Casualties, Disasters, and Thefts

For use in preparing 2009 Returns

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What’s New for 2009

Increase in personal casualty and theft loss limit. Generally, each personal casualty or theft loss is limited to the excess of the loss over $500. In addition, the 10%-of-adjusted gross income (AGI) limit continues to apply to the net loss.

New Schedule L (Form 1040A or 1040). If you claim a net disaster loss as part of your standard deduction, you must complete Schedule L (Form 1040A or 1040) and attach it to Form 1040. See Disaster Area Losses later.

What’s New for 2010

Decrease in personal casualty and theft loss limit. Each personal casualty or theft loss is limited to the excess of the loss over $100 (instead of $500). In addition, the 10%-of-AGI limit continues to apply to the net loss.

Disaster losses. The special rules that were in effect in 2008 and 2009 for losses of personal use property attributable to federally declared disasters do not apply to losses occurring in 2010 and later years. Instead, these losses will be subject to the 10%-of-AGI limit and will be deductible only if you itemize your deductions. These losses will continue to be subject to the $100-per-loss limit.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected...
We welcome Progressive deterioration.

due to progressive deterioration is not de-

gible if the damage or destruction is a casualty or theft, you have to file Form 4684. The special rules for disaster area losses.


ternational Revenue Service

1201 N. Mitsubushi Motorway
Bloomington, IL 61705-6613

Cash questions. If you have a tax question, check the information available on www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Useful Items

You may want to see:

Publication

523 Selling Your Home

525 Taxable and Nontaxable Income

550 Investment Income and Expenses

551 Basis of Assets

584 Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)

584-B Business Casualty, Disaster, and Theft Loss Workbook

Form (and Instructions)

Schedule A (Form 1040) Itemized Deductions

Schedule A (Form 1040) Itemized Deductions (for nonresident aliens)

Schedule D (Form 1040) Capital Gains and Losses

Schedule L (Form 1040A or 1040) Standard Deduction for Certain Filers

4684 Casualties and Thefts

4797 Sales of Business Property

See How To Get Tax Help near the end of this publication for information about getting publications and forms.

Casualty

A casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual.

• A sudden event is one that is swift, not gradual or progressive.

• An unexpected event is one that is ordi-

narily unanticipated and unintended.

• An unusual event is one that is not a day-to-day occurrence and that is not typi-

cal of the activity in which you were en-

gaged.

Deductible losses. Deductible casualty losses can result from a number of different causes, including the following.

• Car accidents (but see Nondeductible losses, next, for exceptions).

• Earthquakes.

• Fires (but see Nondeductible losses, next, for exceptions).

• Floods.

• Government-ordered demolition or reloca-

tion of a home that is unsafe to use be-

cause of a disaster as discussed under Disaster Area Losses, later.

• Mine cave-ins.

• Shipwrecks.

• Sonic booms.

• Storms, including hurricanes and tornadoes.

• Terrorist attacks.

• Vandalism.

• Volcanic eruptions.

Nondeductible losses. A casualty loss is not deductible if the damage or destruction is caused by the following.

• Accidentally breaking articles such as glassware or china under normal condi-

tions.

• A family pet (explained below).

• A fire if you willfully set it, or pay someone else to set it.

• A car accident if your willful negligence or willful act caused it. The same is true if the willful act or willful negligence of someone acting for you caused the accident.

• Progressive deterioration (explained be-

low).

Family pet. Loss of property due to damage by a family pet is not deductible as a casualty loss unless the requirements discussed earlier under Casualty are met.

Example. Your antique oriental rug was damaged by your new puppy before it was housebroken. Because the damage was not un-

expected and unusual, the loss is not deductible as a casualty loss.

Progressive deterioration. Loss of prop-

terty due to progressive deterioration is not de-

ductible as a casualty loss. This is because the damage results from a steadily operating cause or a normal process, rather than from a sudden event. The following are examples of damage due to progressive deterioration.

• The steady weakening of a building due to normal wind and weather conditions.

• The deterioration and damage to a water heater that bursts. However, the rust and water damage to rugs and drapes caused

by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.
Table 1. Reporting Loss on Deposits

<table>
<thead>
<tr>
<th>IF you choose to report the loss as a(n)...</th>
<th>THEN report it on...</th>
</tr>
</thead>
<tbody>
<tr>
<td>casualty loss</td>
<td>Form 4684 and Schedule A (Form 1040).</td>
</tr>
<tr>
<td>ordinary loss</td>
<td>Schedule A (Form 1040).</td>
</tr>
<tr>
<td>nonbusiness bad debt</td>
<td>Schedule D (Form 1040).</td>
</tr>
</tbody>
</table>

Example. A car door is accidentally slammed on your hand, breaking the setting of your diamond ring. The diamond falls from the ring and is never found. The loss of the diamond is a theft. The IRS has issued the following guidance to assist taxpayers who are victims of losses from Ponzi-type investment schemes:


These losses are deductible as theft losses of property on your tax return for the year the loss was discovered. You figure the deductible loss in Section B of Form 4684. If you qualify to use Revenue Procedure 2009-20 and you choose to follow the procedures in Revenue Procedure 2009-20, you also must complete Appendix A of that procedure and write “Reve-


## Theft

A theft is the taking and removing of money or property with the intent to deprive the owner of it. The taking of property must be illegal under the law of the state where it occurred and it must have been done with criminal intent. You do not need to show a conviction for theft. Theft includes the taking of money or property by the following means:

- Blackmail.
- Burglary.
- Embezzlement.
- Extortion.
- Kidnapping for ransom.
- Larceny.
- Robbery.
- Theft of money or property through fraud or misrepresentation is theft if it is illegal under state or local law.

### Theft Losses

#### Nonbusiness bad debt

- If you choose to deduct the loss less than the amount you deducted as a nonbusiness bad debt in a prior year, you must include the amount recovered in your income. The choice generally is made on the return you file for that year. For more information, see the instructions for Form 4684.

### Casualty loss or ordinary loss

- As a casualty loss.
- As an ordinary loss.
- As a nonbusiness bad debt.

### Casualty loss or ordinary loss

- Whether a claim for reimbursement exists.
- The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- That the loss was a direct result of the casualty.
- That you were the owner of the property, or if you leased the property from someone else, that you were contractually liable to the owner for the damage.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

### Theft loss proof

- For a theft loss, you should be able to show all the following.
- When you discovered that your property was missing.
- That your property was stolen.
- That you were the owner of the property.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

### Proof of Loss

#### To deduct a casualty or theft loss, you may have to include the amount recovered in your income. If any part of the original deduction did not reduce your tax in the earlier year, you do not have to include that part of the recovery in your income. For more information, see Recoveries in Publication 525.

#### Loss on Deposits

A loss on deposits can occur when a bank, credit union, or other financial institution becomes insolvent or bankrupt. If you incurred this type of loss, you can choose one of the following ways to deduct the loss:

- As a casualty loss.
- As an ordinary loss.
- As a nonbusiness bad debt.

### Loss on Deposits

A loss on deposits can occur when a bank, credit union, or other financial institution becomes insolvent or bankrupt. If you incurred this type of loss, you can choose one of the following ways to deduct the loss:

- As a casualty loss.
- As an ordinary loss.
- As a nonbusiness bad debt.

### Casualty loss or ordinary loss

You can claim a nonbusiness bad debt when it actually becomes worthless. However, you can take a nonbusiness bad debt deduction for any amount of loss that is more than the estimated amount you deducted as a casualty or ordinary loss. Once you make the choice, you cannot change it without permission from the Internal Revenue Service.

If you claim an ordinary loss, report it as a miscellaneous itemized deduction on Schedule A (Form 1040), line 23. The maximum amount you can claim is $20,000 ($10,000 if you are married filing separately) reduced by any expected state insurance proceeds. Your loss is subject to the 2%-of-adjusted-gross-income limit. You cannot choose to claim an ordinary loss if any part of the deposit is federally insured.

### Nonbusiness bad debt

If you do not choose to deduct the loss as a casualty loss or as an ordinary loss, you must wait until the year the actual loss is determined and deduct the loss as a nonbusiness bad debt in that year.

### How to report

The kind of deduction you choose for your loss on deposits determines how you report your loss. See Table 1.

### More information

For more information, see Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions in the Instructions for Form 4684.

#### Deducted loss recovered

If you recover an amount you deducted as a loss in an earlier year, you may have to include the amount recovered in your income for the year of recovery. If any part of the original deduction did not reduce your tax in the earlier year, you do not have to include that part of the recovery in your income. For more information, see Recoveries in Publication 525.

