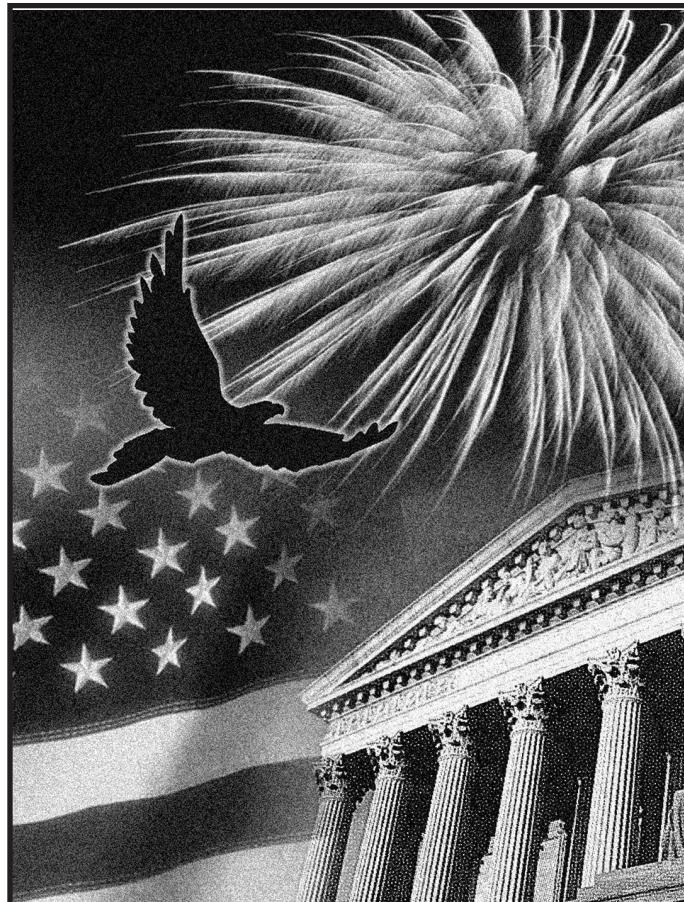




Publication 547

Casualties, Disasters, and Thefts

For use in preparing
2025 Returns



Get forms and other information faster and easier at:

- [IRS.gov](#) (English)
- [IRS.gov/Korean](#) (한국어)
- [IRS.gov/Spanish](#) (Español)
- [IRS.gov/Russian](#) (Русский)
- [IRS.gov/Chinese](#) (中文)
- [IRS.gov/Vietnamese](#) (Tiếng Việt)

Contents

Future Developments	1
What's New	1
Reminders	2
Introduction	3
Casualty	3
Theft	6
Loss on Deposits	7
Proof of Loss	8
Figuring a Loss	8
Deduction Limits	14
Figuring a Gain	18
When To Report Gains and Losses	23
Disaster Area Losses	23
How To Report Gains and Losses	28
How To Get Tax Help	29
Index	32

Future Developments

For the latest information about developments related to Pub. 547, such as legislation enacted after it was published, go to [IRS.gov/Pub547](#).

What's New

Disaster-related postponement treated as a filing extension. The Disaster Related Extension of Deadlines Act, enacted December 26, 2025, provides that disaster-related postponements of filing deadlines are treated as extensions of the deadlines for purposes of calculating the lookback period used to determine the eligibility of a claim for credit or refund. This extension applies to claims filed after December 26, 2025. For more information, see the Instructions for Form 1040-X.

Expansion of mandatory postponement. The Filing Relief for Natural Disasters Act expanded the mandatory postponement of certain tax deadlines for disasters declared after July 24, 2025. Taxpayers affected by qualified state-declared disasters may now qualify for the postponement of certain tax deadlines such as filing or paying income, excise, and employment taxes; and making contributions to a traditional IRA or Roth IRA. Additionally, the automatic 60-day extension for certain federal tax deadlines is increased to 120 days for both federally declared disasters and qualified state-declared disasters after July 24, 2025. For more information, see [Postponed Tax Deadlines](#), later.

Extended disaster tax relief benefits. P.L. 119-21, commonly known as the One Big Beautiful Bill Act, extended the special rules and return procedures for personal casualty losses attributable to certain major federal disasters declared between January 1, 2020, and September 2, 2025. Qualified disaster losses can be claimed on Form 4684. For more information, see [Qualified disaster loss](#), later.

Losses from financial scams. If you were a victim of a financial scam involving a transaction entered into for profit, you may be able to claim a theft loss deduction. For more information, see [Losses from financial scams](#), later.

Reminders

Qualified wildfire relief payments. Certain relief payments received between 2020 and 2025 following a wildfire disaster are not taxable. For more information on income you may exclude and how to file an amended return for an earlier tax return, see [Qualified wildfire relief payments](#), later.

East Palestine disaster relief payments. Certain relief payments for the train derailment in East Palestine, Ohio, on February 3, 2023, are not taxable. For more information on payments that may be excluded and how to file an amended return for an earlier tax year, see [East Palestine disaster relief payments](#), later.

Special rules and return procedures expanded for claiming qualified disaster-related personal casualty losses. The Taxpayer Certainty and Disaster Tax Relief Act of 2019, the Taxpayer Certainty and Disaster Tax Relief Act of 2020, and the Federal Disaster Tax Relief Act of 2023 expanded the special rules and return procedures for personal casualty losses attributable to certain major federal disasters that were declared between 2018 and February 10, 2025.

Qualified disaster losses in those tax years may be claimed on Form 4684. See [Qualified disaster loss](#), later, for more information.

Tip: If applicable, you may have to file an amended return on Form 1040-X to claim these benefits for a prior-year return. Form 1040-X is available at [IRS.gov/Form1040X](#). Prior revisions of Form 4684 are available at [IRS.gov/Form4684](#). See [How to report the loss on Form 1040-X](#), later.

Limitation on personal casualty and theft losses. For tax years beginning after 2017, if you are an individual, casualty or theft losses of personal-use property not connected with a trade or business or a transaction entered into for profit are deductible only if the loss is attributable to a federally declared disaster. Theft losses incurred in a transaction entered into for profit may be deductible.

Personal casualty and theft losses attributable to a federally declared disaster are subject to the \$100 per casualty and 10% of your adjusted gross income (AGI) reductions unless they are attributable to a qualified disaster loss.

Personal casualty and theft losses attributable to a qualified disaster loss are not subject to the 10% of the AGI reduction and the \$100 reduction is increased to \$500.

An exception to the rule above limiting the personal casualty and theft loss deduction to losses attributable to a federally declared disaster applies if you have personal casualty gains for the tax year. In this case, you will reduce your personal casualty gains by any casualty losses not attributable to a federally declared disaster. Any excess gain is used to reduce losses from a federally declared disaster. For more information, see [Deduction Limits](#), later.

Special rules for capital gains invested in qualified opportunity funds (QOFs). If you have a capital gain for 2025, you can invest that gain into a QOF and elect to defer part or all of the gain that you would otherwise include in income until December 31, 2026. You may also be able to permanently exclude gain from the sale or exchange of an investment in a QOF if the investment is held for at least 10 years. For information about how to elect to use these special rules, see the Instructions for Form 8949, Sales and Other Dispositions of Capital Assets. For additional information, go to [Opportunity Zones Frequently Asked Questions](#) on IRS.gov.

Deferral of gain invested in a QOF. If you realize a gain from an actual, or deemed, sale or exchange with an unrelated person and, during the 180-day period beginning on the date realizing the gain, invested an amount of the gain in a QOF, you may be able to elect to temporarily defer part or all of the gain that would otherwise be included in income. If you make the election, the gain is included in taxable income only to the extent, if any, that the amount of realized gain exceeds the aggregate amount invested in a QOF during the 180-day period beginning on the date the gain was realized.

How to report. Report the gain as it would otherwise be reported if you were not making the election. Report the election for the amount invested in a QOF on Form 8949. See the Instructions for Form 8949 for information on how to make the election. You will need to attach Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments, annually until you dispose of the QOF investment. See the Form 8997 instructions for more information.

QOF investment. If you held a qualified investment in a QOF at any time during the year, you must file your return with Form 8997 attached. See the Form 8997 instructions.

Photographs of missing children. The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected 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.

Introduction

This publication explains the tax treatment of casualties, thefts, and losses on deposits. A casualty occurs when your property is damaged as a result of a disaster such as a storm, fire, car accident, or similar event. A theft occurs when someone steals your property. A loss on deposits occurs when your financial institution becomes insolvent or bankrupt.

This publication discusses the following topics.

- Definitions of a casualty, theft, and loss on deposits.
- How to figure the amount of your gain or loss.
- How to treat insurance and other reimbursements you receive.
- The deduction limits.
- When and how to report a casualty or theft.
- The special rules for disaster area losses.

Forms to file. Generally, when you have a casualty or theft, you have to file Form 4684. You may also have to file one or more of the following forms.

- Schedule A (Form 1040).
- Schedule A (Form 1040-NR) (for nonresident aliens).
- Schedule D (Form 1040).
- Form 4797.

For details on which form to use, see [How To Report Gains and Losses](#), later.

Condemnations. For information on condemnations of property, see *Involuntary Conversions* in chapter 1 of Pub. 544, Sales and Other Dispositions of Assets.

Workbooks for casualties and thefts. Pub. 584, Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property), is available to help you make a list of your stolen or damaged personal-use property and figure your loss. It includes schedules to help you figure the loss on your home, its contents, and your motor vehicles.

Pub. 584-B, Business Casualty, Disaster, and Theft Loss Workbook, is available to help you make a list of your stolen or damaged business or income-producing property and figure your loss.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](#). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication or the [How To Get Tax Help](#) section at the end of this publication, go to the IRS Interactive Tax Assistant page at [IRS.gov/Help/ITA](#) where you can find topics by using the search feature or viewing the categories listed.

Getting tax forms, instructions, and publications. Go to [IRS.gov/Forms](#) to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to [IRS.gov/OrderForms](#) to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

Useful Items

You may want to see:

Publication

- 523** Selling Your Home
- 525** Taxable and Nontaxable Income
- 544** Sales and Other Dispositions of Assets
- 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-NR)** Itemized Deductions (for nonresident aliens)
- Schedule D (Form 1040)** Capital Gains and Losses
- 172** Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- 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 ordinarily unanticipated and unintended.

- An unusual event is one that isn't a day-to-day occurrence and that isn't typical of the activity in which you were engaged.

Casualty losses not compensated for by insurance are deductible during the tax year that the loss is sustained. This is generally the tax year that the loss occurred. However, a casualty loss may be sustained in a year after the casualty occurred. See [When To Report Gains and Losses](#) and [Table 3](#), later.

Definitions. Three specific types of casualty losses are described in this publication.

1. [Federal casualty losses](#).
2. [Disaster losses](#).
3. [Qualified disaster losses](#).

All three types of losses refer to federally declared disasters, but the requirements for each loss vary. A federally declared disaster is a disaster determined by the President of the United States to warrant assistance by the federal government under the Stafford Act. A federally declared disaster includes (a) a major disaster declaration or (b) an emergency declaration under the Stafford Act.

Federal casualty loss. A federal casualty loss is an individual's casualty or theft loss of personal-use property that is attributable to a federally declared disaster. The casualty loss must occur in a state receiving a federal disaster declaration. If you suffered a federal casualty loss, you are eligible to claim a casualty loss deduction. If you suffered a casualty or theft loss of personal-use property that wasn't attributable to a federally declared disaster, it isn't a federal casualty loss, and you may not claim a casualty loss deduction unless the exception applies. Theft losses incurred in a transaction entered into for profit may still be deductible. See the [Caution](#) under *Deductible losses*, later.

