Casualty Loss Tax Deductions

IRS Disaster Hotline: 866.562.5227

Can I deduct disaster losses from my federal income taxes? Yes. If you suffer damage to your home or personal property, you may be able to deduct your losses on your federal income tax return. Federal law allows you to deduct losses based on property damage caused by an unusual event or "casualty" such as a natural disaster. See IRS Publication 2194, *Disaster Resource Guide for Individuals and Businesses*; IRS Tax Topic 515, *Casualty, Disaster and Theft Losses (Including Federally Declared Disaster Areas,* www.irs.gov/taxtopics/tc515.html. For a listing of federally declared disaster areas and tax relief for those areas, go to www.irs.gov/uac/Tax-Relief-in-Disaster-SituationsRS.gov.

In what tax year should I claim the deduction? You must deduct a casualty loss in the year it occurred unless the loss was part of a federally declared disaster. If there is a federal declaration, you can elect to deduct the loss for the year the loss occurred or on an amended return for the immediately preceding tax year. Individuals and businesses in a federal disaster area will obtain a refund more quickly by filing an amended return. At minimum, you will need to:

- Report your loss by completing IRS Form 4684, Casualties and Thefts, and
- Claim the deductible amount on Schedule A, Itemized Deductions.

Are there exceptions as to what I can deduct? Yes. Keep in mind the following:

- Casualty loss does not include losses from normal wear and tear or progressive deterioration from age.
- If your property is insured but you failed to file a timely claim for insurance reimbursement, you can't deduct the loss as a casualty.
- If you filed an insurance claim, you must reduce your loss by the amount of the reimbursement paid by the insurance company.

How do I figure the amount of loss?

1. First, determine the adjusted basis in the property before the casualty, which is generally what it cost.
2. Then determine the decrease in fair market value (FMV) of the property as a result of the casualty. FMV is the price for which you could sell your property to a willing buyer. The difference between what the property was worth before the casualty and it's FMV after the casualty is your "casualty loss".
3. For your personal property, subtract $100, and then then reduce the total of all your casualty losses on your personal property for that year by 10 percent of your adjusted gross income.

Some of the casualty loss rules for business or income property are different than the rules for property held for personal use. For information on how to calculate and claim a disaster loss, see Publication 547, *Casualties, Disasters, and Thefts*, Form 4684 *Casualties and Thefts*, and Publication 584, *Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)*.

How can I get copies of my federal tax returns? Most of the time a *transcript* of your tax return will satisfy most requests. The transcript is free.

Transcripts - The IRS can produce different types of transcripts depending on what you need the transcript for. Order by calling 800-908-9946 and follow the prompts, or go Get Transcript on www.IRS.gov. Transcripts can be sent from the IRS to a third party, such as a mortgage institution, if you allow disclosure.

Exact copies - Disaster victims: The IRS will waive fees and expedite the request for taxpayers in a federally declared disaster area. For an exact copy with attachments (including Form W-2) complete IRS 4506 Request *for Copy of Tax Return*. If you are not in a federally declared disaster area, the fee is $50 for each return and may take as long as 75 business days to receive. Consider requesting a transcript instead. On jointly filed tax returns, either spouse may request a copy or only one signature is required.

DISASTER RELIEF