### Decline in market value of stock

You can deduct as a theft loss the decline in market value of stock acquired on the open market for investment if the decline is caused by disclosure of accounting fraud or other illegal misconduct by the officers or directors of the corporation that issued the stock. However, you can deduct as a capital loss the loss you sustain when you sell or exchange the stock or the stock becomes completely worthless. You report a capital loss on Schedule D (Form 1040). For more information about stock sales, worthless stock, and capital losses, see chapter 4 of Publication 550.

### Mislaid or lost property

The simple disappearance of money or property is not a theft. However, an accidental loss or disappearance of property can qualify as a casualty if it results from an identifiable event that is sudden, unexpected, or unusual. Sudden, unexpected, and unusual events were defined earlier.

### Termite or moth damage

- The kind of deduction you choose for your loss on deposits determines how you report your loss. See Table 1.

### To deduct a casualty or theft loss, you must be able to show that there was a casualty or theft. You also must be able to support the amount you take as a deduction.

### Casualty loss proof

- The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- That the loss was a direct result of the casualty.
- That you were the owner of the property, or if you leased the property from someone else, that you were contractually liable to the owner for the damage.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

### Theft loss proof

- For a theft loss, you should be able to show all the following.
- When you discovered that your property was missing.
- That your property was stolen.
- That you were the owner of the property.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

It is important that you have records that will prove your deduction. If you do not have the actual records to support your deduction, you can use other satisfactory evidence to support it.
Figuring a Loss

To determine your deduction for a casualty or theft loss, you must first figure your loss.

Amount of loss. Figure the amount of your loss using the following steps.

1. Determine your adjusted basis in the property before the casualty or theft.
2. Determine the decrease in fair market value (FMV) of the property as a result of the casualty or theft.
3. From the smaller of the amounts you determined in (1) and (2), subtract any insurance or other reimbursement you received or expect to receive.

For personal-use property and property used in performing services as an employee, apply the deduction limitation discussed next to determine the amount of your deductible loss.

Gain from reimbursement. If your reimbursement is more than your adjusted basis in the property, you have a gain. This is true even if the decrease in FMV of the property is smaller than your adjusted basis. If you have a gain, you may have to pay tax on it, or you may be able to postpone reporting the gain. See Figuring a Gain, later.

Business or income-producing property. If you have business or income-producing property, such as rental property, and it is stolen or completely destroyed, the decrease in FMV is not considered. Your loss is figured as follows:

Your adjusted basis in the property MINUS Any salvage value MINUS Any insurance or other reimbursement you receive or expect to receive

Loss of inventory. There are two ways you can deduct a casualty or theft loss of inventory, including items you hold for sale to customers.

One way is to deduct the loss through the increase in the cost of goods sold by properly reporting your opening and closing inventories. Do not claim this loss again as a casualty or theft loss. If you take the loss through the increase in the cost of goods sold, include any insurance or other reimbursement you receive for the loss in gross income.

The other way is to deduct the loss separately. If you deduct it separately, eliminate the affected inventory items from the cost of goods sold by making a downward adjustment to opening inventory or purchases. Reduce the loss by the reimbursement you received. Do not include the reimbursement in gross income. If you do not receive the reimbursement by the end of the year, you may not claim a loss to the extent you have a reasonable expectation of recovery.

Leased property. If you are liable for casualty damage to property you lease, your loss is the amount you must pay to repair the property minus any insurance or other reimbursement you receive or expect to receive.

Separate computations. Generally, if a single casualty or theft involves more than one item of property, you must figure the loss on each item separately. Then combine the losses to determine the total loss from that casualty or theft.

Exception for personal-use real property. In figuring a casualty loss on personal-use real property, the entire property (including any improvements, such as buildings, trees, and shrubs) is treated as one item. Figure the loss using the smaller of the following.

- The decrease in FMV of the entire property.
- The adjusted basis of the entire property.

See Real property under Figuring the Deduction, later.

Decrease in Fair Market Value

Fair market value (FMV) is the price for which you could sell your property to a willing buyer when neither of you has to sell or buy and both of you know all the relevant facts.

The decrease in FMV used to figure the amount of a casualty or theft loss is the difference between the property's fair market value immediately before and immediately after the casualty or theft.

FMV of stolen property. The FMV of property immediately after a theft is considered to be zero since you no longer have the property.

Example. Several years ago, you purchased silver dollars at face value for $150. This is your adjusted basis in the property. Your silver dollars were stolen this year. The FMV of the coins was $1,000 just before they were stolen, and insurance did not cover them. Your theft loss is $150.

Recovered stolen property. Recovered stolen property is your property that was stolen and later returned to you. If you recovered property after you had already taken a theft loss deduction, you must refigure your loss using the smaller of the property's adjusted basis (explained later) or the decrease in FMV from the time just before it was stolen until the time it was recovered. Use this amount to refigure your total loss for the year in which the loss was deduced. If your refugured loss is less than the loss you deducted, you generally have to report the difference as income in the recovery year. But report the difference only up to the amount of the loss that reduced your tax. For more information on the amount to report, see Recoveries in Publication 525.

Figuring Decrease in FMV — Items To Consider

To figure the decrease in FMV because of a casualty or theft, you generally need a competent appraisal. However, other measures also can be used to establish certain decreases. See Appraisal and Cost of cleaning up or making repairs, next.

Appraisal. An appraisal to determine the difference between the FMV of the property immediately before a casualty or theft and immediately afterwards should be made by a competent appraiser. The appraiser must recognize the effects of any general market decline that may occur along with the casualty. This information is needed to limit any deduction to the actual loss resulting from damage to the property.

Several factors are important in evaluating the accuracy of an appraisal, including the following:

- The appraiser’s familiarity with your property before and after the casualty or theft.
- The appraiser’s knowledge of sales of comparable property in the area.
- The appraiser’s knowledge of conditions in the area of the casualty.
- The appraiser’s method of appraisal.

You may be able to use an appraisal that you used to get a federal loan (or a federal loan guarantee) as the result of a federally declared disaster to establish the amount of your disaster loss. For more information on disasters, see Disaster Area Losses, later.

Cost of cleaning up or making repairs. The cost of repairing damaged property is not part of a casualty loss. Neither is the cost of cleaning up after a casualty. But you can use the cost of cleaning up or of making repairs after a casualty as a measure of the decrease in FMV if you meet all the following conditions.

- The repairs are actually made.
- The repairs are necessary to bring the property back to its condition before the casualty.
- The amount spent for repairs is not excessive.
- The repairs take care of the damage only.
- The value of the property after the repairs is not, due to the repairs, more than the value of the property before the casualty.

Landscaping. The cost of restoring landscaping to its original condition after a casualty may indicate the decrease in FMV. You may be able to measure your loss by what you spend on the following.

- Removing destroyed or damaged trees and shrubs, minus any salvage you receive.
- Pruning and other measures taken to preserve damaged trees and shrubs.
- Replanting necessary to restore the property to its approximate value before the casualty.

Car value. Books issued by various automo-

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Figuring Decrease in FMV — Items Not To Consider

You generally should not consider the following items when attempting to establish the decrease in FMV of your property.

Cost of protection. The cost of protecting your property against a casualty or theft is not part of a casualty or theft loss. The amount you spend on insurance or to board up your house against a storm is not part of your loss. If the property is business property, these expenses are deductible as business expenses.

If you make permanent improvements to your property to protect it against a casualty or theft, add the cost of these improvements to your basis in the property. An example would be the cost of a dike to prevent flooding.

Exception. You cannot increase your basis in the property by, or deduct as a business expense, any expenditures you made with respect to qualified disaster mitigation payments (discussed later under Disaster Area Losses).

Related expenses. The incidental expenses due to a casualty or theft, such as expenses for the treatment of personal injuries, for temporary housing, or for a rental car, are not part of your casualty or theft loss. However, they may be deductible as business expenses if the damaged or stolen property is business property.

Replacement cost. The cost of replacing stolen or destroyed property is not part of a casualty or theft loss.

Example. You bought a new chair 4 years ago for $300. In April, a fire destroyed the chair. You estimate that it would cost $500 to replace it. If you had sold the chair before the fire, you estimate that you could have received only $100 for it because it was 4 years old. The chair was not insured. Your loss is $100, the FMV of the chair before the fire. It is not $500, the replacement cost.

Sentimental value. Do not consider sentimental value when determining your loss. If a family portrait, heirloom, or keepsake is damaged, destroyed, or stolen, you must base your loss on its FMV.

Decline in market value of property in or near casualty area. A decrease in the value of your property because it is in or near an area that suffered a casualty, or that might again suffer a casualty, is not to be taken into consideration. You have a loss only for actual casualty damage to your property. However, if your home is in a federally declared disaster area, see Disaster Area Losses later.

Costs of photographs and appraisals. Photographs taken after a casualty will be helpful in establishing the condition and value of the property after it was damaged. Photographs showing the condition of the property after it was repaired, restored, or replaced may also be helpful.