Disaster loss. A disaster loss is a loss that is attributable to a federally declared disaster and that occurs in an area eligible for assistance pursuant to the Presidential declaration. The disaster loss must occur in a county eligible for public or individual assistance (or both). Disaster losses aren't limited to individual personal-use property and may be claimed for individual business or income-producing property and by corporations, S corporations, and partnerships. If you suffered a disaster loss, you are eligible to claim a casualty loss deduction and to elect to claim the loss in the preceding tax year. See [Disaster Area Losses](#), later.

Qualified disaster loss. A qualified disaster loss includes an individual's casualty and theft loss of personal-use property that is attributable to:

- A major disaster declared by the President under section 401 of the Stafford Act in 2016;
- Hurricane Harvey;
- Tropical Storm Harvey;
- Hurricane Irma;
- Hurricane Maria;

- The California wildfires in 2017 and January 2018;
- A major disaster that was declared by the President under section 401 of the Stafford Act and that occurred in 2018 and before December 21, 2019, and continued no later than January 19, 2020 (except those attributable to the California wildfires in January 2018 that received prior relief); and
- A major disaster that was declared by the President during the period between January 1, 2020, and September 2, 2025. Also, this disaster must have an incident period that began on or after December 28, 2019, and on or before July 4, 2025, and must have ended no later than August 3, 2025.

Note: The definition of a qualified disaster loss does not extend to any major disaster that has been declared only by reason of COVID-19.

If you suffered a qualified disaster loss, you are eligible to claim a casualty loss deduction, to elect to claim the loss in the preceding tax year, and to deduct the loss without itemizing other deductions on Schedule A (Form 1040).

Go to [IRS.gov/DisasterTaxRelief](#) for date-specific declarations associated with these disasters and for more information.

Deductible losses. For tax years beginning after 2017, if you are an individual, casualty losses of personal-use property are deductible only if the loss is attributable to a federally declared disaster (federal casualty loss). Personal-use property is other than business property or income-producing property. If the event causing you to suffer a personal casualty loss (not attributed to a federally declared disaster) occurred before January 1, 2018, but the casualty loss wasn't sustained until January 1, 2018, or later, the casualty loss isn't deductible. See [When To Report Gains and Losses](#), later, for more information on when a casualty loss is sustained.

Example. As a result of a storm, a tree fell on your house in December 2023, and you suffered \$5,000 in damage. The President didn't declare the storm a federally declared disaster. You filed a claim with your insurance company and reasonably expected the entire amount of the claim to be covered by your insurance company. In January 2025, your insurance company paid you \$3,000 and determined it didn't owe you the remaining \$2,000 from your claim. The \$2,000 personal casualty loss is sustained in 2025 even though the storm occurred in 2023. Because the \$2,000 isn't a federal casualty loss, it isn't deductible as a casualty loss under the current limitations.

Caution: An exception to the rule limiting the deduction for personal casualty and theft losses to federal casualty losses applies where you have personal casualty gains. In this case, you may deduct personal casualty losses that aren't attributable to a federally declared disaster to the extent they don't exceed your personal casualty gains.

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 relocation of a home that is unsafe to use because 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 isn't deductible, even to the extent the loss doesn't exceed your personal casualty gains, if the damage or destruction is caused by the following.

- Accidentally breaking articles such as glassware or china under normal conditions.
- 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 below). However, see [Special Procedure for Damage From Corrosive Drywall](#), later.

Family pet. Loss of property due to damage by a family pet isn't 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 wasn't unexpected and unusual, the loss isn't deductible as a casualty loss.

Progressive deterioration. Loss of property due to progressive deterioration isn't deductible 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 bursting of a water heater does qualify as a casualty.

- Most losses of property caused by droughts. To be deductible, a drought-related loss must generally be incurred in a trade or business or in a transaction entered into for profit.
- Termite or moth damage.
- The damage or destruction of trees, shrubs, or other plants by a fungus, disease, insects, worms, or similar pests. However, a sudden destruction due to an unexpected or unusual infestation of beetles or other insects may result in a casualty loss.

Special Procedure for Damage From Corrosive Drywall

Caution: Because the personal casualty losses claimed under this special procedure aren't attributable to a federally declared disaster, they're only deductible to the extent such losses don't exceed your personal casualty gains.

If you suffered property losses due to the effects of certain imported drywall installed in homes between 2001 and 2009, under a special procedure, you can deduct the amounts you paid to repair damage to your home and household appliances due to corrosive drywall. Under this procedure, you treat the amounts paid for repairs as a casualty loss in the year of payment. For example, amounts you paid for repairs in 2025 are deductible on your 2025 tax return and amounts you paid for repairs in 2024 are deductible on your 2024 tax return.

Note: If you paid for any repairs before 2025 and you choose to follow this special procedure, you can amend your return for the earlier year by filing Form 1040-X, Amended U.S. Individual Income Tax Return, and attaching a completed Form 4684 for the appropriate year. Form 4684 for the appropriate year can be found at IRS.gov. Generally, Form 1040-X must be filed within 3 years after the date the original return was filed or within 2 years after the date the tax was paid, whichever is later.

Corrosive drywall. For purposes of this special procedure, "corrosive drywall" means drywall that is identified as problem drywall under the two-step identification method published by the Consumer Product Safety Commission (CPSC) and the Department of Housing and Urban Development (HUD) in their interim guidance dated January 28, 2010, as revised by the CPSC and HUD. The revised identification guidance and remediation guidelines are available at CPSC.gov/en/Safety-Education/Safety-Education-Centers/Drywall-Information-Center.

Special instructions for completing Form 4684. If you choose to follow this special procedure, complete Form 4684, Section A, according to the instructions below. The IRS won't challenge your treatment of damage resulting from corrosive drywall as a casualty loss if you determine and report the loss as explained below.

Top margin of Form 4684. Enter “Revenue Procedure 2010-36.”

Line 1. Enter the information required by the line 1 instructions.

Line 2. Skip this line.

Line 3. Enter the amount of insurance or other reimbursements you received (including through litigation). If none, enter -0-.

Lines 4–7. Skip these lines.

Line 8. Enter the amount you paid to repair the damage to your home and household appliances due to corrosive drywall. Enter only the amounts you paid to restore your home to the condition existing immediately before the damage. Don’t enter any amounts you paid for improvements or additions that increased the value of your home above its pre-loss value. If you replaced a household appliance instead of repairing it, enter the lesser of:

- The current cost to replace the original appliance, or
- The basis of the original appliance (generally its cost).

Line 9. If line 8 is more than line 3, do one of the following.

1. If you have a pending claim for reimbursement (or you intend to pursue reimbursement), enter 75% of the difference between lines 3 and 8.
2. If item (1) doesn’t apply to you, enter the full amount of the difference between lines 3 and 8.

If line 8 is less than or equal to line 3, you can’t claim a casualty loss deduction using this special procedure.

Caution: If you have a pending claim for reimbursement (or you intend to pursue reimbursement), you may have income or an additional deduction in a later tax year depending on the actual amount of reimbursement received. See [Reimbursement Received After Deducting Loss](#), later.

Lines 10–18. Complete these lines according to the Instructions for Form 4684.

Choosing not to follow this special procedure. If you choose **not** to follow this special procedure, you are subject to all of the provisions that apply to the deductibility of casualty losses, and you must complete lines 1–9 according to the Instructions for Form 4684. This means, for example, that you must establish that the damage, destruction, or loss of property resulted from an identifiable event as defined earlier under [Casualty](#). Furthermore, you must have proof that shows the following.

- The loss is properly deductible in the tax year you claimed it and not in some other year. See [When To Report Gains and Losses](#), later.
- The amount of the claimed loss. See [Proof of Loss](#), later.

- No claim for reimbursement of any portion of the loss exists for which there is a reasonable prospect of recovery. See [When To Report Gains and Losses](#), later.

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 don’t 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.

The taking of money or property through fraud or misrepresentation is theft if it is illegal under state or local law.

Theft loss deduction limited. For tax years beginning after 2017, if you are an individual, casualty and theft losses of personal-use property are deductible only if the losses are attributable to a federally declared disaster (federal casualty loss).

Caution: An exception to the rule limiting the deduction for personal casualty and theft losses to federal casualty losses applies where you have personal casualty gains. In this case, you may deduct personal casualty losses that aren’t attributable to a federally declared disaster to the extent they don’t exceed your personal casualty gains.

Example. Martin and Grace experienced multiple personal casualties in 2025. Grace’s diamond necklace was stolen, resulting in a \$15,500 casualty loss. Martin and Grace also lost their camper as a result of a lightning strike. They have replacement-value insurance on the camper, so they have a \$13,000 gain. Finally, they lost their car in a flood determined to be a federally declared disaster, resulting in a casualty loss of \$25,000. Because Martin and Grace experienced a \$13,000 personal casualty gain as a result of the replacement-value insurance, they can offset that gain with a portion of their loss attributable to the stolen necklace and claim the full federal casualty loss of \$25,000 subject to the \$100 and 10% of AGI reductions.

Decline in market value of stock. You can’t 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 may be able to deduct it as a capital loss on Schedule D (Form 1040) if the stock is sold or exchanged or becomes completely worthless. For more information about stock sales, worthless stock, and capital losses, see chapter 4 of Pub. 550.

Mislaid or lost property. The simple disappearance of money or property isn't 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 under *Casualty*.

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 casualty.

Losses from Ponzi-type investment schemes. The IRS has issued the following guidance to assist taxpayers who are victims of losses from Ponzi-type investment schemes.

- Revenue Ruling 2009-9, 2009-14 I.R.B. 735 (available at [IRS.gov/irb/2009-14_IRB#RR-2009-9](https://irs.gov/irb/2009-14_IRB#RR-2009-9)).
- Revenue Procedure 2009-20, 2009-14 I.R.B. 749 (available at [IRS.gov/irb/2009-14_IRB#RP-2009-20](https://irs.gov/irb/2009-14_IRB#RP-2009-20)).
- Revenue Procedure 2011-58, 2011-50 I.R.B. 849 (available at [IRS.gov/irb/2011-50_IRB#RP-2011-58](https://irs.gov/irb/2011-50_IRB#RP-2011-58)).

If you qualify to use Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58, and you choose to follow the procedures in the guidance, first fill out Section C of Form 4684 to determine the amount to enter on Section B, line 28. Skip lines 19 through 27, but you must fill out Section B, lines 29 through 39, as appropriate. Section C of Form 4684 replaces Appendix A in Revenue Procedure 2009-20. You don't need to complete Appendix A. For more information, see the above revenue ruling and revenue procedures and the Instructions for Form 4684.

If you choose not to use the procedures in Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58, you may claim your theft loss by filling out Section B, lines 19 through 39, as appropriate.

Losses from financial scams. The IRS has issued guidance to assist taxpayers who are victims of financial scams. Victims of certain scams may claim a theft loss deduction under section 165 if **all** the following conditions apply.

- The loss must result from criminal conduct classified as theft under applicable state law.
- The taxpayer must have no reasonable prospect of recovering the stolen funds.
- The loss must arise from a transaction entered into for profit.

If you were the victim of a financial scam, review advice memorandum number [202511015](#) for additional guidance.

Note: The personal-use property limitation for tax years beginning after 2017 does not apply to losses on

income-producing property, such as losses from Ponzi-type investment schemes, or financial scams.

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 (to the extent the loss doesn't exceed your personal casualty gains).
- As a nonbusiness bad debt.

Caution: You can no longer claim any miscellaneous itemized deductions, including the deduction for an ordinary loss on deposits in insolvent or bankrupt financial institutions.

Casualty loss. You can choose to deduct a loss on deposits as a casualty loss for any year in which you can reasonably estimate how much of your deposits you have lost in an insolvent or bankrupt financial institution. The choice is generally made on the return you file for that year and applies to all your losses on deposits for the year in that particular financial institution. If you treat the loss as a casualty loss, you can't treat the same amount of the loss as 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 can't change it without permission from the IRS.

