

# Helping Clients Rebuild After Hurricane Michael



by Natalie Rooney

*When Hurricane Michael and its 115 mph winds slammed into Georgia beginning on Oct. 9, 2018, it did so as the first Category 3 hurricane to make a direct hit on the state in more than a century. Now, months later, Georgia's CPAs and their clients are still sifting through the aftermath.*

### No Time to Prepare

In mid-September, when Hurricane Florence pummeled the Carolinas, meteorologists had been sounding the alarm bells for a week. With Hurricane Michael, word – and warnings – came just days in advance.

With little time to prepare, Donna Walker, CPA, a sole practitioner in Tifton, was concerned. “I’m the only CPA here,” she says of the small, rural town in south-central Georgia. Her clients include farmers, small businesses and individuals.

The individual extension deadline was looming as the storm approached. Walker reached out to clients, reminding and encouraging them to submit their information so she could file their tax returns before the storm hit. She had learned the hard way in 2017 what it can be like to try and file when Mother Nature is wreaking havoc. “All of this just isn’t normal for South Georgia,” she says. Although extensions had been given the year before, Walker says you never know if the IRS is going to grant one. Ultimately, the IRS did grant extensions for victims of Michael, but Walker knew she had better be prepared, just in case.

While Walker’s clients were top of mind, she was also in a scramble to get her own rural property prepared for the storm, trying to get at least the basics taken care of – cooking meals in advance, making sure the car had a full tank of gas, and checking on her family to make sure they were prepared, as well. And then, while the storm raged, “We stayed in, stayed safe, and prayed a lot,” Walker says.

### The Agricultural Aftermath

As a rural, agricultural area, southwest Georgia will be feeling the economic impact of Hurricane Michael for decades. Estimates from the Georgia Department of Agriculture put losses at approximately \$2.5 billion.

Georgia is the country’s top pecan-producing state and the 2018 harvest was just getting underway when 100-mph winds knocked nuts, limbs and trees to the ground.

Marlan Nichols, CPA, partner at Nichols, Cauley & Associates, LLC and a GSCPA past chair, calls the devastation from Michael “unreal.” The firm has eight offices throughout Georgia, but the two impacted most heavily are in Warner Robins and Dublin.

When Tropical Storm Irma hit the same region in 2017, it affected mostly younger pecan trees, but if growers thought 2017 was bad, it is nothing compared to the devastation from Michael, which took out mostly older, more-productive trees.

Walker says her clients were frantically trying to get crops out of the fields prior to the storm, but many pecans weren’t yet ripe and were knocked out of the trees by the storm. Those nuts were lost, either buried under debris or crushed during clean up.

But even beyond the damage to this year’s crop are the long-term impacts: pecan trees take seven to eight years to bear nuts again. And if trees were completely destroyed, farmers will need to start from scratch – if they can even find young trees to replant.

John McDuffie, CPA, a partner in Mauldin and Jenkins’ Albany office, says clients have seen significant impact and damage to their pecan crop, including groves that may have lost as much as 30 percent of their trees, and in some cases 100 percent of the current year’s crop. He confirms the dire situation for the pecan farmers in terms of current yield and future crops. “Even if you plant a pecan tree today, you will get nothing from that tree for the next ten to twelve years,” he says. One of the firm’s client had 92-year old trees and a significant portion of them are gone. Another client bulldozed 400 acres of trees.

Ryan Inlow, CPA, partner at Mauldin and Jenkins, says he has seen estimates that the economic loss from the pecan harvest alone is \$650 million. “It destroyed the trees themselves,” he says. “It will be twenty years before some farmers are producing significant yields again.”

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Inlow and McDuffie also describe devastation on the area's cotton farms. "Any cotton that had been sprayed to defoliate in preparation for harvest is just gone – blown right out of the fields," McDuffie says. "You couldn't tell much difference from a field that had been harvested and one that had been defoliated. They looked the same."

This year's peanut crop will be a big mystery as well. Thanks to the combination of a late planting after a wet spring, Hurricane Michael damage, and a rainy November, the peanut harvest may be 20 percent below normal, according to agronomists.

The damage extends beyond the farms themselves to the various agribusinesses in the area. For example, buying points, where peanuts are taken to dry, were without power for more than a week. The timber industry also suffered huge losses with more than one million acres of trees were blown over.

### Legislative Assistance

Inlow says the big question on everyone's mind following Michael was what kind of relief would be coming and when.

The State of Georgia held a special legislative session in mid-November and passed House Bill 1EX providing up to \$270 million in emergency funding for state agencies and local governments in areas most heavily impacted by Hurricane Michael. Gov. Deal also signed House Bill 4EX, which creates a tax credit for certain taxpayers within southwest Georgia's timber industry who incurred significant expenses due to Hurricane Michael.