Appraisals are used to figure the decrease in FMV because of a casualty or theft. See Appraisal, earlier, under Figuring Decrease in FMV — Items To Consider, for information about appraisals.

The costs of photographs and appraisals used as evidence of the value and condition of property damaged as a result of a casualty are not a part of the loss. They are expenses in determining your tax liability. You can claim these costs as a miscellaneous itemized deduction subject to the 2%-of-adjusted-gross-income limit on Schedule A (Form 1040).

Adjusted Basis

The measure of your investment in the property you own is its basis. For property you buy, your basis generally is its cost to you. For property you acquire in some other way, such as inheriting it, receiving it as a gift, or getting it in a nontaxable exchange, you must figure your basis in another way, as explained in Publication 551.

Adjustments to basis. While you own the property, various events may take place that change your basis. Some events, such as additions or permanent improvements to the property, increase basis. Others, such as earlier cash gifts, may reduce your basis. See Publication 551 for more information on figuring the basis of your property.

Insurance and Other Reimbursements

If you receive an insurance or other type of reimbursement, you must subtract the reimbursement when you figure your loss. You do not have a casualty or theft loss to the extent you are reimbursed.

If you expect to be reimbursed for part or all of your loss, you must subtract the expected reimbursement when you figure your loss. You must reduce your loss even if you do not receive payment until a later tax year. See Reimbursement Received After Deducting Loss, later.

Failure to file a claim for reimbursement. If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct this loss as a casualty or theft.

The portion of the loss usually not covered by insurance (for example, a deductible) is not subject to this rule.

Example. You have a car insurance policy with a $1,000 deductible. Because your insurance did not cover the first $1,000 of an auto collision, the $1,000 would be deductible (subject to the 2% limit) if it is otherwise deductible. This is true, even if you do not file an insurance claim, because your insurance policy would never have reimbursed you for the deductible.

Types of Reimbursements

The most common type of reimbursement is an insurance payment for your stolen or damaged property. Other types of reimbursements are discussed next. Also see the Instructions for Form 4684.

Employer’s emergency disaster fund. If you receive money from your employer’s emergency disaster fund and you must use that money to rehabilitate or replace property on which you are claiming a casualty loss deduction, you must take that money into consideration in computing the casualty loss deduction. Take into consideration only the amount you used to replace your destroyed or damaged property.

Example. Your home was extensively damaged by a tornado. Your loss after reimbursement from your insurance company was $10,000. Your employer set up a disaster relief fund for its employees. Employees receiving money from the fund had to use it to rehabilitate or replace their damaged or destroyed property. You received $4,000 from the fund and spent the entire amount on repairs to your home. In figuring your casualty loss, you must reduce your unreimbursed loss ($10,000) by the $4,000 you received from your employer’s fund. Your casualty loss before applying for the deduction limits (discussed later) is $6,000.

Cash gifts. If you receive excludable cash gifts as a disaster victim and there are no limits on how you can use the money, you do not reduce your casualty loss by these excludable cash gifts. This applies even if you use the money to pay for repairs to property damaged in the disaster.

Example. Your home was damaged by a hurricane. Relatives and neighbors made cash gifts to you that were excludable from your income. You used part of the cash gifts to pay for repairs to your home. There were no limits or restrictions on how you could use the cash gifts. It was an excludable gift, so the money you received and used to pay for repairs to your home does not reduce your casualty loss on the damaged home.

Insurance payments for living expenses. You do not reduce your casualty loss by insurance payments you receive to cover living expenses in either of the following situations.

• You lose the use of your main home because of a casualty.

• Government authorities do not allow you access to your main home because of a casualty or threat of one.

Inclusion in income. If these insurance payments are more than the temporary increase in your living expenses, you must include the excess in your income. Report this amount on Form 1040, line 21. However, if the casualty occurs in a federally declared disaster area, none of the insurance payments are taxable. See Qualified disaster relief payments, later, under Disaster Area Losses.

A temporary increase in your living expenses is the difference between the actual living expenses you and your family incurred during the period you could not use your home and your normal living expenses for that period. Actual living expenses are the reasonable and necessary expenses incurred because of the loss of your main home. Generally, these expenses include the amounts you pay for the following.

• Renting suitable housing.

• Transportation.

• Food.

• Utilities.

• Miscellaneous services.

Normal living expenses consist of these same expenses that you would have incurred but did not because of the casualty or threat of one.

Example. As a result of a fire, you vacated your apartment for a month and moved to a

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Table 2. Deduction Limit Rules for Personal-Use and Employee Property

<table>
<thead>
<tr>
<th>Event Description</th>
<th>$500 Rule</th>
<th>10% Rule*</th>
<th>2% Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Application</td>
<td>You must reduce each casualty or theft loss by $500 when figuring your deduction. Apply this rule to personal-use property after you have figured the amount of your loss.</td>
<td>You must reduce your total casualty or theft loss by 10% of your adjusted gross income. Apply this rule to personal-use property after you reduce each loss by $500 (the $500 rule).</td>
<td>You must reduce your total casualty or theft loss by 2% of your adjusted gross income. Apply this rule to property you used in performing services as an employee after you have figured the amount of your loss and added it to your job expenses and most other miscellaneous itemized deductions.</td>
</tr>
<tr>
<td>Single Event</td>
<td>Apply this rule only once, even if many pieces of property are affected.</td>
<td>Apply this rule only once, even if many pieces of property are affected.</td>
<td>Apply this rule only once, even if many pieces of property are affected.</td>
</tr>
<tr>
<td>More Than One Event</td>
<td>Apply to the loss from each event.</td>
<td>Apply to the total of all your losses from all events.</td>
<td>Apply to the total of all your losses from all events.</td>
</tr>
<tr>
<td>More Than One Person—With Loss From the Same Event (other than a married couple filing jointly)</td>
<td>Apply separately to each person.</td>
<td>Apply separately to each person.</td>
<td>Apply separately to each person.</td>
</tr>
<tr>
<td>Married Couple—With Loss From the Same Event</td>
<td>Filing Joint Return</td>
<td>Apply as if you were one person.</td>
<td>Apply as if you were one person.</td>
</tr>
<tr>
<td></td>
<td>Filing Separate Return</td>
<td>Apply separately to each spouse.</td>
<td>Apply separately to each spouse.</td>
</tr>
<tr>
<td>More Than One Owner (other than a married couple filing jointly)</td>
<td>Apply separately to each owner of jointly owned property.</td>
<td>Apply separately to each owner of jointly owned property.</td>
<td>Apply separately to each owner of jointly owned property.</td>
</tr>
</tbody>
</table>

*The 10% rule does not apply to a net disaster loss attributable to a federally declared disaster (defined later under Disaster Area Losses).
you for the loss, you do not report any of the reimbursement as income. This is true even if it is for the full $3,000 because you did not deduct the loss on your 2008 return. The loss did not reduce your tax.

If the total of all the reimbursements you receive is more than your adjusted gross income (AGI), you will have a gain on the casualty or theft. If you have already taken a deduction for a loss and you receive the reimbursement in a later year, you may have to include the gain in your income for the later year. Include the gain as ordinary income up to the amount of your deduction that reduced your tax for the earlier year. You may be able to postpone reporting any remaining gain as explained under Postponement of Gain, later.

Actual reimbursement same as expected. If you receive exactly the reimbursement you expected to receive, you do not have to include any of the reimbursement in your income and you cannot deduct any additional loss.

Example. In December 2009, you had a collision while driving your personal car. Repairs to the car cost $900. You had $100 deductible collision insurance. Your insurance company agreed to reimburse you for the rest of the damage. Because you expected a reimbursement from the insurance company, you did not have a casualty loss deduction in 2009.

Due to the $500 rule, you cannot deduct the $100 you paid as the deductible. When you receive the $850 from the insurance company in 2010, do not report it as income.

### Deduction Limits

After you have figured your casualty or theft loss, you must figure how much of the loss you can deduct.

The deduction for casualty and theft losses of employee property and personal-use property is limited. A loss on employee property is subject to the 2% rule, discussed next. With certain exceptions, a loss on property you own for your personal use is subject to the $500 and 10% rules, discussed later. The 2%, $500, and 10% rules are also summarized in Table 2.

Losses on business property (other than employee property) and income-producing property are not subject to these rules. However, if your casualty or theft loss involved a home you used for business or rented out, your deductible loss may be limited. See the instructions for Form 4684, Section B. If the casualty or theft loss involved property used in a passive activity, see Form 8521, Passive Activity Loss Limitations, and its instructions.

### 2% Rule

The casualty and theft loss deduction for employee property, when added to your job expenses and most other miscellaneous itemized deductions on Schedule A (Form 1040) or Form 1040NR, Schedule A, must be reduced by 2% of your adjusted gross income. Employee property is property used in performing services as an employee.