Casualty loss limitation. If you are an individual, casualty losses of personal-use property are deductible only if the loss is attributable to a federally declared disaster. An exception to the rule limiting the deduction for personal casualty and theft losses to federal casualty losses applies where you have personal casualty gains. Because a loss on deposits isn't attributable to a federally declared disaster, you may deduct losses on deposits as personal casualty losses only to the extent they don't exceed your personal casualty gains.

Nonbusiness bad debt. If you don't choose to claim the loss as a casualty loss for purposes of offsetting gains, 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](#).

Table 1. Reporting Loss on Deposits

IF you choose to report the loss as a...	THEN report it on...
casualty loss (see Casualty loss limitation under <i>Loss on Deposits</i>)	Form 4684 and Schedule A (Form 1040).
nonbusiness bad debt	Form 8949 and Schedule D (Form 1040).

More information. For more information, see *Deposit in Insolvent or Bankrupt Financial Institution* in Pub. 550.

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 didn't reduce your tax in the earlier year, you don't have to include that part of the recovery in your income. For more information, see *Recoveries* in Pub. 525.

Proof of Loss

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

Casualty loss proof. For a casualty loss, you should be able to show all of the following.

- 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.
- The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- That the loss was a direct result of the casualty.
- 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 of the following.

- That you were the owner of the property.
- That your property was stolen.
- When you discovered your property was missing.
- Whether a claim for reimbursement exists for which there is a reasonable expectation of recovery.

Note: It is important that you have records that will prove your deduction. If you don't 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, apply the [deduction limits](#), discussed later, 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 the 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 isn't considered. Your loss is figured as follows:

$$\begin{array}{r}
 \text{Your adjusted basis in the property} \\
 \text{MINUS} \\
 \text{Any salvage value} \\
 \text{MINUS} \\
 \text{Any insurance or other reimbursement you receive or expect to} \\
 \text{receive}
 \end{array}$$

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. Don't 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. Don't include the reimbursement in gross income. If you don't receive the reimbursement by the end of the year, you may not claim a loss to the extent you have a reasonable prospect 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, ornamental 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 FMV

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 FMV 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 because 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 didn't 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 deducted.

If your refigured 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 Pub. 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 can also be used to establish certain decreases. See [Appraisal](#), [Cost of cleaning up or making repairs](#), and [Special Procedure—Safe Harbor Methods for Determining Casualty and Theft Losses](#) below.

Appraisal. An appraisal to determine the difference between the FMV of the property immediately before a casu-

alty or theft and immediately afterward 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.

Tip: 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 isn't 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 isn't excessive.
- The repairs take care of the damage only.
- The value of the property after the repairs isn't, 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 automobile organizations that list the manufacturer and the model of your car may be useful in figuring the value of your car. You can use the retail value for your car listed in the book and modify it by such factors as mileage and the condition of your car to determine its value. The prices aren't official, but they may be useful in determining value and suggesting relative prices for comparison with current sales and offerings in your area. If your car isn't listed in the books, determine its value from other sources. A dealer's offer for your car as a

trade-in on a new car isn't usually a measure of its true value.

Special Procedure—Safe Harbor Methods for Determining Casualty and Theft Losses

To figure the amount of your casualty and theft losses, you must generally determine the actual reduction in the FMV of lost or damaged property using a competent appraisal or the cost of repairs you actually make. But the special safe harbor methods in Revenue Procedure 2018-08, 2018-2 I.R.B. 286, allow you to determine the decrease in FMV in other ways.

Caution: If you are an individual, casualty losses of personal-use property are deductible only if the loss is attributable to a federally declared disaster. An exception to the rule limiting the deduction for personal casualty and theft losses applies if you have personal casualty gains. In this case, you may deduct personal casualty losses that aren't attributable to a federally declared disaster to the extent they don't exceed your personal casualty gains.

Special procedure for determining casualty and theft losses generally. Revenue Procedure 2018-08, 2018-2 I.R.B. 286, available at [IRS.gov/irb/2018-02_IRB#RP-2018-08](https://irs.gov/irb/2018-02_IRB#RP-2018-08), provides safe harbor methods that you may use to figure the amount of your casualty and theft losses of your personal-use residential real property and personal belongings. If you qualify for and use a safe harbor method described in Revenue Procedure 2018-08, the IRS won't challenge your determination. The use of a safe harbor method described in Revenue Procedure 2018-08 isn't mandatory.

Personal-use residential real property safe harbor methods. Personal-use residential real property is generally real property, including improvements, that is owned by the individual who suffered a casualty loss and that contains at least one personal residence. It doesn't include a personal residence if any part of the personal residence is used as rental property or contains a home office used in a trade or business or transaction entered into for profit. For more details, see Revenue Procedure 2018-08.

The safe harbor methods for personal-use residential real property available through Revenue Procedure 2018-08 are the following.

- Estimated repair cost method.
- De minimis method.
- Insurance method.
- Federally declared disaster method—contractor safe harbor.
- Federally declared disaster method—disaster loan appraisal.

Estimated repair cost method. The estimated repair cost safe harbor method allows you to figure the decrease in the FMV of your personal-use residential real property using the lesser of two repair estimates prepared by separate and independent licensed contractors. The estimates

must detail the itemized costs to restore your property to its condition immediately before the casualty. The estimated repair cost safe harbor method is limited to casualty losses of \$20,000 or less.

De minimis method. The de minimis safe harbor method allows you to figure the decrease in the FMV of your personal-use residential real property based on a written good-faith estimate of the cost of repairs required to restore your property to its condition immediately before the casualty. You must keep documentation showing how you estimated the amount of your loss. The de minimis safe harbor method is available for casualty losses of \$5,000 or less.

Insurance method. The insurance safe harbor method allows you to figure the decrease in the FMV of your personal-use residential real property based upon the estimated loss in reports prepared by your homeowners or flood insurance company. These reports must set forth the estimated loss you sustained from the damage to or the destruction of your property.

Federally declared disaster method—contractor safe harbor. If the loss occurred in a disaster area and was due to a federally declared disaster, then you may use the contractor safe harbor method or the disaster loan appraisal method. Under the contractor safe harbor method, you may use the contract price for the repairs specified in a contract prepared by an independent and licensed contractor to determine the decrease in the FMV of your personal-use residential real property. This safe harbor method doesn't apply unless you are subject to a binding contract signed by you and the contractor setting forth the itemized costs to restore your personal-use residential real property to its condition immediately before the casualty.

Federally declared disaster method—disaster loan appraisal. Under the disaster loan appraisal safe harbor method, you may use an appraisal prepared to obtain a loan of federal funds or a loan guarantee from the federal government that identifies your estimated loss from a federally declared disaster to determine the decrease in the FMV of your personal-use residential real property.

Personal belongings safe harbor methods. Personal belongings generally include items of tangible personal property owned by an individual who suffered a casualty or theft loss if they aren't used in a trade or business. Personal belongings don't include an item that maintains or increases its value over time or certain other types of property. For more details, see Revenue Procedure 2018-08. The safe harbor methods for personal belongings are the de minimis method and the replacement cost safe harbor method for federally declared disasters.

De minimis method. Under the de minimis method, you can make a good-faith estimate of the decrease in the FMV of your personal belongings. You must maintain records describing your affected personal belongings as well as your methodology for estimating your loss. This method is limited to losses of \$5,000 or less.

Replacement cost safe harbor method for federally declared disasters. The replacement cost safe harbor method for federally declared disasters allows you to determine the FMV of your personal belongings located in a disaster area immediately before a federally declared disaster to figure the amount of your casualty or theft loss. To use the replacement cost safe harbor method, you must first determine the current cost to replace your personal belonging with a new one and then reduce that amount by 10% for each year you have owned the personal belonging. See the Personal Belongings Valuation Table in Revenue Procedure 2018-08. If you choose to use the replacement cost safe harbor method, then you must use that method for all your personal belongings, with certain exceptions identified in Revenue Procedure 2018-08.

Each of these safe harbor methods is subject to additional rules and exceptions. For additional information, see Revenue Procedure 2018-08.

Decreases to safe harbor loss amount. The loss determined through the safe harbor methods must be reduced by the value of any repairs provided by a third party at no cost (for example, work done by volunteers or via donations) to you. Additionally, reduce your loss by the amount of any insurance, reimbursements, or other compensation received.

Reporting requirements on Form 4684. Attach a statement to Form 4684 stating that you used Revenue Procedure 2018-08 to determine the amount of your casualty loss. Include the specific safe harbor method used. When completing Form 4684, don't enter an amount on line 5 or line 6 for each property. Instead, enter the decrease in the FMV determined under the relevant safe harbor method on line 7.

Tip: For losses due to Hurricane Harvey, Hurricane Irma, and Hurricane Maria, see Revenue Procedure 2018-09, 2018-2 I.R.B. 290, available at [IRS.gov/irb/2018-02_IRB#RP-2018-09](https://irs.gov/irb/2018-02_IRB#RP-2018-09), for the cost indexes safe harbor method.

Figuring Decrease in FMV—Items Not To Consider

You generally shouldn't 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 isn't part of a casualty or theft loss. The amount you spend on insurance or to board up your house against a storm isn't 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 can't 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, aren't 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 isn't part of a casualty or theft loss.

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

Sentimental value. Don't 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, as limited by your adjusted basis in the property.

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, isn't 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 aren't a part of the loss. They are expenses in determining your tax liability. For tax years beginning after 2017, they cannot be deducted as miscellaneous itemized deductions.

Adjusted Basis

The measure of your investment in the property you own is its basis. For property you buy, your basis is usually 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 Pub. 551.

Inherited property and the Section 1022 Election. If you inherited property from someone who died in 2010 and the executor of the decedent's estate made a Section 1022 Election using Form 8939, Allocation of Increase in Basis for Property Acquired From a Decedent, special rules regarding the basis would apply.

An executor of an estate of a decedent who died in 2010 could elect to apply a modified carryover basis treatment to property acquired from the decedent.

For more detailed information about the Section 1022 Election, see Notice 2011-66, 2011-35 I.R.B. 184, available at [IRS.gov/irb/2011-35_IRB#NOT-2011-66](https://irs.gov/irb/2011-35_IRB#NOT-2011-66). For optional safe harbor guidance under section 1022, see Revenue Procedure 2011-41, 2011-35 I.R.B. 188, available at [IRS.gov/irb/2011-35_IRB#RP-2011-41](https://irs.gov/irb/2011-35_IRB#RP-2011-41).

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 casualty losses and depreciation deductions, decrease basis. When you add the increases to the basis and subtract the decreases from the basis, the result is your adjusted basis. See Pub. 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 don't have a casualty or theft loss to the extent you are reimbursed.

If in the year of the casualty there is a claim for reimbursement with a reasonable prospect of recovery, the loss isn't sustained until you know with reasonable certainty whether such reimbursement will be received. 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 don't 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 should file a timely insurance claim for reimbursement of your loss. If you don't file an insurance claim, you can't deduct the full unrecovered amount as a casualty or theft loss and only the part of the loss that isn't covered by your insurance policy is deductible.

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

Example. Your car insurance policy includes comprehensive coverage with a \$1,000 deductible. Because your insurance doesn't cover the first \$1,000 of damages resulting from a storm, the \$1,000 is deductible (subject to the [\\$100](#) and [10%](#) rules, discussed later). This is true, even if you don't file an insurance claim, because your insurance policy won't reimburse 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 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 don't 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 doesn't reduce your casualty loss on the damaged home.

Insurance payments for living expenses. You don't 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 don't 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 Schedule 1 (Form 1040), line 8z. 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*.

