. The Syracuses' do not elect to postpone the gain on their camper. They combine their casualty gain with their losses for a \$4,700 net casualty loss deduction reported on Form 4684, Section A, and Form 1040, Sch.A.

Unique Farm and Timber Provisions

Livestock sold due to severe weather

Two provisions allow special treatment of gains from livestock sold due to drought, flood or other weather-related conditions. Both are effective for sales after December 31, 1996.

The first election is only available to cash basis farmers. They may postpone for one year, reporting the gain from the sale of livestock (excluding poultry), sold due to drought, flood or other weather-related conditions. Only gains on livestock sold in excess of the number that would have normally been sold may be postponed, and the drought must have resulted in the area being designated as eligible for federal assistance. The election is made by attaching a statement to the tax return and should include a reference to IRC Sec. 451 (e), evidence of the drought, the affect the drought had on livestock sales, the number sold, comparisons with normal sales years, and computation of income to be postponed. See Publication 225 *Farmer's Tax Guide* for more details.

The second provision allows for the involuntary conversion of gains only from the sale of dairy, draft and breeding livestock disposed of because of drought, flood or other weather-related conditions. Gains from an involuntary conversion can be deferred by reinvesting the sale proceeds in similar property within a two-year period. Only livestock sold in excess of the number that would have normally been sold qualify. This provision does not require disaster area designation by a federal agency.

Destruction of livestock

Livestock that are used in a trade or business and are destroyed by adverse weather conditions are treated the same as other business property for income tax purposes. Deductible losses are limited to the lesser of the taxpayer's basis in the property or the decrease in fair market value of the property. If the taxpayer receives insurance proceeds for the loss, gain is recognized to the extent that the proceeds exceed the basis in the livestock. That gain must be reported as income in the year the proceeds are received unless the taxpayer elects to replace the livestock within two years of the end of the tax year the proceeds are received.

Loss of current/future income

The loss of current crops and farm production, as well as the potential loss of production in subsequent years, is not a casualty loss deduction. All the production and clean up expenses associated with crops and other farm commodities held for sale are deductible on Sch. F.

Disaster payments and crop insurance

Normally, cash basis farmers are required to report disaster payments and crop insurance benefits in the year the payments are received. An exemption (Treas. Reg. Sec. 1.451-61a) allows the taxpayer to elect to report such benefits in the following year if the taxpayer can show that under normal business practice the income from the crop for which the benefits were received would have been reported in a later year. This applies to federal payments received as result of (1) the destruction of, or damage to, crops caused by drought, flood or any other natural disaster, or (2) the inability to plant crops because of such a natural disaster. This regulation is effective for payments received after December 31, 1973. The election does not allow the taxpayer to accelerate reporting the payment if it is received the year after the loss. See Publication 225, *Farmer's Tax Guide* for details on making the election. Revenue Ruling 91-55 reaffirms that disaster payments are treated the same as crop insurance.

In some states, farmers may receive USDA subsidized crop indemnity payments from private carriers for losses of income due to crop failure and/or low prices. Payments for crop losses that result from reduced production due to natural disasters qualify for the above exemption. Payments that compensate the producer for low market prices must be reported as income in the year they are received.

Timber losses

Timber losses caused by wind, ice, fire and other natural forces may entitle the owner to a casualty loss deduction. To qualify as a casualty loss, the damage must result in existing timber being rendered unfit for use. This includes trees that are blown down, those with severed tops, split trunks and trees that suffer growth arresting damage. Injury that reduces the rate of growth or the quality of future timber is not a casualty loss.

Timber casualty loss deductions will almost always be limited to the adjusted basis in the timber. The loss in FMV will seldom be less than the adjusted basis of growing timber. A timber casualty loss or gain is calculated as follows:

$$\begin{array}{rcl} \text{Total receipts from sale of damaged timber} & & \\ + & \text{insurance or reimbursement received for damage} & \\ - & \text{adjusted basis in timber and expenses of sale} & \\ = & \text{Net gain or loss} & \end{array}$$

The casualty calculation will result in a casualty gain when the sale receipts plus loss reimbursement exceed the adjusted basis. The basis of timber on New York woodlands is often extremely low because owners allocate a small part of the cost of real property to growing timber. A landowner who does not have an established basis for timber before the casualty may not claim a casualty loss.

