



Casualty Loss Tax Deductions

DISASTER RELIEF

Can I deduct disaster losses from my federal income taxes?

Yes. Federal law allows you to deduct losses based on property damage caused by an unusual event or “casualty” such as a natural disaster, theft, or accidents.

Are there any exceptions as to what I can deduct?

Yes. Here are some of the rules that apply to casualty-related deductions:

- A casualty loss does not include losses from normal wear and tear or progressive deterioration from age.
- You cannot deduct the loss as a casualty if your property is insured but you failed to file a timely claim for reimbursement.
- If you filed a claim, you must reduce your loss by the amount of the reimbursement paid by the insurance company.
- The loss of future profits or income due to the casualty is not included.
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In what year should I claim the deduction?

You must deduct a casualty loss in the year it occurred unless the loss occurred in a federally declared disaster. If there is a federally declared disaster, you can choose to deduct the loss on your return for the year the loss occurred or on an amended return for the immediately preceding tax year.

- Complete IRS [Form 4684](#), Casualties and Thefts, to report your casualty loss on your federal tax return.
- You claim the deductible amount on [Schedule A](#), Itemized Deductions.

How do I figure the amount of loss?

1. First, you must determine the adjusted basis in the property before the casualty, which is generally what it cost. For more information, see IRS Publication 551, Basis of Assets.
2. Then determine the decrease in fair market value (FMV) of the property as a result of the casualty. FMV is the price for which you could sell your property to a willing buyer. The difference between what the property was worth before the casualty and its FMV after the casualty is your “casualty loss”.
3. If the property is personal-use property, subtract \$100, then reduce the total of all your casualty or theft losses on personal-use property for the year by 10 percent of your adjusted gross income.

Some of the casualty loss rules for business or income property are different than the rules for property held for personal use.

IRS RESOURCES: IRS disaster hotline at 866-562-5227

- [Publication 547](#), Casualties, Disasters, and Thefts.
- [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 584](#), Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)