Table 2. Deduction Limit Rules for Personal-Use Property

		\$100 rule	10% rule
General Application		You must reduce each casualty or theft loss by \$100 when figuring your deduction. Apply this rule to personal-use property after you have figured the amount of your loss. ¹	You must reduce your total casualty or theft loss attributable to a federally declared disaster by 10% of your AGI. Apply this rule to personal-use property after you reduce each loss by \$100 (the \$100 rule). ²
Single Event		Apply this rule only once, even if many pieces of property are affected.	Apply this rule only once, even if many pieces of property are affected.
More Than One Event		Apply to the loss from each event.	Apply to the total of all your losses from all federally declared disasters.
More Than One Person— With Loss From the Same Event (other than a married couple filing jointly)		Apply separately to each person.	Apply separately to each person.
Married Couple— With Loss From the Same Event	Filing Joint Return	Apply as if you were one person.	Apply as if you were one person.
	Filing Separate Return	Apply separately to each spouse.	Apply separately to each spouse.
More Than One Owner (other than a married couple filing jointly)		Apply separately to each owner of jointly owned property.	Apply separately to each owner of jointly owned property.

¹ Qualified disaster losses must be reduced by \$500 when figuring your deduction. See *Disaster Area Losses*, later, for more information.

² The 10% rule doesn't apply to qualified disaster losses. See *Disaster Area Losses*, later, for more information.

A temporary increase in your living expenses is the difference between the actual living expenses you and your family incurred during the period you couldn't 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 didn't because of the casualty or the threat of one.

Example. As a result of a hurricane, you vacated your apartment for a month and moved to a motel. You normally pay \$1,400 a month for rent. None was charged for the month the apartment was vacated. Your motel rent for this month was \$3,000. You normally pay \$500 a month for food. Your food expenses for the month you lived in the motel were \$850. You received \$2,200 from your insurance company to cover your living expenses. You determine the payment you must include in income as follows.

1. Insurance payment for living expenses	\$2,200
2. Actual expenses during the month you are unable to use your home because of the hurricane	\$3,850
3. Normal living expenses	1,900
4. Temporary increase in living expenses: Subtract line 3 from line 2	1,950
5. Amount of payment includable in income: Subtract line 4 from line 1	<u>\$ 250</u>

Tax year of inclusion. You include the taxable part of the insurance payment in income for the year you regain the use of your main home or, if later, for the year you receive the taxable part of the insurance payment.

Example. Your main home was destroyed by a tornado in June 2023. You regained use of your home in November 2024. The insurance payments you received in 2023 and 2024 were \$1,500 more than the temporary increase in your living expenses during those years. You include this amount in income on your 2024 Form 1040. If, in 2025, you receive further payments to cover the living expenses you had in 2023 and 2024, you must include those payments in income on your 2025 Form 1040 or 1040-SR.

Disaster relief. Food, medical supplies, and other forms of assistance you receive don't reduce your casualty loss unless they are replacements for lost or destroyed property.

Tip: Qualified disaster relief payments you receive for expenses you incurred as a result of a federally declared disaster aren't taxable income to you. For more information, see *Qualified disaster relief payments* under *Disaster Area Losses*, later.

Disaster unemployment assistance payments are unemployment benefits that are taxable.

Generally, disaster relief grants received under the Stafford Act aren't included in your income. See [Federal disaster relief grants](#), later, under *Disaster Area Losses*.

Loan proceeds. Don't reduce your casualty loss by loan proceeds you use to rehabilitate or replace property on which you are claiming a casualty loss deduction. If you have a federal loan that is canceled (forgiven), see [Federal loan canceled](#), later, under *Disaster Area Losses*.

Reimbursement Received After Deducting Loss

If you figured your casualty or theft loss using the amount of your expected reimbursement, you may have to adjust your tax return for the tax year in which you get your actual reimbursement. This section explains the adjustment you may have to make.

Caution: If you paid amounts to repair damage to a personal residence with a deteriorating concrete foundation and claimed a deduction on an original or amended federal income tax return and payments were made to you (or on your behalf to contractors) by the Connecticut Foundation Solutions Indemnity Company (CFSIC), you must include some or part of the payments in your gross income. See Announcement 2020-5, 2020-19 I.R.B. 796 (available at [IRS.gov/irb/2020-19_IRB#ANN-2020-5](https://irs.gov/irb/2020-19_IRB#ANN-2020-5)).

Actual reimbursement less than expected. If you later receive less reimbursement than you expected, include that difference as a loss with your other losses (if any) on your return for the year in which you can reasonably expect no more reimbursement.

Example. Your personal car had an FMV of \$2,000 when it was destroyed in a collision with another car in 2024. The accident was due to the negligence of the other driver. At the end of 2024, there was a reasonable prospect that the owner of the other car would reimburse you in full. You didn't have a deductible loss in 2024.

In January 2025, the court awards you a judgment of \$2,000. However, in July it becomes apparent that you will be unable to collect any amount from the other driver. You can deduct the loss in 2025 (to the extent it doesn't exceed your 2025 personal casualty gains) that is figured by applying the [deduction limits](#) (discussed later).

Actual reimbursement more than expected. If you later receive a larger reimbursement amount than you expected, after you have claimed a deduction for the loss, you may have to include the extra reimbursement amount in your income for the year you receive it. However, if any part of the original deduction didn't reduce your tax for the earlier year, don't include that part of the reimbursement amount in your income. You don't refigure your tax for the year you claimed the deduction. See *Recoveries* in Pub. 525 to find out how much extra reimbursement to include in income.

Example. In 2024, a hurricane that was a federally declared disaster destroyed your motorboat. Your loss was \$3,000, and you estimated that your insurance would cover \$2,500 of it. You didn't itemize deductions on your 2024 return nor did you increase your standard deduction by the amount of your loss. When the insurance company reimburses you for the loss, you don't report any of the reimbursement as income. This is true even if it is for the full \$3,000 because you didn't deduct the loss on your 2024 return. The loss didn't reduce your tax.

Note: If the total of all the reimbursements you receive is more than your adjusted basis in the destroyed or stolen property, 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 later receive exactly the reimbursement you expected to receive, you don't have to include any of the reimbursement in your income and you can't deduct any additional loss.

Example. In December 2025, your personal car was damaged in a flood that was a federally declared disaster. Repairs to the car cost \$950. You had \$100 deductible comprehensive insurance. Your insurance company agreed to reimburse you for the rest of the damage. Because you expected a reimbursement from the insurance company, you didn't have a casualty loss deduction in 2025.

Due to the \$100 rule, you can't deduct the \$100 you paid as the deductible. When you receive the \$850 from the insurance company in 2026, don't report it as income.

Deduction Limits

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

The deduction for casualty and theft losses of personal-use property is limited. For tax years beginning after 2017, personal casualty and theft losses of an individual are deductible only to the extent they're attributable to a federally declared disaster. Personal casualty and theft losses attributable to a federally declared disaster are subject to the \$100 per casualty and 10% rules, discussed later. The \$100 and 10% rules are also summarized in [Table 2](#).

An exception to the rule above limiting the personal casualty and theft loss deduction to losses attributable to a federally declared disaster applies if you have personal casualty gains for the tax year. In this case, you may reduce your personal casualty gains by any casualty losses not attributable to a federally declared disaster. Any

excess gain is used to reduce losses from a federally declared disaster. The 10% rule is applied to any federal disaster losses that remain.

Losses on business property and income-producing property aren't 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 8582, Passive Activity Loss Limitations, and its instructions.

\$100 Rule

After you have figured your casualty or theft loss on [personal-use property](#), as discussed earlier, you must reduce that loss by \$100. This reduction applies to each total casualty or theft loss, including those losses not attributable to a federally declared disaster that are applied to reduce your personal casualty gains. It doesn't matter how many pieces of property are involved in an event. Only a single \$100 reduction applies.

Example. You have \$750 deductible collision insurance on your car. The car is damaged in a collision. The insurance company pays you for the damage minus the \$750 deductible. The amount of the casualty loss is based solely on the deductible. The casualty loss is \$650 (\$750 – \$100) because the first \$100 of a casualty loss on personal-use property isn't deductible.

Caution: Qualified disaster losses must be reduced by \$500. See [Disaster Area Losses](#), later, for more information.

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 tornado that damages both your home and your car parked in your driveway.

Example 1. A tornado destroyed 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 \$100 rule applies once. Figure your loss before applying the [10% rule](#) (discussed later) as follows.

	Boat	Equipment
1. Loss	\$5,000	\$1,200
2. Subtract insurance	4,500	-0-
3. Loss after reimbursement	<u>\$ 500</u>	<u>\$1,200</u>
4. Total loss		\$1,700
5. Subtract \$100		100
6. Loss before 10% rule		<u>\$1,600</u>

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 \$100 rule applies to the total \$900 loss.

Example 3. In October, 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 \$100 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 \$100.

Example. Your family car was damaged in a storm in January. Your loss after the insurance reimbursement was \$75. In February, your car was damaged in another storm. This time your loss after the insurance reimbursement was \$90. Apply the \$100 rule to each separate casualty loss. Since neither storm resulted in a loss of over \$100, you aren't entitled to any deduction for these storms.

More than one person. If two or more individuals (other than spouses filing a joint return) have losses from the same casualty or theft, the \$100 rule applies separately to each individual.

Example. Hurricane winds damaged your house and also damaged the personal property of your house guest. You must reduce your loss by \$100. Your house guest must reduce his or her loss by \$100.

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the \$100 rule. It doesn't 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 \$100. This is true even if you own the property jointly. If one spouse owns the property, only that spouse can claim 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 entire loss on a separate return. Each of you must reduce the loss by \$100.

More than one owner. If two or more individuals (other than spouses filing a joint return) have a loss on property jointly owned, the \$100 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 \$100 rule applies separately to each sister.

10% Rule

You must reduce your total federal casualty losses by 10% of your AGI. Apply this rule after you reduce each loss by \$100. For more information, see the Instructions for Form

4684. If you have both gains and losses from casualties or thefts, see [Gains and losses](#), later in this discussion.

Example. In September, your house was damaged by a tropical storm that was a federally declared disaster. Your loss after insurance reimbursement was \$2,000. Your AGI for the year the loss was sustained is \$29,500. Figure your casualty loss as follows.

1. Loss after insurance	\$2,000
2. Subtract \$100	100
3. Loss after \$100 rule	\$1,900
4. Subtract 10% of \$29,500 AGI	\$2,950
5. Casualty loss deduction	\$ -0-

You don't have a casualty loss deduction because your loss (\$1,900) is less than 10% of your AGI (\$2,950).

Caution: The 10% rule doesn't apply to qualified disaster losses. See [Disaster Area Losses](#), later, for more information.

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 \$100. Then you must reduce your total federal casualty losses by 10% of your AGI.

Example. In March, your car was destroyed in a flood that was a federally declared disaster. You didn't have insurance on your car, so you didn't receive any insurance reimbursement. Your loss on the car was \$1,800. In November, another flood, which was also a federally declared disaster, damaged your basement and totally destroyed the furniture, washer, dryer, and other items you had stored there. Your loss on the basement items after reimbursement from your insurer was \$2,100. Your AGI for the year that the floods occurred is \$25,000. You figure your casualty loss deduction as follows.

	Car	Basement
1. Loss	\$1,800	\$2,100
2. Subtract \$100 per incident	100	100
3. Loss after \$100 rule	\$1,700	\$2,000
4. Total loss		\$3,700
5. Subtract 10% of \$25,000 AGI		2,500
6. Casualty loss deduction		\$1,200

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the 10% rule. It doesn't matter if you own the property jointly or separately.

If you file separate returns, the 10% rule applies to each return on which a loss is claimed.

More than one owner. If two or more individuals (other than spouses filing a joint return) have a loss on property that is owned jointly, the 10% rule applies separately to each.

Gains and losses. If you have casualty or theft gains as well as losses to your personal-use property, you must compare your total gains to your total losses. Do this after you have reduced each loss by any reimbursements and

by \$100 but before you have reduced the federal casualty losses by 10% of your AGI.

Caution: Casualty or theft gains don't include gains you choose to postpone. See [Postponement of Gain](#), later.

Losses more than gains. If your losses are more than your recognized gains, subtract your gains from your losses and reduce the result by 10% of your AGI. The rest, if any, is your deductible loss from personal-use property.

If you have losses not attributable to a federally declared disaster, see [Line 14](#) in the Instructions for Form 4684. Losses not attributable to a federally declared disaster can be used only to offset gains.