A timber casualty gain is an involuntary conversion that may be postponed by reinvesting the gain in qualified replacement property. Qualified replacement property includes other standing timber and replacement timber sites.

Comprehensive Farm Example

Mr. and Mrs. N.N. York's farm and personal property were damaged by two natural disasters during 1998. During the January ice storm their maple sugar bush, standing timber, home and ornamentals were damaged. Limbs fell on their maple sugar house, sap-lines, tenant house and dairy barn. During the ice storm power outage they dumped four days of milk produced, unrefrigerated vet and medical supplies were lost, frozen food spoiled and a farm generator burned out. After the ice storm 10 cows with severe mastitis were sold, Mr. York suffered a back injury moving a downed tree and the sugar bush could not be tapped because of the tree limbs blocking access roads.

In an August thunderstorm, lightning struck and killed 3 dairy cows. Wind from the same storm blew the roof off the York's storage shed and water damaged feed stored inside. The roof landed on their personal auto and caused extensive damage. The wind flattened 10 acres of field corn and hail damaged vegetables being grown for sale.

The York's live in a county designated by the President as a disaster area caused by the January ice storm. The August thunderstorm did not result in federal disaster area designation.

A summary of the casualty gain (or loss) information, and calculations prepared by the York's accountant, is on the next page.

The York's separate their personal casualty gains and losses from the business casualties and apply the \$100 deduction rule to losses in each casualty event. The \$7,500 personal property loss attributed to the ice storm is reduced to \$7,400. This loss could be claimed for the 1997 tax year but the York's will not use that election. The \$300 auto damage loss from the thunderstorm is reduced to \$200. The total personal property casualty loss is \$7,600 before the 10% AGI deduction. Assume an AGI of \$18,000 and a deduction of \$1,800. Their personal property casualty loss is \$5,800.

If the York's home had not been damaged, there may have been a casualty gain because ornamental trees have a very low basis. The remaining \$600 personal property loss (\$7,600 - \$7,000) would be eliminated by the 10% reduction rule if the casualty gain were postponed by reinvesting in like kind property, or the casualty loss would be offset by any casualty gain reported.

Here is a summary of the casualty gain (or loss) information and calculations the Yorks will use:

Ice storm

Property damaged	Loss in FMV	Adj. basis or cost	Insurance/reimbursement	Casualty gain (loss) or other
Maple trees	\$30,000	\$500	\$0	\$(500)
Timber	50,000	2,000	0	(2,000)
Home and orn. trees	12,000	25,000	5,000	(7,000) ¹
Sugar house	4,000	500	3,500	3,000
Sap lines	2,500	0	1,500	1,500
Tenant house	6,000	7,000	5,000	(1,000)
Dairy barn	20,000	18,000	18,000	0
Milk	2,000	0	2,000	2,000
				Sch. F income
Vet supplies	1,400	1,400	1,400	1,400
				Sch. F ²
Frozen food	500	800	0	(500) ¹
Generator	2,400	2,400	0	2,400
				Sch. F exp. ³
10 cows sold	10,000	0	3,000	3,000 ⁴

(The lost income and additional expenses caused by personal injury and limits on Future production are not casualty losses.)

Thunder storm

Property damaged	Loss in FMV	Adj. basis or cost	Insurance/Reimbursement	Casualty gain (loss) or other
3 cows killed	\$3,000	\$900	\$3,000	\$2,100
Shed roof	8,000	1,000	7,000	6,000
Feed	2,600	1,200	2,600	2,600
				Sch. F ⁵
Auto	7,000	27,000	6,700	(300) ¹
Crops	3,200	0	2,200	2,200
				Sch. F. income

¹ All are personal casualty gains and losses that must be separated out.

² Reimbursement is entered as a receipt and amounts used to purchase original plus replacement supplies in 1998 are an expense on Sch. F.

³ Purchased in 1998 and did not last 1 year, claim as operating expense.