### $500 Rule

After you have figured your casualty or theft loss on personal-use property, as discussed earlier, you must reduce that loss by $500. This reduction applies to each total casualty or theft loss. It does not matter how many pieces of property are involved in an event. Only a single $500 reduction applies.

Example. You have $750 deductible collision insurance on your car. The car is damaged in a collision. The insurance company pays you the damage minus the $750 deductible. The amount of the casualty loss is based solely on the $750 deductible. The casualty loss is $250 ($750 – $500) because the first $500 of a casualty loss on personal-use property is not deductible.

### Single event.

Generally, events closely related in origin cause a single casualty. It is a single casualty when the damage is from two or more closely related causes, such as wind and flood damage caused by the same storm. A single casualty may also damage two or more pieces of property, such as a hailstorm that damages both your home and your car parked in your driveway.

Example 1. A thunderstorm destroys your pleasure boat. You also lost some boating equipment in the storm. Your loss was $5,000 on the boat and $1,200 on the equipment. Your insurance company reimbursed you $4,500 for the damage to your boat. You had no insurance coverage on the equipment. Your casualty loss is from a single event and the $500 rule applies once. Figure your loss before applying the 10% rule (discussed later) as follows.

<table>
<thead>
<tr>
<th>Boat Equipment</th>
<th>Loss After</th>
<th>Total Loss</th>
<th>Subtotal 500</th>
<th>Loss Before 10% Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000</td>
<td>$1,200</td>
<td></td>
<td>$6,200</td>
</tr>
<tr>
<td>1. Loss</td>
<td>$5,000</td>
<td>$1,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Subtract insurance</td>
<td>4,500</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Loss after reimbursement</td>
<td>$500</td>
<td>$1,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Total loss</td>
<td></td>
<td>$1,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Subtract $500</td>
<td></td>
<td>500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Loss before 10% rule</td>
<td></td>
<td>$1,200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Example 2. Thieves broke into your home in January and stole a ring and a fur coat. You had a loss of $200 on the ring and $700 on the coat. This is a single theft. The $500 rule applies to the total $900 loss.

Example 3. In September, hurricane winds blew the roof off your home. Flood waters caused by the hurricane further damaged your home and destroyed your furniture and personal car. This is considered a single casualty. The $500 rule is applied to your total loss from the flood waters and the wind.

More than one loss. If you have more than one casualty or theft loss during your tax year, you must reduce each loss by $500.

Example. Your family car was damaged in an accident in January. Your loss after the insurance reimbursement was $75. In February, your car was damaged in another accident. This time your loss after the insurance reimbursement was $90. Apply the $500 rule to each separate casualty loss. Since neither accident resulted in a loss of over $500, you are not entitled to any deduction for these accidents.

More than one person. If two or more individuals (other than a husband and wife filing a joint return) have losses from the same casualty or theft, the $500 rule applies separately to each individual.

Example. A fire damaged your house and also damaged the personal property of your house guest. You must reduce your loss by $500. Your house guest must reduce her or his loss by $500.

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the $500 rule. It does not matter whether you own the property jointly or separately.

If you and your spouse have a casualty or theft loss and you file separate returns, each of you must reduce your loss by $500. This is true even if you own the property jointly. If one spouse owns the property, only that spouse can figure a loss deduction on a separate return.

If the casualty or theft loss is on property you own as tenants by the entirety, each of you can figure your deduction on only one-half of the loss on separate returns. Neither of you can figure your deduction on the other’s loss, and you can each claim a separate return. Each of you must reduce the loss by $500.

More than one owner. If two or more individuals (other than a husband and wife filing a joint return) have a loss on property jointly owned, the $500 rule applies separately to each. For example, if two sisters live together in a home they own jointly and they have a casualty loss on the home, the $500 rule applies separately to each sister.

### 10% Rule

This rule does not apply to a net disaster loss attributable to a federally declared disaster (defined later under Disaster Area Losses).

You must reduce the total of all your casualty or theft losses on personal-use property by 10% of your adjusted gross income. Apply this rule after you reduce each loss by $500. If you have both gains and losses from casualties or thefts, see Gains and losses, later in this discussion.

Example. In June, you discovered that your house had been burglarized. Your loss after insurance reimbursement was $2,000. Your adjusted gross income for the year you discovered the theft is $29,500. Figure your theft loss as follows.

<table>
<thead>
<tr>
<th>Loss After Insurance</th>
<th>$2,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subtract $500</td>
<td>1,500</td>
</tr>
<tr>
<td>Loss after $500 rule</td>
<td>$1,500</td>
</tr>
<tr>
<td>Subtract 10% of $2,000 AGI</td>
<td>$2,000</td>
</tr>
<tr>
<td>4. Subtract 10% of $2,000 AGI</td>
<td>$1,800</td>
</tr>
<tr>
<td>5. Theft loss deduction</td>
<td>$200</td>
</tr>
</tbody>
</table>

You do not have a theft loss deduction because your loss ($1,500) is less than 10% of your adjusted gross income ($2,950).

More than one loss. If you have more than one casualty or theft loss during your tax year, reduce each loss by any reimbursement and by $500. Then you must reduce the total of all your losses by 10% of your adjusted gross income.

Example. In March, you had a car accident that totally destroyed your car. You did not have
Figuring the Deduction

Generally, you must figure your loss separately for each item stolen, damaged, or destroyed. However, a special rule applies to real property you own for personal use.

Real property. In figuring a loss to real estate you own for personal use, all improvements (such as buildings and ornamental trees and the land containing the improvements) are considered together.

Example 1. In June, a fire destroyed your lakeside cottage, which cost $144,850 (including $14,500 for the land) several years ago. (Your land was not damaged.) This was your only casualty or theft loss for the year. The FMV of the property immediately before the fire was $180,000 ($145,000 for the cottage and $35,000 for the land). The FMV immediately after the fire was $35,000 (value of the land). You collected $130,000 from the insurance company. Your adjusted gross income for the year the fire occurred is $40,000. Your casualty loss deduction for the casualty loss is $6,300, figured in the following manner.

1. Adjusted basis of the entire property (cost in this example) $144,800 2. FMV of entire property before fire $180,000 3. FMV of entire property after fire $35,000 4. Decrease in FMV of entire property (line 2 – line 3) $145,000 5. Loss (smaller of line 1 or line 4) $125,000 6. Subtract insurance $30,000 7. Loss after reimbursement $115,000 8. Subtract $500 $114,500 9. Subtract 10% of $80,000 AGI $8,000 10. Casualty loss deduction $106,500

Example 2. You bought your home a few years ago. You paid $150,000 ($10,000 for the land and $140,000 for the house). You also paid $2,000 for landscaping. This was your only casualty or theft loss for the year. The fire destroyed the shrubbery and trees in your yard. The fire was your only casualty or theft loss this year. Competent appraisers valued the property as a whole at $175,000 before the fire, but only $50,000 after the fire. Shortly after the fire, the insurance company paid you $95,000 for the property. Your adjusted gross income for this year is $70,000. You figure your casualty loss deduction as follows.

1. Adjusted basis of the entire property (cost in this example) $152,000 2. FMV of entire property before fire $175,000 3. FMV of entire property after fire $50,000 4. Decrease in FMV of entire property (line 2 – line 3) $125,000 5. Loss (smaller of line 1 or line 4) $125,000 6. Subtract insurance $95,000 7. Loss after reimbursement $30,000 8. Subtract $500 $29,500 9. Subtract 10% of $70,000 AGI $7,000 10. Casualty loss deduction $22,500

Personal property. Personal property is generally any property that is not real property. If your personal property is stolen or is damaged or destroyed by a casualty, you must figure your loss separately for each item of property. Then combine these separate losses to figure the total loss. Reduce the total loss by $500 and 10% of your adjusted gross income to figure the loss deduction.

Example 1. In August, a storm destroyed your pleasure boat, which cost $18,500. This was your only casualty or theft loss for the year. Its FMV immediately before the storm was $17,000. You had no insurance, but were able to salvage the motor of the boat and sell it for $200. Your adjusted gross income for the year the casualty occurred is $70,000. Although the motor was sold separately, it is part of the boat, not a separate item of property. You figure your casualty loss deduction as follows.

1. Adjusted basis (cost in this example) $18,500 2. FMV before storm $17,000 3. FMV after storm $200 4. Decrease in FMV of entire property (line 2 – line 3) $16,800 5. Loss (smaller of line 1 or line 4) $16,800 6. Subtract insurance $0 7. Loss after reimbursement $16,800 8. Subtract $500 $16,300 9. Loss after $500 rule $16,300 10. Subtract 10% of $70,000 AGI $7,000 11. Casualty loss deduction $9,300

Both real and personal properties. When a casualty involves both real and personal properties, you must figure the loss separately for each type of property. However, you apply a single $500 reduction to the total loss. Then, you apply the 10% rule to figure the casualty loss deduction.