If you have qualified disaster losses, see [Line 15](#) in the Instructions for Form 4684 for more details.

Example. Your theft loss after reducing it by reimbursements and by \$100 is \$2,700. Your casualty gain is \$700. Because your theft loss wasn't attributable to a federally declared disaster, you can only use \$700 of your loss to offset the \$700 casualty gain.

Gains more than losses. If your recognized gains are more than your losses, subtract your losses from your gains. The difference is treated as a capital gain and must be reported on Schedule D (Form 1040). The 10% rule doesn't apply to your gains. If you have losses not attributable to a federally declared disaster, see [Line 14](#) in the Instructions for Form 4684.

Example. Your theft loss is \$600 after reducing it by reimbursements and by \$100. Your casualty gain is \$1,600. Because your gain is more than your loss, you must report the \$1,000 net gain (\$1,600 – \$600) on Schedule D (Form 1040).

More information. For information on how to figure recognized gains, see [Figuring a Gain](#), later.

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 tornado destroyed your lake-side cottage, which cost \$144,800 (including \$14,500 for the land) several years ago. (Your land wasn't damaged.) This was your only casualty or theft loss for the year. The FMV of the property immediately before the tornado was \$180,000 (\$145,000 for the cottage and \$35,000 for the land). The FMV immediately after the tornado was \$35,000 (value of the land). You collected \$130,000 from the insurance company. Your AGI for the year the tornado occurred is \$80,000. Your deduction for the casualty loss is \$6,700, figured in the following manner.

1. Adjusted basis of the entire property (cost in this example)	<u>\$144,800</u>
2. FMV of entire property before tornado	<u>\$180,000</u>
3. FMV of entire property after tornado	<u>35,000</u>
4. Decrease in FMV of entire property (line 2 – line 3)	<u>\$145,000</u>
5. Loss (smaller of line 1 or line 4)	<u>\$144,800</u>
6. Subtract insurance	<u>130,000</u>
7. Loss after reimbursement	<u>\$14,800</u>
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	<u>\$14,700</u>
10. Subtract 10% of \$80,000 AGI	<u>8,000</u>
11. Casualty loss deduction	<u>\$ 6,700</u>

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 spent an additional \$2,000 for landscaping. This year a hurricane destroyed your home. The hurricane also damaged the shrubbery and trees in your yard. The hurricane was your only casualty or theft loss this year. Competent appraisers valued the property as a whole at \$175,000 before the hurricane but only \$50,000 after the hurricane. Shortly after the hurricane, the insurance company paid you \$95,000 for the loss. Your AGI for this year is \$70,000. You figure your casualty loss deduction as follows.

1. Adjusted basis of the entire property (cost of land, building, and landscaping)	<u>\$152,000</u>
2. FMV of entire property before hurricane	<u>\$175,000</u>
3. FMV of entire property after hurricane	<u>50,000</u>
4. Decrease in FMV of entire property (line 2 – line 3)	<u>\$125,000</u>
5. Loss (smaller of line 1 or line 4)	<u>\$125,000</u>
6. Subtract insurance	<u>95,000</u>
7. Loss after reimbursement	<u>\$30,000</u>
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	<u>\$29,900</u>
10. Subtract 10% of \$70,000 AGI	<u>7,000</u>
11. Casualty loss deduction	<u>\$ 22,900</u>

Personal property. Personal property is any property that isn't 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 \$100 and 10% of your AGI to figure the loss deduction.

Example 1. In August, a storm that was determined to be a federally declared disaster 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 AGI for the year the casualty occurred is \$70,000.

Although the motor was sold separately, it is part of the boat and not a separate item of property. You figure your casualty loss deduction as follows.

1. Adjusted basis (cost in this example)	<u>\$18,500</u>
2. FMV before storm	<u>\$17,000</u>
3. FMV after storm	<u>200</u>
4. Decrease in FMV (line 2 – line 3)	<u>\$16,800</u>
5. Loss (smaller of line 1 or line 4)	<u>\$16,800</u>
6. Subtract insurance	<u>-0-</u>
7. Loss after reimbursement	<u>\$16,800</u>
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	<u>\$16,700</u>
10. Subtract 10% of \$70,000 AGI	<u>7,000</u>
11. Casualty loss deduction	<u>\$ 9,700</u>

Example 2. In June, you were involved in an auto accident that totally destroyed your personal car and your antique pocket watch. You had bought the car for \$30,000. The FMV of the car just before the accident was \$17,500. Its FMV just after the accident was \$180 (scrap value). Your insurance company reimbursed you \$16,000.

Your watch wasn't insured. You had purchased it for \$250. Its FMV just before the accident was \$500. In the same year, you also had a \$2,000 casualty gain and a separate \$5,000 casualty loss attributable to a federally declared disaster. Your AGI for the year is \$97,000. Your casualty loss deduction is zero, figured as follows.

	Car	Watch
1. Adjusted basis (cost)	<u>\$30,000</u>	<u>\$250</u>
2. FMV before accident	<u>\$17,500</u>	<u>\$500</u>
3. FMV after accident	<u>180</u>	<u>-0-</u>
4. Decrease in FMV (line 2 – line 3)	<u>\$17,320</u>	<u>\$500</u>
5. Loss (smaller of line 1 or line 4)	<u>\$17,320</u>	<u>\$250</u>
6. Subtract insurance	<u>16,000</u>	<u>-0-</u>
7. Loss after reimbursement	<u>\$1,320</u>	<u>\$250</u>
8. Total loss		<u>\$1,570</u>
9. Subtract \$100		<u>100</u>
10. Loss not attributable to a federally declared disaster after \$100 rule		<u>\$1,470</u>
11. Casualty gain		<u>\$2,000</u>
12. Casualty loss not attributable to a federally declared disaster		<u>1,470</u>
13. Remaining gain after offsetting the loss not attributable to a federally declared disaster (line 11 – line 12; if zero or less, enter -0-)		<u>\$530</u>
14. Casualty loss attributable to a federally declared disaster		<u>\$5,000</u>
15. Subtract \$100		<u>100</u>
16. Loss after \$100 rule		<u>\$4,900</u>
17. Subtract remaining gain (line 13)		<u>530</u>
18. Loss after subtracting gain		<u>\$4,370</u>
19. Subtract 10% of \$97,000 AGI		<u>9,700</u>
20. Casualty loss deduction attributable to a federally declared disaster		<u>\$ -0-</u>

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 \$100 reduction to the total loss. Then you apply the 10% rule to figure the casualty loss deduction.

Example. In July, a hurricane, which was a federally declared disaster, 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 weren't insured. Your AGI for the year the hurricane occurred is \$65,000. You figure your casualty loss deduction from the hurricane in the following manner.

	Business Part	Personal Part
1. Adjusted basis of real property (cost in this example)	\$164,000	\$200,000
2. FMV of real property before hurricane	\$170,000	-0-
3. FMV of real property after hurricane	100,000	<u><u>\$200,000</u></u>
4. Decrease in FMV of real property (line 2 – line 3)	\$70,000	<u><u>\$30,000</u></u>
5. Loss on real property (smaller of line 1 or line 4)	\$70,000	\$30,000
6. Subtract insurance	50,000	20,000
7. Loss on real property after reimbursement	\$20,000	\$10,000
8. Loss on furnishings	\$600	\$10,000
9. Subtract insurance	-0-	100
10. Loss on furnishings after reimbursement	\$600	\$9,900
11. Total loss (line 7 plus line 10)	\$20,600	\$12,500
12. Subtract \$100	100	<u><u>\$10,000</u></u>
13. Loss after \$100 rule	\$20,500	<u><u>12,500</u></u>
14. Subtract 10% of \$65,000 AGI	6,500	<u><u>\$10,000</u></u>
15. Casualty loss deduction	\$14,000	\$ -0-

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 two 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 of the property. The \$100 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.

In March, a flood that was determined to be a federally declared disaster 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 don't have a deductible personal casualty

loss because of the 10% rule. You figure your loss as follows.

	Business Part	Personal Part
1. Cost (total \$400,000)	\$200,000	\$200,000
2. Subtract depreciation	24,000	-0-
3. Adjusted basis	<u><u>\$176,000</u></u>	<u><u>\$200,000</u></u>
4. FMV before flood (total \$380,000)	\$190,000	\$190,000
5. FMV after flood (total \$320,000)	160,000	160,000
6. Decrease in FMV (line 4 – line 5)	\$30,000	\$30,000
7. Loss (smaller of line 3 or line 6)	\$30,000	\$30,000
8. Subtract insurance	20,000	20,000
9. Loss after reimbursement	\$10,000	\$10,000
10. Subtract \$100 on personal-use property	-0-	100
11. Loss after \$100 rule	\$10,000	\$9,900
12. Subtract 10% of \$125,000 AGI on personal-use property	-0-	12,500
13. Deductible business loss	\$10,000	\$ -0-
14. Deductible personal loss	\$ -0-	\$ -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 more information.

Even if the decrease in FMV of your property is smaller than the adjusted basis of your property, 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 incur 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 can generally 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 must generally 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 Pub. 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.

Reporting a gain. You must generally report your gain as income in the year you receive the reimbursement. However, you don't have to report your gain if you meet certain requirements and choose to postpone reporting the gain according to the rules explained under *Postponement of Gain* next.

For information on how to report a gain, see *How To Report Gains and Losses*, later.

Caution: If you have a casualty or theft gain on personal-use property that you choose to postpone reporting (as explained next) and you also have another casualty or theft loss on personal-use property, don't consider the gain you are postponing when figuring your casualty or theft loss deduction. See *10% Rule* under *Deduction Limits*, earlier.

Postponement of Gain

Don't report a gain if you receive reimbursement in the form of property similar or related in service or use to the destroyed 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 can also 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 oceanfront 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 in January, the cottage was worth \$250,000. You received \$146,000 from the insurance company in March. You had a gain of \$128,000 (\$146,000 – \$18,000).

You spent \$144,000 to rebuild the cottage. Because 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 can't 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.
2. Partnerships in which more than 50% of the capital or profits interests is owned by C corporations.
3. All others (including individuals, partnerships (other than those in (2)), and S corporations) if the total realized gain for 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 can't 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 doesn't 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 Pub. 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 can't 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 doesn't qualify.

You don't 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 meet the other requirements.

Advance payment. If you pay a contractor in advance to replace your destroyed or stolen property, you aren't 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 (not land) 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 isn't similar or related in service or use to the destroyed property. To be similar or related in service or use, your replacement property must also be used by you as 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 [Gains Realized on Homes in Disaster Areas](#), later.

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 all of the following.

- 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 a tornado. 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 of 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. The replacement property doesn't have to be located in the federally declared disaster area. 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 aren't 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 can't 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 generally 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 stolen from your home. You discovered the theft when you returned home on July 7, 2025. Your insurance company investigated the theft and didn't settle your claim until January 22, 2026, when they paid you \$3,000. You first realized a gain from the reimbursement for the theft during 2026, so you have until December 31, 2028, 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 2025. In December 2025, the insurance company paid you \$3,000 more than the adjusted basis of your home. The area in which your home is located isn't a federally declared disaster area. You first realized a gain from the reimbursement for the casualty in 2025, so you have until December 31, 2027, to replace the property. If your home had been in a federally declared disaster area, you would have until December 31, 2029, to replace the property.

Caution: The replacement period may vary for other events. For information on the replacement period following a condemnation of property, see *Involuntary Conversions* in chapter 1 of Pub. 544. For information on the replacement period following the weather-related sale or exchange of livestock, see chapter 11 of Pub. 225.

Extension. You can request an extension of the replacement period. You should request the extension before the end of the replacement period. Ordinarily, requests for extensions aren't made or granted until near the end of the replacement period or the extended replacement period.