McDuffie praised GSCPA's work with legislators to utilize business casualty loss calculations to determine who would be entitled to the credits. In the past, federal laws treated two different farmers with the same economic loss differently – with one receiving the credit and one not receiving it. "Legislators reached out to GSCPA to discuss how to handle the situation equitably," McDuffie says.

### Lessons Learned and Shared

Nichols' firm lost power in the Dublin office, which serves as the hub for the Warner Robins and Atlanta offices. "So, when Dublin went down, we all went down," he says. "We literally could not get to our data."

The resulting three days without power had a significant impact. Generators were rented, and the office was up and running after 48 hours, but even then, not all of the necessary tax filings were completed on time. "Some clients just couldn't comply," says Nichols. One client, an electric company, didn't have a single customer with power. At another electric company client, 80-90 percent of customers were without power, many for up to two weeks.

At TJS Deemer Dana LLP in Dublin, Tracy Sharkey, CPA, managing partner, says daily communication with staff followed a pattern of lessons learned from back-to-back storms in 2016. "We continually let our staff know we were watching Michael and how we would operate in case the office was down," she explains. An email blast went out to all clients to inform them of office closures.

Still ahead, says Sharkey, is the tedious process of dealing with FEMA. "It may take a year before those impacted see any money. There's usually crop insurance in place to help, but FEMA is backlogged."

Sharkey says the firm is reaching out to clients. "We were lucky. We didn't have any clients who were completely devastated, but they are asking about next steps. They want to know how to work through this financial situation."

Manufacturing clients face a slightly different problem; rather than physical damage, manufacturers faced productivity losses. "When you lose electricity, companies have to close for two or three days. When you're still paying your employees but not producing your product to generate revenue, that's a problem," Sharkey says. She also notes how hurricanes seem to pick a tax deadline every month to arrive. "Now that we're on our third storm, we know that when an area has been declared a federal disaster area, the extensions will come, but it still creates a lot of stress and destroys our ability to get work done."

The widespread devastation has spurred Nichols, Cauley & Associates to make some changes to its disaster plans. Generators have been installed in hub offices, and Nichols describes better security planning in the event of another disaster. Much of the firm's data had already been moved to a hosted, off-site facility. "That was a great benefit to us and saved our firm," Nichols says. The biggest step was changing communications procedures and how phone lines are set up to provide better redundancy.

"We'll have the ability to move forward," Nichols says. "But if you look at where we are, we never dreamed we'd have a hurricane of that magnitude."

Three years ago, Sharkey sat down the firm's COO. After watching a firm they knew in Louisiana go through Katrina, they decided to develop a disaster plan. And that's something she cannot emphasize enough to others – have a disaster plan. "We originally joked that we'd put a disaster plan in place, but we'd probably never put it to use," she says wryly. "We've had to use it three times."

Even taking small steps like setting up group text messages is invaluable, Sharkey suggests. "It's an easy way to check in with people and make sure everyone is okay."

Sharkey describes the biggest and most important effort was moving the firms' servers into a co-location facility; basically, it's a bunker for your servers. "Put your servers where they aren't going to be touched. As long as you can get electricity from where you are, you will not be down," she asserts. Generators will now assure there will be electricity at any TJS Deemer Dana LLP office. "Even if we close an office, people can work on their laptops from other locations."

The whole disaster situation is another plug for going paperless, Sharkey says. "If you can't get to your office and have made everything paperless, you can still function at some level."

### Picking Up the Pieces

Even though they're busy helping clients recover, GSCPA members are dealing with their own damaged property. Inlow and McDuffie both had minor damage to their homes. Inlow says before FEMA began the cleanup, debris was piled so high along the roads it obscured the homes behind it.

Walker and her husband used their generators and were able to keep their own water, septic and power to the house going. Their property sustained damage, with downed trees, broken fences and damaged roofs, but after 24 hours, they were fortunate to have their electricity restored.

Sharkey says while the firm was very focused on when and how hurricanes would impact clients, they have also learned they need to reach out to staff members. "We had employees who didn't have electricity for over a week," she says. The firm offered cash to employees to help restock refrigerators or cover the costs of travel and hotels. "Our folks in Dublin opened their homes to employees who needed a place to stay," she says. The firm was also able to help employees with significant property damage secure loans to finance the repairs. "They didn't have to stress about the financial aspects of getting back into their homes."

"They will end up surviving," McDuffie says of the firms' clients. "A lot of them are generational farmers. There will be those who may not be able to continue farming, but they hardworking, resilient folks."

The longest-term impacts will be to the pecan growers, Inlow says "It remains to be seen how it impacts them for the long haul. It's going to hurt, but they will rebound."

"They'll go on," Nichols says. "What choice do they have? They'll file with insurers, deal with FEMA and GEMA to get reimbursement, and as a firm, we'll be assisting them."




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