Example 1. In July, a hurricane damaged your home, which cost you $164,000 including land. The FMV of the property (both building and land) immediately before the storm was $170,000 and its FMV immediately after the...
storm was $100,000. Your household furnishings were also damaged. You separately figured the loss on each damaged household item and arrived at a total loss of $600.

You collected $50,000 from the insurance company for the damage to your home, but your household furnishings were not insured. Your adjusted gross income for the year the hurricane occurred was $65,000. You figure your casualty loss deduction from the hurricane in the following manner.

1. Adjusted basis of real property (cost in this example) $164,000
2. FMV of real property before hurricane $170,000
3. FMV of real property after hurricane $100,000
4. Decrease in FMV of real property (line 2 – line 3) $70,000
5. Loss on real property (smaller of line 1 or line 4) $70,000
6. Subtract insurance $50,000
7. Loss on real property after reimbursement $20,000
8. Loss on furnishings $12,500
9. Subtract insurance $0
10. Loss on furnishings after reimbursement $12,500
11. Total loss (line 7 plus line 10) $82,500
12. Subtract $500 $82,000
13. Subtract 10% of $65,000 AGI $6,500
14. Adjusted basis $153,500
15. Casualty loss deduction $13,000

Property used partly for business and partly for personal purposes. When property is used partly for personal purposes and partly for business or income-producing purposes, the casualty or theft loss deduction must be figured separately for the personal-use portion and for the business or income-producing portion. You must figure each loss separately because the losses attributed to these two uses are figured in different ways. When figuring each loss, allocate the total cost or basis, the FMV before and after the casualty or theft loss, and the insurance or other reimbursement between the business and personal-use portion of the property. The $500 rule and the 10% rule apply only to the casualty or theft loss on the personal-use portion of the property.

Example. You own a building that you constructed on leased land. You use half of the building for your business and you live in the other half. The cost of the building was $400,000. You made no further improvements or additions to it.

A flood in March damaged the entire building. The FMV of the building was $380,000 immediately before the flood and $320,000 afterwards. Your insurance company reimbursed you $40,000 for the flood damage. Depreciation on the business part of the building before the flood totaled $24,000. Your adjusted gross income for the year the flood occurred is $125,000.

You have a deductible business casualty loss of $10,000. You do not have a deductible personal casualty loss because of the 10% rule. You figure your loss as follows.

<table>
<thead>
<tr>
<th>Business Part</th>
<th>Personal Part</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost (total $400,000)</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

2. Subtract depreciation $50,000
3. Adjusted basis $350,000
4. FMV before flood (total $380,000) $380,000
5. FMV after flood (total $320,000) $320,000
6. Decrease in FMV (line 4 – line 5) $60,000
7. Loss (smaller of line 3 or line 6) $60,000
8. Subtract insurance $20,000
9. Loss after reimbursement $40,000
10. Subtract $500 on personal-use property $39,500
11. Loss after $500 rule $39,500
12. Adjust 10% of $125,000 AGI $12,500
13. Deductible business loss $27,000
14. Deductible personal loss $0

Figuring a Gain

If you receive an insurance payment or other reimbursement that is more than your adjusted basis in the destroyed, damaged, or stolen property, you have a gain from the casualty or theft. Your gain is figured as follows.

- The amount you receive (discussed next), minus
- Your adjusted basis in the property at the time of the casualty or theft. See Adjusted Basis, earlier, for information on adjusted basis.

Even if the decrease in FMV of your property is smaller than the adjusted basis of your property, you use your adjusted basis to figure the gain.

Amount you receive. The amount you receive includes any money plus the value of any property you receive minus any expenses you have in obtaining reimbursement. It also includes any reimbursement used to pay off a mortgage or other lien on the damaged, destroyed, or stolen property.

Example. A hurricane destroyed your personal residence and the insurance company awarded you $145,000. You received $140,000 in cash. The remaining $5,000 was paid directly to the holder of a mortgage on the property. The amount you received includes the $5,000 reimbursement paid on the mortgage.

Main home destroyed. If you have a gain because your main home was destroyed, you generally can exclude the gain from your income as if you had sold or exchanged your home. You may be able to exclude up to $250,000 of the gain (up to $500,000 if married filing jointly). To exclude a gain, you generally must have owned and lived in the property as your main home for at least 2 years during the 5-year period ending on the date it was destroyed. For information on this exclusion, see Publication 523. If your gain is more than the amount you can exclude, but you buy replacement property, you may be able to postpone reporting the excess gain. See Postponement of Gain, later.

Postponement of Gain

Do not report a gain if you receive reimbursement that is more than your adjusted basis in the destroyed, damaged, or stolen property. Your basis in the new property is generally the same as your adjusted basis in the property it replaces.

You must ordinarily report the gain on your stolen or destroyed property if you receive money or unlike property as reimbursement. However, you can choose to postpone reporting the gain if you purchase property that is similar or related in service or use to the stolen or destroyed property within a specified replacement period, discussed later. You also can choose to postpone reporting the gain if you purchase a controlling interest (at least 80%) in a corporation owning property that is similar or related in service or use to the property. See Controlling interest in a corporation, later.

If you have a gain on damaged property, you can postpone reporting the gain if you spend the reimbursement to restore the property.

To postpone reporting all the gain, the cost of your replacement property must be at least as much as the reimbursement you receive. If the cost of the replacement property is less than the reimbursement, you must include the gain in your income up to the amount of the unspent reimbursement.

Example. In 1970, you bought an ocean-front cottage for your personal use at a cost of $18,000. You made no further improvements or additions to it. When a storm destroyed the cottage this January, the cottage was worth $146,000. You received $146,000 from the insurance company. If you had a gain of $128,000 ($146,000 – $18,000), you spent $144,000 to rebuild the cottage. Since this is less than the insurance proceeds received, you must include $2,000 ($146,000 – $144,000) in your income.

Buying replacement property from a related person. You cannot postpone reporting a gain from a casualty or theft if you buy the replacement property from a related person (discussed later). This rule applies to the following taxpayers:

1. C corporations.

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The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
2. Partnerships in which more than 50% of the capital or profits interest is owned by C corporations (other than those in (2) — and S corporations) if the total realized gain from the tax year on all destroyed or stolen properties on which there are realized gains is more than $100,000.

For casualties and thefts described in (3) above, gains cannot be offset by any losses when determining whether the total gain is more than $100,000. If the property is owned by a partnership, the $100,000 limit applies to the partnership and each partner. If the property is owned by an S corporation, the $100,000 limit applies to the S corporation and each shareholder.

Exception. This rule does not apply if the related person acquired the property from an unrelated person within the period of time allowed for replacing the destroyed or stolen property.

Related persons. Under this rule, related persons include, for example, a parent and child, a brother and sister, a corporation and an individual who owns more than 50% of its outstanding stock, and two partnerships in which the same C corporations own more than 50% of the capital or profits interests. For more information on related persons, see Nondeductible Loss under Sales and Exchanges Between Related Persons in chapter 2 of Publication 544.

Death of a taxpayer. If a taxpayer dies after having a gain but before buying replacement property, the gain must be reported for the year in which the decedent realized the gain. The executor of the estate or the person succeeding to the funds from the casualty or theft cannot postpone reporting the gain by buying replacement property.

Replacement Property

You must buy replacement property for the specific purpose of replacing your destroyed or stolen property. Property you acquire as a gift or inheritance does not qualify. You do not have to use the same funds you receive as reimbursement for your old property to acquire the replacement property. If you spend the money you receive from the insurance company for other purposes, and borrow money to buy replacement property, you can still postpone reporting the gain if you use the other requirements.

Advance payment. If you pay a contractor in advance to replace your destroyed or stolen property, you are not considered to have bought replacement property unless it is finished before the end of the replacement period. See Replacement Period, later.

Similar or related in service or use. Replacement property must be similar or related in service or use to the property it replaces.

Timber loss. Standing timber you bought with the proceeds from the sale of timber downed by a casualty (such as high winds, earthquakes, or volcanic eruptions) qualifies as replacement property. If you bought the standing timber within the specified replacement period, you can postpone reporting the gain.

Owner-user. If you are an owner-user, similar or related in service or use means that replacement property must function in the same way as the property it replaces.

Example. Your home was destroyed by fire and you invested the insurance proceeds in a grocery store. Your replacement property is not similar or related in service or use to the destroyed property. To be similar or related in service or use, your replacement property must be used by you at your home.

Main home in disaster area. Special rules apply to replacement property related to the damage or destruction of your main home (or its contents) if located in a federally declared disaster area. For more information, see Casualties and Depreciation under Realized on Homes in Disaster Areas in the Instructions for Form 4684.