About the extension. Extensions are usually limited to a period of not more than 1 year. The high market value or scarcity of replacement property isn't sufficient grounds for granting an extension. If your replacement property is being constructed and you clearly show that the construction can't be completed within the replacement period, you may be granted an extension of the period.

Making your request. You can request an extension of the replacement period by faxing your written request to 877-477-9193 or mailing your request to Internal Revenue Service, 985 Michigan Ave., Stop 16, Detroit, MI 48226. The submission should include a cover sheet with the following information.

- Date.
- Your name, title, phone number, and address.
- Attention: SB/SE Field Examination Area Director [Your State].
- Subject: 1033 Extension Request for Replacement Period of Involuntarily Converted Property.
- Number of pages faxed (inclusive of cover sheet).

What to include in your request. Your request must contain all the details describing why you need the extension. Include:

1. The name, address, and taxpayer identification number of the taxpayer,
2. A detailed description of the property converted,
3. Date the property was converted,
4. Adjusted basis of the property converted,
5. Date(s) and amount(s) of the payments received,
6. Copy of the return with the involuntary conversion of property at a gain and related deferral of the gain, and
7. A description of the actions taken to replace the property.

Filing after the replacement period. You can file a request within a reasonable time after the replacement period ends if you can show a good reason for the delay. An extension may be granted if you can show that there is a reasonable cause for not making the replacement within the replacement period.

Gains Realized on Homes in Disaster Areas

The following rules apply if your main home was located in an area declared by the President of the United States to warrant federal assistance as the result of a disaster, and the home or any of its contents were damaged or destroyed due to the disaster. These rules also apply to renters who receive insurance proceeds for damaged or destroyed property in a rented home that is their main home.

1. No gain is recognized on any insurance proceeds received for unscheduled personal property that was part of the contents of the home.

2. Any other insurance proceeds you receive for the home or its contents are treated as received for a single item of property, and any replacement property you purchase that is similar or related in service or use to the home or its contents is treated as similar or related in service or use to that single item of property. Therefore, you can choose to recognize gain only to the extent the insurance proceeds treated as received for that single item of property exceed the cost of the replacement property.
3. If you choose to postpone any gain from the receipt of insurance or other reimbursement for your main home or any of its contents, the period in which you must purchase replacement property is extended until 4 years after the end of the first tax year in which any part of the gain is realized.

For details on how to postpone gain, see [*How To Postpone a Gain*](#), later.

Example. Your main home and its contents were completely destroyed in 2025 by a tornado in a federally declared disaster area. In 2025, you received insurance proceeds of \$200,000 for the home, \$25,000 for unscheduled personal property in your home, \$5,000 for jewelry, and \$10,000 for a stamp collection.

No gain is recognized on the \$25,000 of insurance proceeds you received for the unscheduled personal property.

The jewelry and stamp collection were kept in your home and were scheduled property on your insurance policy. Your home and its replacement contents are considered a single item of property for the purpose of recognizing gain on the involuntary conversion your home and its contents.

If you reinvest the remaining insurance proceeds of \$215,000 in a replacement home and its replacement contents, you can elect to postpone any gain on your home, jewelry, or stamp collection.

If you reinvest less than the remaining \$215,000 of insurance proceeds in a replacement home and its replacement contents, you may have to recognize any gain to the extent the \$215,000 of insurance proceeds exceeds the amount you invest in a replacement home and its replacement contents.

See Pub. 523 for more information on gain that may be excluded on a sale, including the receipt of insurance proceeds for a destruction of your home.

To postpone the gain, you must purchase the replacement property before 2030. Your basis in the replacement property equals its cost decreased by the amount of any postponed gain.

How To Postpone a Gain

You postpone reporting your gain from a casualty or theft by reporting your choice on your tax return for the year you have the gain. You have the gain in the year you receive insurance proceeds or other reimbursements that result in a gain.

If a partnership or a corporation owns the stolen or destroyed property, only the partnership or corporation can choose to postpone reporting the gain.

Required statement. You should attach a statement to your return for the year you have the gain. This statement should include the following.

- The date and details of the casualty or theft.
- The insurance or other reimbursement you received from the casualty or theft.
- How you figured the gain.

Replacement property acquired before return filed.

If you acquire replacement property before you file your return for the year you have the gain, your statement should also include detailed information about all of the following.

- The replacement property.
- The postponed gain.
- The basis adjustment that reflects the postponed gain.
- Any gain you are reporting as income.

Replacement property acquired after return filed.

If you intend to acquire replacement property after you file your return for the year in 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 acquired in that 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 can't 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 wasn't 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 1040-X) for the tax year of the gain in either of the following situations.

- You don't 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 can't 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 IRS for your area of any of the following.

- You replaced the property.
- You don't intend to replace the property.
- You didn't replace the property within the replacement period.

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

Example. Your property was destroyed in 2024 due to a federally declared disaster. Your insurance company reimbursed you \$10,000, of which \$5,000 was a gain. You reported the \$5,000 gain on your return for 2024 (the year you realized the gain) and paid the tax due. In 2025, you bought replacement property. Your replacement property cost \$9,000. Because 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 2024 using Form 1040-X. You should attach an explanation showing that you previously reported the entire gain from the casualty 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 isn't reimbursable only in the tax year in which the casualty occurred. This is true even if you don't 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 aren't reimbursable only in the year you discover your property was stolen.

If in the year of the casualty there is a claim for reimbursement with a reasonable prospect of recovery, the loss isn't sustained until you know with reasonable certainty whether such reimbursement will be received. If you aren't sure whether part of your casualty or theft loss will be reimbursed, don't deduct that part until the tax year when you become reasonably certain that it won't be reimbursed. The later tax year is when your loss is sustained.

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 determined. This is true even if the loss occurred or the liability was paid in a different year. You aren't 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 disaster loss is a loss that occurred in an area determined by the President of the United States to warrant assistance by the federal government under the Stafford Act and that is attributable to a federally declared disaster. Disaster areas include areas warranting public or individual assistance (or both). A federally declared disaster includes a major disaster or emergency declaration.

Tip: A list of the areas warranting public or individual assistance (or both) under the Stafford Act is available at [FEMA.gov/Disaster](#).

FEMA disaster declaration numbers. If you are reporting a casualty or theft loss attributable to a federally declared disaster, check the box and enter the DR or EM declaration number assigned by FEMA in the space provided above line 1 on your 2025 Form 4684. A list of federally declared disasters and FEMA disaster declaration numbers is available at [FEMA.gov/Disaster](#).

The FEMA disaster declaration number consists of the letters "DR" and four numbers or the letters "EM" and four numbers. For example, enter "DR-4865" in the respective entry spaces for the Arkansas Severe Storms and Tornadoes.

Disaster year. The disaster year is the tax year in which you sustained the loss attributable to a federally declared disaster. Generally, a disaster loss is sustained in the year the disaster occurred. However, a disaster loss may also be sustained in a year after the disaster occurred. For example, if a claim for reimbursement exists for which there is a reasonable prospect of recovery, no part of the loss for which reimbursement may be received is sustained until it can be ascertained with reasonable certainty whether you will be reimbursed.

When to deduct the loss. You must generally deduct a casualty loss in the disaster year. 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 elect to deduct that loss on your return

or amended return for the tax year immediately preceding the disaster year. If you make this election, the loss is treated as having occurred in the preceding year. A list of areas warranting public or individual assistance (or both) is available at the FEMA website at FEMA.gov/Disaster.

You must make the election to take your casualty loss for the disaster in the preceding year on or before the date that is 6 months after the regular due date for filing your original return (without extensions) for the disaster year. If you are a calendar year taxpayer, you have until October 15, 2026, to amend your 2024 tax return to claim a casualty loss that occurred during 2025.

How to deduct your loss in the preceding year. If you have already filed your return for the preceding year, you can elect to claim a disaster loss against that year's income by filing an amended return. Individuals file an amended return on Form 1040-X. (See [How to report the loss on Form 1040-X](#), later.)

To make this election, complete Part I of Section D on the 2024 Form 4684 and attach it to your 2024 return or amended return that claims the disaster loss deduction.

You must make an election to deduct the loss in the preceding year on or before the date that is 6 months after the regular due date for filing your original return (without extensions) for the disaster year. For individual calendar year taxpayers, the deadline for electing to take a 2025 disaster loss on your 2024 tax return is October 15, 2026. See the 2024 Instructions for Form 4684 for more detailed information on how to claim these losses on your original or amended 2024 return.

If you claimed a deduction for a disaster loss on the tax return for the disaster year and you wish to deduct the loss in the preceding year, you must file an amended return to remove the previously deducted loss on or before the date you file the return or amended return for the preceding year that includes the disaster loss deduction.

Tip: 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.

Revoking the election to deduct the loss in the preceding year. Complete Part II of Section D on the 2024 Form 4684 if you want to revoke a 2025 disaster year election to deduct a federally declared disaster loss in the preceding tax year. Attach the completed Section D to an amended return for the preceding year (that is, to an amended 2024 return for the revocation of a 2025 disaster year election).

Your amended return revoking the election must be filed on or before the date that is 90 days after the due date for making the election **and** on or before the date you file any return or amended return for the year that includes the disaster loss.

Your amended return (revoking the previous disaster loss election) should refigure your tax liability as a result of revoking the election. You must pay or make arrangements to pay any tax and interest due as a result of the revocation.

Qualified disaster losses. A qualified disaster loss includes an individual's casualty or theft loss of personal-use property that is attributable to:

- A major disaster declared by the President under section 401 of the Stafford Act in 2016;
- Hurricane Harvey;
- Tropical Storm Harvey;
- Hurricane Irma;
- Hurricane Maria;
- The California wildfires in 2017 and January 2018;
- A major disaster that was declared by the President under section 401 of the Stafford Act and that occurred in 2018 and before December 21, 2019, and continued no later than January 19, 2020 (except those attributable to the California wildfires in January 2018 that received prior relief); and
- A major disaster that was declared by the President during the period between January 1, 2020, and September 2, 2025. Also, this disaster must have an incident period that began on or after December 28, 2019, and on or before July 4, 2025, and must have ended no later than August 3, 2025.

Note: The definition of a qualified disaster loss does not extend to any major disaster that has been declared only by reason of COVID-19.

If you suffered a qualified disaster loss, you are eligible to claim a casualty loss deduction and to elect to claim the loss in the preceding tax year.

Go to IRS.gov/DisasterTaxRelief for date-specific declarations associated with these disasters and for more information.

Increased standard deduction reporting. If you have a net qualified disaster loss on Form 4684, line 15, and you aren't itemizing your deductions, you can claim an increased standard deduction using Schedule A (Form 1040) by doing the following.

1. Enter the amount from Form 4684, line 15, on the dotted line next to line 16 on Schedule A and the description "Net Qualified Disaster Loss."
2. Also, enter on the dotted line next to line 16 your standard deduction amount and the description "Standard Deduction Claimed With Qualified Disaster Loss."
3. Combine these two amounts and enter on line 16 of Schedule A and Form 1040 or 1040-SR, line 12e.

Caution: The alternative minimum tax adjustment for the standard deduction is made retroactively inapplicable to net qualified disaster losses. See *Taxpayers who also file the 2025 Form 6251, Alternative Minimum Tax for Individuals*, in the Instructions for Form 4684 for more information.

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 on Homes in Disaster Areas](#), earlier.

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 considered unsafe only if both of the following apply.

- Your home is substantially more dangerous after the disaster than it was before the disaster.
- The danger is from a substantially increased risk of future destruction from the disaster.

Example. Due to a severe storm, the President 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.

Figuring the loss deduction. When electing to deduct your loss in the preceding year, unless you have a [qualified disaster loss](#), discussed earlier, you must figure the loss under the usual rules for casualty losses, as if it occurred in the year preceding the disaster.

