

Sample article for organizations to use to reach customers (744 word count)

Post the following article on your websites and/or use in other communication vehicles to help your customers.

Helpful tips for deducting casualty and theft losses

You may be eligible to deduct casualty and theft losses relating to your home, household items and vehicles on your federal income tax return. However, you may not deduct casualty and theft losses covered by insurance, unless you file a timely claim for reimbursement and you reduce the loss by the amount of any reimbursement or expected reimbursement. Casualty losses are generally deductible in the year the casualty occurred.

If, however, 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 treat the casualty loss as having occurred in the year immediately preceding the tax year in which the disaster happened, and you can deduct the loss on your return or amended return for that preceding tax year.

Casualty Loss

A casualty loss can result from the damage, destruction or loss of your property from any sudden, unexpected or unusual event such as a natural disaster like a flood, hurricane, tornado, fire, earthquake or volcanic eruption. A casualty doesn't include normal wear and tear or progressive deterioration.

- **Federally Declared Disaster** — 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 Emergency Assistance Act. It includes a major disaster or emergency declaration under the Act. See [Publication 547](#), Casualties, Disasters and Thefts, for more information.

Theft Losses

Theft is the taking and removal of money or property with the intent to deprive the owner of it. The taking must be illegal under the law of the state where it occurred and must have been done with criminal intent. The amount of your theft loss is generally the adjusted basis of your property because the fair market value of your property immediately after the theft is considered to be zero.

Insurance or Other Reimbursements

You must reduce the loss, whether it's a casualty or theft loss, by any salvage value and by any insurance or other reimbursement you receive or expect to receive. The adjusted basis of your property is usually your cost, increased or decreased by certain events such as improvements or depreciation. For more information about the basis of property, refer to [Topic 703](#). For Casualties, Disasters and Thefts refer to [Publication 547](#), and [Publication 551](#), Basis of Assets.

Claiming the Loss

Individuals are required to claim their casualty and theft losses as an itemized deduction on [Form 1040, Schedule A](#), Itemized Deductions (or Schedule A in [Form 1040NR](#), if you're a nonresident alien). For property held by you for personal use, you must subtract \$100 from each casualty or theft event that occurred during the year after you've subtracted any salvage value and any insurance or other reimbursement. Then add up all those amounts and subtract 10 percent of your adjusted gross income from that total to calculate your allowable casualty and theft losses for the year. Casualty and theft losses must be reported on [Form 4684](#). Use Section A for personal-use property and Section B for business or income-producing property. If personal-use property was damaged, destroyed or stolen, you may wish to refer to [Publication 584](#) and for losses involving business-use property, refer to [Publication 584-B](#).

When Your Loss Deduction Exceeds Your Income

If your loss deduction is more than your income, you may have a net operating loss (NOL). You don't have to be in business to have an NOL from a casualty. For more information, refer to [Publication 536](#), Net Operating Losses (NOLs) for Individuals, Estates, and Trusts.

You can call the IRS disaster hotline at 866-562-5227 for special help with disaster-related tax issues. For more on this topic and the special rules for federally declared disaster area losses, see Publication 547. You can get it and IRS tax forms on [IRS.gov/forms](https://www.irs.gov/forms) at any time.

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NOTE TO EDITOR: Below are links to help taxpayers find the information they need.

Additional IRS Resources:

- [Disaster Assistance and Emergency Relief for Individuals and Businesses](#)
- [Tax Topic 515](#) - Casualty, Disaster and Theft Losses
- [Frequently Asked Questions](#) for Disaster Victims
- [Tax Relief in Disaster Situations](#)
- [Publication 2194](#), Disaster Resource Guide for Individuals and Businesses