Owner-investor. If you are an owner-investor, similar or related in service or use means that any replacement property must have a similar relationship of services or uses to you as the property it replaces. You decide this by determining the following all the time.

• Whether the properties are of similar service to you.
• The nature of the business risks connected with the properties.
• What the properties demand of you in the way of management, service, and relations to your tenants.

Example. You owned land and a building you rented to a manufacturing company. The building was destroyed by fire. During the replacement period, you had a new building constructed. You rented out the new building for use as a wholesale grocery warehouse. Because the replacement property is also rental property, the two properties are considered similar or related in service or use if there is a similarity in all the following areas.

• Your management activities.
• The amount and kind of services you provide to your tenants.
• The nature of your business risks connected with the properties.

Business or income-producing property located in a federally declared disaster area. If your destroyed business or income-producing property was located in a federally declared disaster area, any tangible replacement property you acquire for use in any business is treated as similar or related in service or use to the destroyed property. For more information, see Disaster Area Losses, later.

Controlling interest in a corporation. You can replace property by acquiring a controlling interest in a corporation that owns property similar or related in service or use to your damaged, destroyed, or stolen property. You can postpone reporting your entire gain if the cost of the stock that gives you a controlling interest is at least as much as the amount received (reimbursement) for your property. You have a controlling interest if you own stock having at least 80% of the combined voting power of all classes of voting stock and at least 80% of the total number of shares of all other classes of stock.

Basis adjustment to corporation’s property. The basis of property held by the corporation at the time you acquired control must be reduced by the amount of your postponed gain, if any. You are not required to reduce the adjusted basis of the corporation’s properties below your adjusted basis in the corporation’s stock (determined after reduction by the amount of your postponed gain).

Allocate this reduction to the following classes of property in the order shown below.

1. Property that is similar or related in service or use to the destroyed or stolen property.
2. Depreciable property not reduced in (1).
3. All other property.

If two or more properties fall in the same class, allocate the reduction to each property in proportion to the adjusted bases of all the properties in that class. The reduced basis of any single property cannot be less than zero.

Main home replaced. If your gain from the reimbursement you receive because of the destruction of your main home is more than the amount you can exclude from your income (see Main home destroyed under Figuring a Gain, earlier), you can postpone reporting the excess gain by buying replacement property that is similar or related in service or use. To postpone reporting all the excess gain, the replacement property must cost at least as much as the amount you received because of the destruction minus the excluded gain.

Also, if you postpone reporting any part of your gain under these rules, you are treated as having owned and used the replacement property as your main home for the period you owned and used the destroyed property as your main home.

Basis of replacement property. You must reduce the basis of your replacement property (its cost) by the amount of postponed gain. In this way, tax on the gain is postponed until you dispose of the replacement property.

Example. A fire destroyed your rental home that you never lived in. The insurance company reimbursed you $67,000 for the property, which had an adjusted basis of $62,000. You had a gain of $5,000 from the casualty. If you have another rental home constructed for $110,000 within the replacement period, you can postpone reporting the gain. You will have reinvested all the reimbursement (including your entire gain) in the new rental home. Your basis for the new rental home will be $105,000 ($110,000 cost – $5,000 postponed gain).

Replacement Period

To postpone reporting your gain, you must buy replacement property within a specified period of time. This is the replacement period.

The replacement period begins on the date your property was damaged, destroyed, or stolen.

The replacement period ends 2 years after the close of the first tax year in which any part of your gain is realized.

Example. You are a calendar year taxpayer. While you were on vacation, a valuable piece of antique furniture that cost $2,200 was
Table 3. When To Deduct a Casualty or Theft Loss

<table>
<thead>
<tr>
<th>IF you have a loss...</th>
<th>THEN deduct it in the year...</th>
</tr>
</thead>
<tbody>
<tr>
<td>from a casualty</td>
<td>the loss occurred.</td>
</tr>
<tr>
<td>in a federally declared disaster area</td>
<td>the disaster occurred or the year immediately before the disaster.</td>
</tr>
<tr>
<td>from a theft</td>
<td>the theft was discovered.</td>
</tr>
<tr>
<td>on a deposit treated as a casualty</td>
<td>a reasonable estimate can be made.</td>
</tr>
</tbody>
</table>

Stolen from your home. You discovered the theft when you returned home on August 10, 2009. Your insurance company investigated the theft and did not settle your claim until January 4, 2010, when they paid you $5,000. You first realized a gain from the reimbursement for the theft during 2010, so you have until December 31, 2012, to replace the property.

Main home in disaster area. For your main home (or its contents) located in a federally declared disaster area, the replacement period generally ends 4 years after the close of the first tax year in which any part of your gain is realized. See Disaster Area Losses, later.

Example. You are a calendar year taxpayer. A hurricane destroyed your home in September 2009. In December 2009, the insurance company paid you $3,000 more than the adjusted basis of your home. The area in which your home is located is not a federally declared disaster area. You first realized a gain from the reimbursement for the casualty in 2009, so you have until December 31, 2011, to replace the property. If your home had been in a federally declared disaster area, you would have until December 31, 2013, to replace the property.

Property in a Midwestern disaster area. For property located in a Midwestern disaster area (defined in Table 4 in the 2008 Publication 547) that was destroyed, damaged, or stolen as a result of severe storms, tornadoes, or flooding, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in a Midwestern disaster area.

Property in the Kansas disaster area. For property located in the Kansas disaster area that was destroyed, damaged, or stolen after May 3, 2007, as a result of storms and tornadoes, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in the Kansas disaster area.

Property in the Hurricane Katrina disaster area. For property located in the Hurricane Katrina disaster area, the replacement period ends 5 years after the close of the first tax year in which any part of your gain is realized. This 5-year replacement period applies only if substantially all of the use of the replacement property is in the Hurricane Katrina disaster area.

Extension. You can apply for an extension of the replacement period. Send your written application to the Internal Revenue Service Center.

Example. Your property was stolen in 2008. Your insurance company reimbursed you $10,000, of which $5,000 was a gain. You reported the $5,000 gain on your return for 2008 (the year you realized the gain) and paid the tax due. In 2009 you bought replacement property. Your replacement property cost $9,000. Since you reinvested all but $1,000 of your reimbursement, you can now postpone reporting $4,000 ($5,000 − $1,000) of your gain.

To postpone reporting your gain, file an amended return for 2008 using Form 1040X. You should attach an explanation showing that you previously reported the entire gain from the theft but you now want to report only the part of which you have the gain. Your statement should also state that you are choosing to replace the property within the required replacement period.

You should then attach another statement to your return for the year in which you acquire the replacement property. This statement should contain detailed information on the replacement property.

If you acquire part of your replacement property in one year and part in another year, you must make a statement for each year. The statement should contain detailed information on the replacement property for each year.

Substituting replacement property. Once you have acquired qualified replacement property that you designate as replacement property in a statement attached to your tax return, you cannot later substitute other qualified replacement property. This is true even if you acquire the other property within the replacement period. However, if you discover that the original replacement property was not qualified replacement property, you can (within the replacement period) substitute the new qualified replacement property.

Amended return. You must file an amended return (individuals use Form 1040X) for the tax year in which you have the gain in either of the following situations:

- You do not acquire replacement property within the required replacement period plus extensions. On this amended return, you must report the gain and pay any additional tax due.
- You acquire replacement property within the required replacement period plus extensions, but at a cost less than the amount you receive for the casualty or theft. On this amended return, you must report the portion of the gain that cannot be postponed and pay any additional tax due.

Three-year limit. The period for assessing tax on any gain ends 3 years after the date you notify the director of the Internal Revenue Service for your area of any of the following:

- You replaced the property.
- You do not intend to replace the property.
- You did not replace the property within the replacement period.

Changing your mind. You can change your mind about whether to report or postpone reporting your gain at any time before the end of the replacement period.

Example. Your property was stolen in 2008. Your insurance company reimbursed you $10,000, of which $5,000 was a gain. You reported the $5,000 gain on your return for 2008 (the year you realized the gain) and paid the tax due. In 2009 you bought replacement property. Your replacement property cost $9,000. Since you reinvested all but $1,000 of your reimbursement, you can now postpone reporting $4,000 ($5,000 − $1,000) of your gain.

To postpone reporting your gain, file an amended return for 2008 using Form 1040X. You should attach an explanation showing that you previously reported the entire gain from the theft but you now want to report only the part of...
the gain ($1,000) equal to the part of the reimbursement not spent for replacement property.

When To Report Gains and Losses

Gains. If you receive an insurance or other reimbursement that is more than your adjusted basis in the destroyed or stolen property, you have a gain from the casualty or theft. You must include this gain in your income in the year you receive the reimbursement, unless you choose to postpone reporting the gain as explained earlier.