Example. A hurricane damaged your main home and destroyed your furniture in September 2025. This was your only casualty loss for the year. Your home is located in a federally declared disaster area designated by FEMA in September 2025 for public or individual assistance (or both). The cost of your home and land was \$134,000. The FMV immediately before the disaster was \$147,500 and the FMV immediately afterward was \$100,000. You separately figured the loss on each item of furniture (see [Figuring the Deduction](#), earlier) and arrived at a total loss for furniture of \$3,000. Your insurance didn't cover this type of casualty loss, and you expect no reimbursement for either your home or your furniture.

You elect to amend your 2024 return to claim your casualty loss for the disaster. Your AGI on your 2024 return was \$71,000. Using the rules applicable to disaster losses, you figure your casualty loss as follows.

	House	Furnishings
1. Cost	\$134,000	\$10,000
2. FMV before disaster	\$147,500	\$8,000
3. FMV after disaster	100,000	5,000
4. Decrease in FMV (line 2 – line 3)	\$47,500	\$3,000
5. Smaller of line 1 or line 4	\$47,500	\$3,000
6. Subtract estimated insurance	-0-	-0-
7. Loss after reimbursement	\$47,500	\$3,000
8. Total loss		\$50,500
9. Subtract \$100		100
10. Loss after \$100 rule		\$50,400
11. Subtract 10% of \$71,000 AGI		7,100
12. Amount of casualty loss deduction		\$43,300

How to report the loss on Form 1040-X. You should adjust your deductions on Form 1040-X. The Instructions for Form 1040-X show how to do this. Explain the reasons for your adjustment and attach Form 4684 to show how you figured your loss. See [Figuring a Loss](#), earlier.

If the damaged or destroyed property was nonbusiness property **and** you didn't itemize your deductions on your original return, you must first determine whether the casualty loss deduction now makes it advantageous for you to itemize. It is advantageous to itemize if the total of the casualty loss deduction and any other itemized deductions is more than your standard deduction. If you itemize, attach Schedule A (Form 1040) or Schedule A (Form 1040-NR), and Form 4684 to your amended return. Fill out Form 1040-X to refigure your tax to find your refund.

Records. You should keep the records that support your loss deduction. You don't have to attach them to the amended return.

If your records were destroyed or lost, you may have to reconstruct them. Information about reconstructing records is available at [IRS.gov/Newsroom/Reconstructing-Records-After-a-Natural-Disaster-or-Casualty-Loss](#) or see [Pub. 3067, IRS Disaster Assistance—Federally Declared Disaster Area](#).

Need a copy of your tax return for the preceding year? It will be easier to prepare Form 1040-X 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 fee 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, "Arkansas Severe Storms and Tornadoes").

Other Disaster Issues

Disaster loss to inventory. If your inventory loss qualifies as a casualty loss and is attributable to a federally declared disaster in an area designated by FEMA for public or individual assistance (or both), you may elect 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 won't be reported again in inventories.

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

Federal disaster relief grants. Don't include post-disaster relief grants received under the Stafford 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. Don't 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 Deducting Loss](#), earlier. Unemployment assistance payments under the Stafford Act 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 isn't 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 aren't included in the income of individuals to the extent any expenses compensated by these payments aren't otherwise compensated for by insurance or other reimbursement. These payments aren't subject to income tax, self-employment tax, or employment taxes (social security, Medicare, and federal unemployment 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 personal, family, living, or funeral 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. These payments must be made from a governmental fund, be based on individual or family needs, and not be compensation for services. Payments to businesses generally don't qualify.

East Palestine disaster relief payments. Certain relief payments related to the train derailment in East Palestine, Ohio, on February 3, 2023, are not taxable. The payment can be excluded from income if it was provided by a government agency or Norfolk Southern Railway (including any subsidiary, insurer, agent, or related person) and received on or after February 3, 2023. Further, the amount must have been paid to you to compensate for the following.

- Loss, damages, or expenses.
- Loss in real property value.
- Closing costs with respect to real property (including realtor commissions).
- Inconvenience (including access to real property).

Note: For more information about East Palestine disaster relief payments, including frequently asked questions, go to [East Palestine train derailment frequently asked questions](#).

Caution: Qualified disaster relief payments don't 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 wildfire relief payments. Certain qualified wildfire relief payments are not taxable to the extent your losses, expenses, or damages compensated by these payments were not otherwise compensated for by insurance or other reimbursement. You can exclude qualified wildfire relief payments you received between January 1, 2020, and December 31, 2025, for any forest or range fire declared a federal disaster in 2015 or a later year.

Qualified wildfire relief payments include any amount you receive for losses, expenses, or damages, including compensation for:

- Additional living expenses,
- Lost wages (other than compensation paid by an employer who would have otherwise paid your wages),
- Personal injury or death, or
- Emotional distress.

You cannot take a credit or deduction, or increase the basis in your property, related to any expense for which

you were compensated by a qualified wildfire relief payment.

Note: For more information about qualified wildfire relief payments, including frequently asked questions, go to [Wildfire relief payments frequently asked questions](#).

Tip: If you did not exclude from your income certain qualified wildfire relief payments or East Palestine disaster relief payments you received, you may need to file an amended return on Form 1040-X to claim these benefits. Form 1040-X is available at [IRS.gov/Form1040X](#). Prior revisions for Form 4684 are available at [IRS.gov/Form4684](#).

Qualified disaster mitigation payments. Qualified disaster mitigation payments made under the Stafford Act or the National Flood Insurance Act (as in effect on April 15, 2005) aren't 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 can't 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*.

Table 3. When To Deduct a Casualty or Theft Loss

IF you have a loss...*	THEN deduct it in the...
from a casualty *	year the loss occurred.
in a federally declared disaster area	disaster year or the year immediately before the disaster year.
from a theft *	year the theft was discovered.
on a deposit treated as a casualty	year a reasonable estimate can be made.

* If you are an individual, casualty and theft losses of personal-use property are deductible only if the loss is attributable to a federally declared disaster or a transaction entered into for profit. An exception applies where you have personal casualty gains.

Postponed Tax Deadlines

The IRS may postpone for up to 1 year certain tax deadlines of taxpayers who are affected by a federally declared (or state-declared, as described below) 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.

Qualified state-declared disasters. The Filing Relief for Natural Disasters Act expanded the mandatory postponement of certain tax deadlines for disasters declared after July 24, 2025, by the governor of the impacted state. This provision may also be applied to impacted areas within the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, or the Commonwealth of the North Mariana Islands.

If any tax deadline is postponed, the IRS will publicize the postponement in your area and publish a news release and, where necessary, in a revenue ruling, revenue procedure, notice, announcement, or other guidance in the Internal Revenue Bulletin (IRB). Go to [IRS.gov/DisasterTaxRelief](#) to find out if a tax deadline has been postponed for your area.

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 and 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 doesn't 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 on 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 or a state-declared disaster in which the IRS has decided to postpone tax deadlines for up to 1 year.

Mandatory 120-day postponement. Certain taxpayers affected by a federally declared or a state-declared disaster that occurs after July 24, 2025, may be eligible for a mandatory 120-day postponement for certain tax deadlines such as filing or paying income, excise, and employment taxes; and making contributions to a traditional IRA or Roth IRA.

The period beginning on the earliest incident date specified in the disaster declaration and ending on the date that is 120 days after either the earliest incident date or the date of the declaration, whichever is later, is the period during which the deadlines are postponed.

For information about disaster relief available in your area, including postponements, go to [IRS News Around the Nation](#).

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)

You can get information from FEMA by visiting [DisasterAssistance.gov](#) or calling the following phone numbers.

- 800-621-3362.
- Dial 711 and provide the TRS operator the number 800-621-3362 if you are deaf, hard of hearing, or have a speech disability.

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) (or Schedule A (Form 1040-NR), if you are a nonresident alien).

If you have a gain, report it on both of the following.

- Form 4684.
- Schedule D (Form 1040).

Don't 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 on Schedule A (Form 1040). Gains from business and income-producing property are combined with losses from business property and the net gain or loss is reported on Form 4797. If you aren't 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. For individuals filing Form 1040 or Form 1040-SR, enter the net gain or loss on Schedule 1 (Form 1040), line 4 and check the "4684" box. Partnerships and S corporations should see the Instructions for Form 4684 to find out where to report these gains and losses.

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 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 aren't 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. For individuals filing Form 1040 or Form 1040-SR, enter the net gain or loss on Schedule 1 (Form 1040), line 4 and check the "4684" box. Individuals deduct any loss of income-producing property 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 (Form 1040) depending on whether you have other transactions. 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 Pub. 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 any insurance or other reimbursement you receive and by any deductible loss. The result is your adjusted basis in the property.

If you make either of the basis adjustments described above, amounts you spend on repairs that restore the property to its pre-casualty condition increase your adjusted basis. Don't increase your basis in the property by any qualified disaster mitigation payments (discussed earlier under [Disaster Area Losses](#)). See *Adjusted Basis* in Pub. 551 for more information on adjustments to basis.

If Deductions Are More Than Income

If your casualty or theft loss deduction causes your deductions for the year to be more than your income for the year, you may have a net operating loss (NOL). Generally, you can use an NOL to lower your tax in a later year. You don't have to be in business to have an NOL from a casualty or theft loss. For more information, see the Instructions for Form 172.

How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to [IRS.gov](#) to find resources that can help you right away.

Tax reform. Tax reform legislation impacting federal taxes, credits, and deductions was enacted in P.L. 119-21, commonly known as the One Big Beautiful Bill Act, on July 4, 2025. Go to [IRS.gov/OBBA](#) for more information and updates on how this legislation affects your taxes.

Preparing and filing your tax return. After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

Free options for tax preparation. Your options for preparing and filing your return online or in your local community, if you qualify, include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using software or Free File Fillable Forms. However, state tax preparation may not be available through Free File. Go to [IRS.gov/FreeFile](#) to see if you qualify for free online federal tax preparation, e-filing, and direct deposit or payment options.

- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to [IRS.gov/VITA](#), download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.

- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to [IRS.gov/TCE](#) or download the free IRS2Go app for information on free tax return preparation.

- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to [MilitaryOneSource \(MilitaryOneSource.mil/MilTax\)](#).

Also, the IRS offers Free Fillable Forms, which can be completed online and then e-filed regardless of income.

Using online tools to help prepare your return. Go to [IRS.gov/Tools](#) for the following.

- The [Earned Income Tax Credit Assistant \(IRS.gov/EITCAssistant\)](#) determines if you're eligible for the earned income credit (EITC).
- The [Online EIN Application \(IRS.gov/EIN\)](#) helps you get an employer identification number (EIN) at no cost.
- The [Tax Withholding Estimator \(IRS.gov/W4App\)](#) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The [Sales Tax Deduction Calculator \(IRS.gov/SalesTax\)](#) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).

 **Getting answers to your tax questions.** On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- [IRS.gov/Help](#): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/ITA](#): The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax topics.
- [IRS.gov/Forms](#): Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax information in your e-filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).



Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to [Tips for Choosing a Tax Preparer](#) on IRS.gov.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at [SSA.gov/employer](#) for fast, free, and secure W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement; and Form W-2c, Corrected Wage and Tax Statement.

Business tax account. If you are a sole proprietor, a partnership, an S corporation, a C corporation, or a single-member limited liability company (LLC), you can view your tax information on record with the IRS and do more with a business tax account. Go to [IRS.gov/BusinessAccount](#) for more information.

IRS social media. Go to [IRS.gov/SocialMedia](#) to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English and ASL.

- [Youtube.com/irsvideos](https://www.youtube.com/irsvideos).
- [Youtube.com/irsvideosASL](https://www.youtube.com/irsvideosASL).

Over-the-Phone Interpreter (OPI) Service. The IRS offers the OPI Service to taxpayers needing language interpretation. The OPI Service is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every VITA/TCE tax return site. This service is available in Spanish, Mandarin, Cantonese, Korean, Vietnamese, Russian, and Haitian Creole.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille-ready, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account. For help with tax law, refunds, or account-related issues, go to [IRS.gov/LetUsHelp](#).

Alternative media preference. Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).
- Plain Text File (TXT).
- Braille-Ready File (BRF).

