

Claiming a Disaster Loss on Your Taxes

If your home, business or farm, or their contents, are damaged as a result of a Presidentially declared disaster you may be able to claim a casualty loss deduction on your Federal Income Tax return.

A casualty write-off from an earthquake, flood or other disaster is equal to the amount of your losses not covered by insurance minus both a \$100 deductible and 10 percent of your adjusted gross income (AGI).

For example, if your AGI is \$20,000 and your loss is \$10,000, you can deduct a loss of \$7,900 ($\$20,000 \times 10\% = \$2,000 + \$100 = \$2,100$; $\$10,000 - \$2,100 = \$7,900$).

You can claim casualty losses when you file your taxes for the year the disaster occurred or for the preceding year. For example, if your home had been damaged in the January 1994 Northridge earthquake, you could have filed your casualty loss with your 1993 tax return (due in April 1994) or you could have waited to claim you loss with your 1994 tax return (due in 1995). Or, if you have already filed your income taxes for the year preceding the disaster, you can file an amended tax form using IRS Form 1040X. You may want to talk to a tax professional to figure out which year will be the most advantageous to claim the loss.

To file for a casualty loss you must keep accurate records of your loss. You should know the following:

- the nature of the disaster (earthquake, flood, fire)
- date(s) of occurrence
- description and list of property loss (photographs or videos are helpful)
- appraisal of property before the disaster (check recent sales of comparable

homes in your neighborhood to determine value before disaster)

- appraisal of property after the disaster (get an experienced appraiser to appraise the fair market value of property after the disaster; take photographs to show condition of property after the disaster and after you repair or restore it)
- list of repairs and their costs (save all receipts, checks, and credit card charges)
- insurance and other reimbursements or compensations received or expected to be received
- adjusted basis of property loss (adjusted basis is the cost of the property plus any capital improvements, minus depreciation already claimed)

Any donations or grants you receive, such as payments from the Federal Emergency Management Agency for rent, building supplies and food donations, are considered to be gifts and are not taxable. However, disaster unemployment assistance payments are taxable.

To claim a casualty loss you must use tax Form 1040 and attach IRS Form 4684 *Casualties and Thefts*. The IRS does have publications available to help you complete the Form 4684. Call 1-800-829-3676 to request:

Publication 544
Sales and Other Dispositions of Assets

Publication 547
Casualties, Disasters, and Thefts

Publication 550
Investment Income and Expenses

Publication 551
Basis of Assets

Publication 584
Casualty, Disaster, & Theft Workbook
(Personal – Use Property)

If you have questions about claiming the casualty loss, call the IRS at 1-800-829-1040.