Losses. Generally, you can deduct a casualty loss that is not reimbursable only in the tax year in which the casualty occurred. This is true even if you do not repair or replace the damaged property until a later year. (However, see Disaster Area Losses, later, for an exception.) You can deduct theft losses that are not reimbursable only in the year you discover your property was stolen.

If you are not sure whether part of your casualty or theft loss will be reimbursed, do not deduct that part until the tax year when you become reasonably certain that it will not be reimbursed.

Loss on deposits. If your loss is a loss on deposits at an insolvent or bankrupt financial institution, see Loss on Deposits, earlier.

Lessee's loss. If you lease property from someone else, you can deduct a loss on the property in the year your liability for the loss is fixed. This is true even if the loss occurred or the liability was paid in a different year. You are not entitled to a deduction until your liability under the lease can be determined with reasonable accuracy. Your liability can be determined when a claim for recovery is settled, adjudicated, or abandoned.

Disaster Area Losses

This section discusses the special rules that apply to federally declared disaster area losses. It contains information on when you can deduct your loss, how to claim your loss, how to treat your home in a disaster area, and what tax deadlines may be postponed. It also lists Federal Emergency Management Agency (FEMA) phone numbers. (See Contacting the Federal Emergency Management Agency (FEMA), later.)

A federally declared disaster is a disaster that occurred in an area declared by the President to be eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergencey Assistance Act. It includes a major disaster or emergency declaration under the Act.

A list of the areas warranting public or individual assistance (or both) under the Act for 2009 is available at the Federal Emergency Management Agency (FEMA) web site at www.fema.gov.

Losses of personal use property. You enter disaster losses of personal use property on Form 4684, line 17. The net disaster loss (the excess of line 17 over line 14 of Form 4684) is not subject to the 10%-of-adjusted-gross-income limit. The net disaster loss is deductible as an itemized deduction on Schedule A, or as part of the standard deduction on Schedule L (Form 1040A or 1040).

When to deduct the loss. You generally must deduct a casualty loss in the year it occurred. However, if you have a casualty loss from a federally declared disaster that occurred in an area warranting public or individual assistance (or both), you can choose to deduct that loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened. If you make this choice, the loss is treated as having occurred in the preceding year.

Claiming a qualifying disaster loss on the previous year’s return may result in a lower tax for that year, often producing or increasing a cash refund.

If you do not choose to deduct your loss on your return for the earlier year, deduct it on your return for the year in which the disaster occurred.

Example. You are a calendar year taxpayer. A flood damaged your home this June. The flood damaged or destroyed a considerable amount of property in your town. Your town is located in an area designated by FEMA for public or individual assistance (or both). You can choose to deduct the flood loss on your home on last year’s tax return. (See How to deduct your loss in the preceding year, later.)

Disaster loss to inventory. If your inven- tory loss is from a disaster in an area designated by FEMA for public or individual assistance (or both), you may choose to deduct the loss on your return or amended return for the immediately preceding year. However, decrease your opening inventory for the year of the loss so that the loss will not be reported again in inventories.

Main home in disaster area. If your home is located in a federally declared disaster area, you can postpone reporting the gain if you spend the reimbursement to repair or replace your home. Special rules apply to replacement property related to the damage or destruction of your main home (or its contents) if located in these areas. For more information, see Gains Realized, later, in Disaster Area Losses in the Instructions for Form 4684.

Home made unsafe by disaster. If your home is located in a federally declared disaster area, your state or local government may order you to tear it down or move it because it is no longer safe to live in because of the disaster. If this happens, treat the loss in value as a casualty loss from a disaster. Your state or local government must issue the order for you to tear down or move the home within 120 days after the area is declared a disaster area.

Figure your loss in the same way as for casualty losses of personal-use property. (See Figuring a Loss, earlier.) In determining the decrease in FMV, use the value of your home before you move it or tear it down as its FMV after the casualty.

Unsafe home. Your home will be consid- ered unsafe only if both of the following apply:

• Your home is substantially more danger- ous after the disaster than it was before the disaster.

• The danger is from a substantially in- creased risk of future destruction from the disaster.

You do not have a casualty loss if your home is unsafe due to dangerous conditions existing before the disaster. (For example, your house is located in an area that was subject to severe, non-disaster caused erosion.) This is true even if your home is condemned.

Example. Due to a severe storm, the Presi- dent declared the county you live in a federal disaster area. Although your home has only minor damage from the storm, a month later the county issues a demolition order. This order is based on a finding that your home is unsafe due to nearby mud slides caused by the storm. The loss in your home’s value because the mud slides made it unsafe is treated as a casualty loss from a disaster. The loss in value is the difference between your home’s FMV immediately before the disaster and immediately after the disaster.

How to deduct your loss in the preceding year. If you choose to deduct your loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened, include a statement saying that you are making that choice. The statement can be made on the return or can be filed with the return. The statement should specify the date or dates of the disaster and the city, town, county, and state where the damaged or destroyed property was located at the time of the disaster.

Time limit for making choice. You must make this choice to take your casualty loss for the disaster in the preceding year by the later of the following dates:

• The due date (without extensions) for filing your income tax return for the tax year in which the disaster actually occurred.

• The due date (with extensions) for filing the return for the preceding tax year.

Example. If you are a calendar year taxpayer, you ordinarily have until April 15, 2010, to amend your 2008 tax return to claim a casualty loss that occurred during 2009.

Revolving your choice. You can revoke your choice within 90 days of making it by returning to the Internal Revenue Service any refund or credit you received from making the choice. However, if you choose to revoke a choice before receiving a refund, you must return the refund within 30 days after receiving it for the revocation to be effective.

Figuring the loss deduction. You must fig- ure the loss under the usual rules for casualty losses, as if it occurred in the year preceding the disaster.

Example. A disaster damaged your main home and destroyed your furniture in 2009. This was your only casualty loss for the year. Your home is located in a federally declared disaster area designated by FEMA for public or individual assistance (or both). The cost of your home and land was $143,000. The FMV immediately before the disaster was $147,500 and the FMV
if your records were destroyed or lost, you may have to reconstruct them. Information about reconstructing records is available at www.irs.gov/newsroom/. Type ‘reconstructing your records’ in the search box.

Need a copy of your tax return for the preceding year? It will be easier to prepare Form 1040X if you have a copy of your tax return for the preceding year. If you had your tax return completed by a tax preparer, he or she should be able to provide you with a copy of your return. If not, you can get a copy by filing Form 4506 with the IRS. There is a $57 fee (subject to change) for each return requested. However, if your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. Write the name of the disaster in the top margin of Form 4506 (for example, “Hurricane Katrina”).

Federal loan canceled. If part of your federal disaster loan was canceled under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, it is considered to be reimbursement for the loss. The cancellation reduces your casualty loss deduction.

Federal disaster relief grants. Do not include post-disaster relief grants received under the Robert T. Stafford Disaster Relief and Emergency Assistance Act in your income if the grant payments are made to help you meet necessary expenses or serious needs for medical, dental, housing, personal property, transportation, or funeral expenses. Do not deduct casualty losses or medical expenses to the extent they are specifically reimbursed by these disaster relief grants. If the casualty loss was specifically reimbursed by the grant and you received the grant after the year in which you deducted the casualty loss, see Reimbursement Received After Deducing Loss earlier. Unemployment assistance payments under the Act in excess of $2,400 per recipient are taxable unemployment compensation.

State disaster relief grants for businesses. A grant that a business receives under a state program to reimburse businesses for losses incurred for damage or destruction of property because of a disaster is not excludable from income under the general welfare exclusion, as a gift, as a qualified disaster relief payment (explained next), or as a contribution to capital. However, the business can choose to postpone reporting gain realized from the grant if it buys qualifying replacement property within a certain period of time. See Postponement of Gain earlier for the rules that apply.

Qualified disaster relief payments. Qualified disaster relief payments are not included in the income of individuals to the extent any expenses compensated by these payments are not otherwise compensated for by insurance or other reimbursement. These payments are not subject to income tax, self-employment tax, or employment taxes (social security, Medicare, and self-employment taxes). No withholding applies to these payments.

Qualified disaster relief payments include payments you receive (regardless of the source) for the following expenses.
- Reasonable and necessary expenses incurred as a result of a federally declared disaster.
- Reasonable and necessary expenses incurred for the repair or rehabilitation of a personal residence due to a federally declared disaster. (A personal residence can be a rented residence or one you own.)
- Reasonable and necessary expenses incurred for the repair or replacement of the contents of a personal residence due to a federally declared disaster.

Qualified disaster relief payments also include amounts paid to individuals affected by the disaster by a federal, state, or local government in connection with a federally declared disaster.