⁴ Raised cows with \$0 basis, sold for beef.

⁵ Combination of purchased and raised feed with \$0 basis. Enter on Sch. F. as in footnote 2 above.

The York's report their personal property casualty losses on Form 4684 and Sch. A. If they have a gain it goes on Form 4684 and Sch. D.

They report their farm business casualty losses and gains on Form 4684 where they are combined, and transferred to the appropriate lines on 4797. The York's may elect to postpone the gains on the sugar house, sap lines, cows and shed roof if they plan to replace or repair this property. They elect to postpone the gain on the shed roof only and attach the following statement to their 1998 tax return.

“We elect to postpone the entire \$6,000 gain on the following property lost in a casualty (thunderstorm) on August 18, 1998, under IBC 1033 (a): Shed roof blown off by wind. Loss in FMV \$8,000. Adjusted basis before casualty \$1,000. Insurance and other reimbursement received \$7,000. Gain \$6,000.”

If they do not elect to postpone the gain on the shed roof, gain to the extent of depreciation claimed will be unrecaptured Sec. 1250 gain subject to the maximum 25% tax rate.

The casualty gains on the remaining property will be included in 1998 income to offset business casualty losses and related expenses. Gains on the damage and/or loss to the sugar house, sap-lines and raised cows will be subject to depreciation recapture on Part III of Form 4797.

The farm business casualty losses from the ice storm could have been claimed for 1997 because the farm is in a federal disaster area. The proportion of crop insurance and disaster payment income representing produce that would have been sold or used in 1999 may be reported in 1999.

OTHER A.R.M.E. EXTENSION BULLETINS

<u>EB No</u>	<u>Title</u>	<u>Author(s)</u>
98-14	Dairy Farm Business Summary, Intensive Grazing Farms, New York, 1997	Conneman, G., C. Crispell, J. Grace, J. Karszes, L. Torbert and L. Putnam
98-13	Dairy Farm Business Summary, Eastern New York Renter Summary, 1997	Knoblauch, W.A. and L.D. Putnam
98-12	Dairy Farm Business Summary, Central Valleys Region, 1997	LaDue, E.L., S.F. Smith, W.A. Knoblauch, D. Bowne, Z. Kurdieh, C. Mentis, C.Z. Radick and L.D. Putnam
98-11	Dairy Farm Business Summary, Northern New York Region, 1997	Milligan, R.A., L.D. Putnam, G. Yarnall, P. Beyer, A. Deming and W. Van Loo
98-10	Dairy Farm Business Summary, Southeastern New York Region, 1997	Knoblauch, W.A., L.D. Putnam, S.E. Hadcock, L.R. Hulle, M. Kiraly and J.J. Walsh
98-09	Dairy Farm Business Summary, Western and Central Plateau Region, 1997	Knoblauch, W.A., L.D. Putnam, C.A. Crispell, J.W. Grace, J.S. Petzen, A.N. Dufresne and G. Albrecht
98-08	Dairy Farm Business Summary, Northern Hudson Region, 1997	Conneman, G.J., L.D. Putnam, C.S. Wickswat, S. Buxton and D.R. Wood
98-07	Dairy Farm Business Summary, Western and Central Plain Region, 1997	Knoblauch, W.A., L.D. Putnam, J. Karszes, C. Mentis, G. Allhusen and J. Hanchar
98-06	Dairy Farm Business Summary, New York Large Herd Farms, 300 Cows or Larger, 1997	Karszes, J., K.A. Knoblauch and L.D. Putnam
98-05	A Presentation Guide to the U.S. Food Industry	Green, G.M., E. W. McLaughlin and K. Park
98-04	Estate and Succession Planning for Small Business Owners	Tauer, L.W. and D.A. Grossman
98-03	Profile of the Work Force on Dairy Farms in New York and Wisconsin	McClenahan, E.J. and R.A. Milligan

To order single copies of ARME publications, write to: Publications, Department of Agricultural, Resource, and Managerial Economics, Warren Hall, Cornell University, Ithaca, NY 14853-7801. Visit our Web site at <http://www.cals.cornell.edu/dept/arme/> for a more complete list of recent publications.