Disasters. Go to [IRS.gov/DisasterRelief](#) to review the available disaster tax relief.

Getting tax forms and publications. Go to [IRS.gov/Forms](#) to view, download, or print all the forms, instructions, and publications you may need. Or you can go to [IRS.gov/OrderForms](#) to place an order.

Mobile-friendly forms. You'll need an IRS Online Account (OLA) to complete mobile-friendly forms that require signatures. You'll have the option to submit your form(s) online or download a copy for mailing. You'll need scans of your documents to support your submission. Go to [IRS.gov/MobileFriendlyForms](#) for more information.

Getting tax publications and instructions in eBook format. Download and view most tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at [IRS.gov/eBooks](#).

IRS eBooks have been tested using Apple's eBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Access your online account (individual taxpayers only). Go to [IRS.gov/Account](#) to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.
- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.

- Approve or reject authorization requests from tax professionals.

Get a transcript of your return. With an online account, you can access a variety of information to help you during the filing season. You can get a transcript, review your most recently filed tax return, and get your adjusted gross income. Create or access your online account at [IRS.gov/Account](https://www.irs.gov/Account).

Tax Pro Account. This tool lets your tax professional submit an authorization request to access your individual taxpayer IRS OLA. For more information, go to [IRS.gov/TaxProAccount](https://www.irs.gov/TaxProAccount).

Using direct deposit. The safest and easiest way to receive a tax refund is to *e-file* and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. If you don't have a bank account, go to [IRS.gov/DirectDeposit](https://www.irs.gov/DirectDeposit) for more information on where to find a bank or credit union that can open an account online.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft), the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to [IRS.gov/IPPIN](https://www.irs.gov/IPPIN).

Ways to check on the status of your refund.

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.



The IRS can't issue refunds before mid-February for returns that claimed the EITC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

Making a tax payment. The IRS recommends paying electronically whenever possible. Options to pay electronically are included in the list below. Payments of U.S. tax must be remitted to the IRS in U.S. dollars. *Digital assets* are **not** accepted. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay taxes from your bank account. It's free and secure, and no sign-in is required. You can change or cancel within 2 days of scheduled payment.
- *Debit Card, Credit Card, or Digital Wallet*: Choose an approved payment processor to pay online or by phone.
- *Electronic Funds Withdrawal*: Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- *Electronic Federal Tax Payment System*: This is the best option for businesses. Enrollment is required.
- *Check or Money Order*: Mail your payment to the address listed on the notice or instructions.
- *Cash*: You may be able to pay your taxes with cash at a participating retail store.
- *Same-Day Wire*: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

Note: The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick and easy.

What if I can't pay now? Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an *online payment agreement* ([IRS.gov/OPA](https://www.irs.gov/OPA)) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/OIC).

Filing an amended return. Go to [IRS.gov/1040X](https://www.irs.gov/1040X) for information and updates.

Checking the status of your amended return. Go to [IRS.gov/WMAR](https://www.irs.gov/WMAR) to track the status of Form 1040-X amended returns.



It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.

Understanding an IRS notice or letter you've received. Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

IRS Document Upload Tool. You may be able to use the Document Upload Tool to respond digitally to eligible IRS notices and letters by securely uploading required documents online through IRS.gov. For more information, go to [IRS.gov/DUT](https://www.irs.gov/DUT).

Schedule LEP. You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that began providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

Contacting your local TAC. Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most. If you still need help, TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TAC](https://www.irs.gov/TAC) to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

Below is a message to you from the Taxpayer Advocate Service, an independent organization established by Congress.

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an *independent* organization within the Internal Revenue Service (IRS). TAS helps taxpayers resolve problems with the IRS,

Index



To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

A

Abatement of interest and penalties [28](#)
Accidents [4, 5](#)
Adjusted basis [11](#)

Adjustments to basis [20, 29](#)
Amended returns [22](#)
Appraisals [9, 11](#)
Assistance (See Tax help)

B

Bad debts [7](#)
Basis:
 Adjusted [11](#)
 Adjustments to [20, 29](#)

makes administrative and legislative recommendations to prevent or correct the problems, and protects taxpayer rights. We work to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights. We are Your Voice at the IRS.

How Can TAS Help Me?

TAS can help you resolve problems that you haven't been able to resolve with the IRS on your own. Always try to resolve your problem with the IRS first, but if you can't, then come to TAS. ***Our services are free.***

- TAS helps all taxpayers (and their representatives), including individuals, businesses, and exempt organizations. You may be eligible for TAS help if your IRS problem is causing financial difficulty, if you've tried and been unable to resolve your issue with the IRS, or if you believe an IRS system, process, or procedure just isn't working as it should.
- To get help any time with general tax topics, visit www.TaxpayerAdvocate.IRS.gov. The site can help you with common tax issues and situations, such as what to do if you make a mistake on your return or if you get a notice from the IRS.
- TAS works to resolve large-scale (systemic) problems that affect many taxpayers. You can report systemic issues at www.IRS.gov/SAMS. (Be sure not to include any personal identifiable information.)

How Do I Contact TAS?

TAS has offices in every state, the District of Columbia, and Puerto Rico. To find your local advocate's number:

- Go to www.TaxpayerAdvocate.IRS.gov/Contact-Us,
- Check your local directory, or
- Call TAS toll free at 877-777-4778.

What Are My Rights as a Taxpayer?

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Go to www.TaxpayerAdvocate.IRS.gov/Taxpayer-Rights for more information about the rights, what they mean to you, and how they apply to specific situations you may encounter with the IRS. TAS strives to protect taxpayer rights and ensure the IRS is administering the tax law in a fair and equitable way.

Replacement property [20](#)
Business or income-producing property [8](#)
Business purposes, property used partly for [18](#)

C

Cars:
Accidents [4](#)
Fair market value of [9](#)

Cash gifts [12](#)
Casualty losses [27](#)
Deductible losses [4](#)
Definition [3](#)
Deposits, loss on [7](#)
Nondeductible losses [5](#)
Progressive deterioration [5](#)
Proof of [8](#)
When to report [23](#)
Workbooks for listing property [3](#)

Clean up costs [9](#)
Condemnation [3](#)

Corrosive drywall [5](#)

Costs:
Appraisals [11](#)
Clean up [9](#)
Incidental expenses [11](#)
Landscaping [9](#)
Photographs taken after loss [11](#)
Protection [11](#)
Repair [9](#)
Replacement [11](#)

D

Death of taxpayer:
Postponement of gain [19](#)
Deductible losses [4](#)
Deduction limits [14](#)
\$100 rule [15](#)
10% rule [15](#)
Personal-use property (Table 2) [13](#)

Deposit losses [7, 27](#)
Reporting of (Table 1) [8](#)
When to report [23](#)

Disaster area losses [23](#)
East Palestine disaster relief payments [26](#)
Federal loan canceled [26](#)
Federally declared disaster [20, 23](#)
Figuring loss deduction [25](#)
Form 1040-X [25](#)
Home made unsafe [25](#)
How to deduct loss in preceding year [24](#)
Inventory [26](#)
Main home rules [21, 27](#)
Qualified disaster mitigation payments [27](#)
Qualified disaster relief payments [26](#)
Qualified wildfire relief payments [26](#)
Records to keep [25](#)

Tax deadlines postponed [28](#)
When to deduct [23](#)
Table 3 [27](#)
Disaster loss [4](#)
Disaster mitigation payments [27](#)
Disaster relief grants [13](#)
Drywall, corrosive [5](#)
Due dates:
Tax deadlines postponed [27](#)

E

Employer's emergency disaster fund [12](#)

F

Fair market value (FMV):
Decline in value of property in or near casualty area [11](#)
Measuring decrease in [9](#)
Items not to consider [11](#)
Items to consider [9](#)
Federal casualty loss [4](#)
Federal disaster relief grants [26](#)
Federal Emergency Management Agency (FEMA), contacting [28](#)
Federally declared disaster:
Disaster loss [4](#)
Federal casualty loss [4](#)
Qualified disaster loss [4](#)

Federally declared disasters [4, 20, 23](#)

Figuring gain [18](#)
Figuring loss [8, 16](#)
Adjusted basis [11](#)
Disaster area losses [25](#)
Insurance and other reimbursements [12](#)
Form 1040-X:
Disaster area losses [25](#)
Form 1040, Schedule A [28](#)
Form 1040, Schedule D [28](#)
Form 4684:
Reporting gains and losses on personal-use property [28](#)

G

Gains:
Figuring [18](#)
Postponement of [19, 22](#)
Reimbursements [8](#)
Reporting of [28](#)
When to report [23](#)

I

Incidental expenses [11](#)
Insurance [12](#)
Living expenses, payments for [12](#)
Interest abatement [28](#)
Inventory losses [8](#)
Disaster area losses [26](#)

L

Landscaping [9](#)
Leased property [8](#)
When to report [23](#)

Losses:

Casualty (See Casualty losses)
Deposits (See Deposit losses)
Disaster areas (See Disaster area losses)
Figuring amount (See Figuring loss)
Proof of [8](#)
Records of [8](#)
Reporting of [28](#)
Theft (See Theft losses)
When to report [23](#)
Table 3 [27](#)

M

Mandatory 120-day postponement [28](#)

Married taxpayers:

Deduction limits [15, 16](#)

Mislaid or lost property [7](#)

Missing children, photographs of [2](#)

N

Nonbusiness bad debts [7](#)

Nondeductible losses [5](#)

P

Payments for living expenses [12](#)

Penalty abatement [28](#)

Personal property:

Loss deduction, figuring of [17](#)

Personal-use property:

Deduction limits (Table 2) [13](#)

Reporting gains and losses [28](#)

Personal-use real property [9](#)

Photographs:

Documentation of loss [11](#)

Ponzi-type investment schemes [7](#)

Postponed tax deadlines [27](#)

Postponement of gain [19, 22](#)

Amended return [22](#)

Changing mind [23](#)

Replacement property acquired after return filed [22](#)

Replacement property acquired before return filed [22](#)

Required statement [22](#)

Substituting replacement property [22](#)

Three-year limit [23](#)

Proof of loss [8](#)

Protection costs [11](#)

Publications (See Tax help)

Q

Qualified disaster loss [4](#)

Qualified opportunity funds [2](#)

R

Records of loss [8](#)
Recovered stolen property [9](#)
Reimbursements:
Cash gifts [12](#)
Disaster relief [13](#)
Employer's emergency disaster fund [12](#)
Failure to file a claim [12](#)
Received after deducting loss [14](#)
Types of [12](#)
Related expenses [11](#)
Related person, replacement property bought from [19](#)
Repair costs [9](#)
Replacement cost [11](#)
Replacement period [21](#)
Extension of [21](#)
Replacement property [19](#)
Advance payment [20](#)
Basis adjustment to corporation's property [20](#)

Basis of [20](#)**Main home** [20](#)In disaster area [25](#)Postponement of gain [22](#)**Reporting gains and losses** [19, 28](#)Basis, adjustments to [29](#)Business and income-producing property [28](#)Deductions exceeding income [29](#)Deposits [7](#)Table 1 [8](#)Disaster area losses [25](#)Personal-use property [28](#)Timing of [23](#)

S**Scams, financial** [7](#)**Sentimental value** [11](#)**State disaster relief grants for businesses** [26](#)**State-declared disaster** [27](#)**Stolen property** (See **Theft losses**)

T**Tables and figures:**Deduction limit rules for personal-use property (Table 2) [13](#)Reporting loss on deposits (Table 1) [8](#)When to deduct losses (Table 3) [27](#)**Tax help** [29](#)**Theft losses** [6](#)FMV of stolen property [9](#)Mislaid or lost property [7](#)Proof of [8](#)When to deduct (Table 3) [27](#)When to report [23](#)Workbooks for listing property [3](#)**Timber loss** [20](#)

W**Workbooks for property lost due to casualties and thefts** [3](#)