Casualty and Theft Tax Deductions

(Including Hurricane damage)

As the victim of unfortunate circumstances, you are eligible to deduct a percentage of your loss as one of your income tax deductions. The amount of your casualty and loss tax deductions varies depending upon your adjusted gross income and the value of your loss. For those taxpayers with a high adjusted gross income, your deduction will most likely be phased out. If you are unsure whether or not you will be entitled to the deduction, please contact us.

Determining the Loss

Figure out the fair market value of your loss. Getting an appraisal or comparing costs and current market values are two methods for determining the actual value of any loss or casualty you are claiming as tax deductions. Although it seems a bit extreme, it is a good idea to take pictures of any valuable items you own. This way, you'll easily be able to ascertain the worth of any stolen goods.

Compare the fair market value of your loss with the amount it originally cost you. The amount you use to calculate your total casualty and loss tax deductions is the lower of the two.

In case of property damage calculate the decrease in the fair market value of your land or house and compare it to the original cost plus the cost of any improvements you may have made. **The deduction you are allowed is the lesser of those two amounts, reduced by both $100 and an additional 10% of your adjusted gross income**.

Remember, *if you receive any compensation for your loss from insurance or the government, you must reduce your loss by that amount before you calculate any casualty and loss tax deductions.*

Substantiation

You must be able to show proof of loss in case you are ever audited by the IRS. Although this can be tricky, especially in cases of stolen property, you should attempt to gather as much of the following information before making any casualty or loss tax deductions:

- A description of your casualty or loss
- The date of occurrence
- Proof that you owned the property
- Proof of the original cost of the property
- The fair market value at the time of the loss
- The amount of any reimbursement you received.