Qualified disaster relief payments do not include:
- Payments for expenses otherwise paid for by insurance or other reimbursements, or
- Income replacement payments, such as payments of lost wages, lost business income, or unemployment compensation.

Qualified disaster mitigation payments. Qualified disaster mitigation payments made under the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the National Flood Insurance Act (as in effect on April 15, 2005) are not included in income. These are payments you, as a property owner, receive to reduce the risk of future damage to your property. You can’t increase your basis in the property, or take a deduction or credit, for expenditures made with respect to those payments.

Sale of property under hazard mitigation program. Generally, if you sell or otherwise transfer property you must recognize any gain or loss for tax purposes unless the property is your main home. You report the gain or deduct the loss on your tax return for the year you realize it. (You cannot deduct a loss on personal-use property unless the loss resulted from a casualty, as discussed earlier.) However, if you sell or otherwise transfer property to the Federal Government, a state or local government, or an Indian tribal government under a hazard mitigation program, you can choose to postpone reporting the gain if you buy qualifying replacement property within a certain period of time. See Postponement of Gain earlier for the rules that apply.

Gains. Special rules apply if you choose to postpone reporting gain on property damaged or destroyed in a federally declared disaster area. For these special rules, see the following discussions.
- Main home in disaster area earlier under Replacement Property.
- Business or income-producing property located in a federally declared disaster area earlier under Replacement Property.
- Property in a Midwestern disaster area earlier under Replacement Period.
- Property in the Kansas disaster area earlier under Replacement Period.
- Property in the Hurricane Katrina disaster area earlier under Replacement Period.
Postponed Tax Deadlines

The IRS may postpone for up to one year certain tax deadlines of taxpayers who are affected by a federally declared disaster. The tax deadlines the IRS may postpone include those for filing income, excise, and employment tax returns, paying income, excise, and employment taxes, and making contributions to a traditional IRA or Roth IRA.

If any tax deadline is postponed, the IRS will publicize the postponement in your area and publish a news release, revenue ruling, revenue procedure, notice, announcement, or other guidance in the Internal Revenue Bulletin (IRB).

Who is eligible? If the IRS postpones a tax deadline, the following taxpayers are eligible for the postponement:

• Any individual whose main home is located in a covered disaster area (defined later).
• Any business entity or sole proprietor whose principal place of business is located in a covered disaster area.
• Any individual who is a relief worker affiliated with a recognized government or philanthropic organization who is assisting in a covered disaster area.
• Any individual, business entity, or sole proprietorship whose records are needed to meet a postponed tax deadline, provided those records are maintained in a covered disaster area. The main home or principal place of business does not have to be located in the covered disaster area.
• Any estate or trust that has tax records necessary to meet a postponed tax deadline, provided those records are maintained in a covered disaster area.
• The spouse of a joint return with a taxpayer who is eligible for postponements.
• Any individual, business entity, or sole proprietorship not located in a covered disaster area, but whose records necessary to meet a postponed tax deadline are located in the covered disaster area.
• Any individual visiting the covered disaster area who was killed or injured as a result of the disaster.
• Any other person determined by the IRS to be affected by a federally declared disaster.

Covered disaster area. This is an area of a federally declared disaster in which the IRS has decided to postpone tax deadlines for up to 1 year.

Abatement of interest and penalties. The IRS may abate the interest and penalties on underpaid income tax for the length of any postponement of tax deadlines.

Contacting the Federal Emergency Management Agency (FEMA)

If you live in an area that was declared a disaster area by the President, you can get information from FEMA by visiting its website at www.fema.gov, or calling the following phone numbers. These numbers are only activated after a federally declared disaster:
• 1-800-621-3362.
• 1-800-462-7585, if you are a TTY/TDD user.

How To Report Gains and Losses

How you report gains and losses depends on whether the property was business, income-producing, or personal-use property.

Personal-use property. If you have a loss, use both of the following:
• Form 4684.
• Schedule A (Form 1040), Itemized Deductions (or Form 1040NR, Schedule A, if you are a nonresident alien).

Note. Use Schedule L (Form 1040A or 1040) instead of Schedule A (Form 1040) if you are a single individual or joint return. The net loss is the amount of losses from business property is less than or equal to the ordinary income part of the gain in Part III of Form 4797. Use Schedule L to report gains and losses from business property. If you have a gain, report it on both of the following:
• Form 4684.
• Schedule D (Form 1040), Capital Gains and Losses.

Do not report on these forms any gain you postpone. If you choose to postpone gain, see How To Postpone a Gain earlier.

Business and income-producing property. Use Form 4684 to report your gains and losses. You will also have to report the gains and losses on other forms as explained next.

Property held 1 year or less. Individuals report losses from income-producing property and property used in performing services as an employee on Schedule A (Form 1040). Gains from business and income-producing property are combined with losses from business property (other than property used in performing services as an employee) and the net gain or loss is reported on Form 4797.

Property held more than 1 year. If your losses from business and income-producing property are more than gains from these types of property, combine your losses from business property (other than property used in performing services as an employee) with total gains from business and income-producing property. Report the net gain or loss as an ordinary gain or loss on Form 4797.

If you are not otherwise required to file Form 4797, only enter the net gain or loss on your tax return on the line identified as from Form 4797. Next to that line, enter “Form 4684.” Individuals deduct any loss of income-producing property and property used in performing services as an employee on Schedule A (Form 1040). Partnerships and S corporations should see Form 4684 to find out where to report these gains and losses.

If losses from business and income-producing property are less than or equal to gains from these types of property, report the net amount on Form 4797. You may also have to report the gain on Schedule D depending on whether you have other tax consequences. Partnerships and S corporations should see Form 4684 to find out where to report these gains and losses.

Depreciable property. If the damaged or stolen property was depreciable property held more than 1 year, you may have to treat all or part of the gain as ordinary income to the extent of depreciation allowed or allowable. You figure the ordinary income part of the gain in Part III of Form 4797. See Depreciation Recapture in chapter 3 of Publication 544 for more information about the recapture rule.

Adjustments to Basis

If you have a casualty or theft loss, you must decrease your basis in the property by the amount you spend to meet a postponed tax deadline, provided those records are maintained in a covered disaster area. The main home or principal place of business does not have to be located in the covered disaster area.

The losses from business and income-producing property are less than or equal to gains from these types of property, report the net amount on Form 4797. You may also have to report the gain on Schedule D depending on whether you have other tax consequences. Partnerships and S corporations should see Form 4684 to find out where to report these gains and losses.

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How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:

1. TAS is independent.
2. TAS is free.
3. TAS is confidential.
4. TAS can help with unresolved tax issues.
5. TAS represents individuals, estates, and trusts.
6. TAS can assist if you or your property is in a covered disaster area.
7. TAS can assist if you are a taxpayer advocate service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:
As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's website at www.aarp.org/money/taxaide. For more information on these programs, go to www.irs.gov and enter keyword “VITA” in the upper-right-hand corner.

Internet. You can access the IRS website at www.irs.gov 24 hours a day, 7 days a week to:

• E-file your return. Find out about commercial tax preparation and e-file services available free to eligible taxpayers.
• Check the status of your 2009 refund. Go to www.irs.gov and click on Where's My Refund. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
• Download forms, instructions, and publications.
• Order IRS products online.
• Research your tax questions online.
• Search publications online by topic or keyword.
• Use the online Internal Revenue Code, Regulations, or other official guidance.
• View Internal Revenue Bulletins (IRBs) published in the last few weeks.
• Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
• Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
• Sign up to receive local and national tax news by email.
• Get information on starting and operating a small business.

Phone. Many services are available by phone.

• Ordering forms, instructions, and publications. Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
• Asking tax questions. Call the IRS with your tax questions at 1-800-829-1040.
• Solving problems. You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.
• TTY/TDD equipment. If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
• TeleTax topics. Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
• Refund information. To check the status of your 2009 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
• Other refund information. To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Walk-in. Many products and services are available on a walk-in basis.

• Products. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copying centers, and public and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD, or you may purchase copies from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
• Services. You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center.
Center where you can spread out your records and talk with an IRS representative—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.

Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

DVD for tax products. You can order Publication 1796, IRS Tax Products DVD, and obtain:
• Current-year forms, instructions, and publications.
• Prior-year forms, instructions, and publications.
• Tax Map: an electronic research tool and finding aid.
• Tax law frequently asked questions.
• Tax Topics from the IRS telephone response system.

• Internal Revenue Code—Title 26 of the U.S. Code.
• Fill-in, print, and save features for most tax forms.
• Internal Revenue Bulletins.
• Toll-free and email technical support.
• Two releases during the year.
  – The first release will ship the beginning of January 2010.
  – The final release will ship the beginning of March 2010.

Purchase the DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee).
### Stolen property

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The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.