

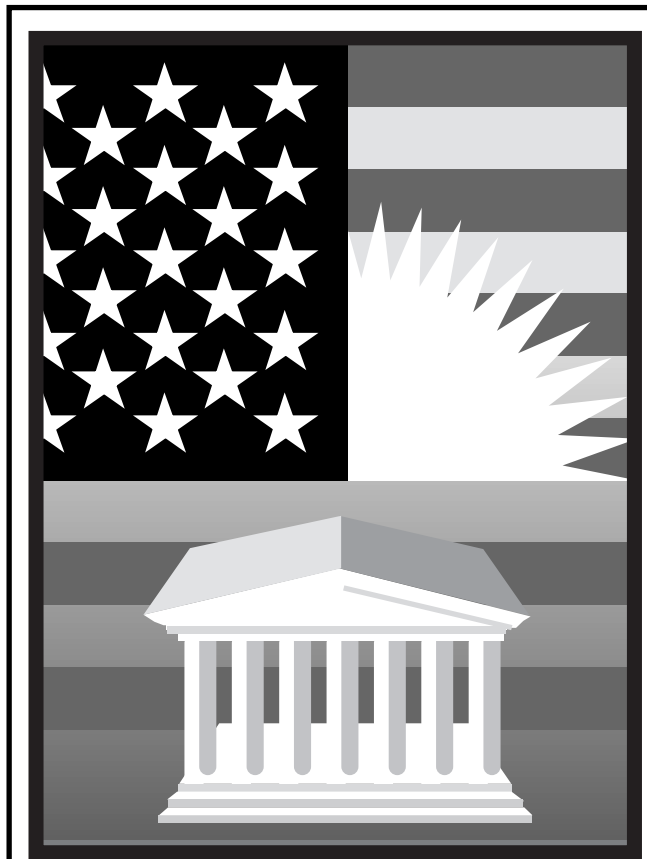


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Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)



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Introduction

This workbook is designed to help you figure your loss on personal-use property in the event of a disaster, casualty, or theft. It contains schedules to help you figure the loss to your main home, its contents, and your motor vehicles. However, these schedules are for your information only. You must complete Form 4684 to report your loss.

To help you figure your loss, the following schedules are included in this workbook.

- Schedules 1 – 18, for listing the contents of your home
- Schedule 19, *Summary of Contents of Home*
- Schedule 20, *Loss on Personal-Use Real Property*
- Schedule 21, *Loss on Cars, Vans, Trucks, and Motorcycles*
- Schedule 22, *Casualty or Theft Loss Deduction*

To use this workbook, you will need the following items.

Publication 547. Publication 547, *Casualties, Disasters, and Thefts (Business and Nonbusiness)*, explains the comprehensive rules for figuring a loss.

Form 4684 and instructions. Form 4684, *Casualties and Thefts*, is used to report your casualty, disaster, or theft. You must attach it to your tax return (Form 1040).

See *How To Get More Information*, later, if you need to get this publication or form.

Losses

Generally, you may deduct losses to your home, household goods, and motor vehicles on your federal income tax return. However, you may not deduct a casualty or theft loss that is covered by insurance unless you filed a timely insurance claim for reimbursement. Any reimbursement you receive will reduce the loss. If you did not file an insurance claim, you may deduct only the part of the loss not covered by insurance.

Amount of loss. To determine the amount of your loss, you must know the adjusted basis of the property, and its fair market value (FMV) immediately before and immediately after the disaster or casualty. If you bought the property, your basis is usually its cost. If you acquired it in any other way, your basis is determined as discussed in Publication 551, *Basis of Assets*.

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.

You 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** of the property as a result of the casualty or theft. (The decrease in FMV is the difference between the property's

value immediately before and immediately after 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.

Apply the deduction limits, discussed later, to determine the amount of your deductible loss.

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, 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.

Deduction limits. After you have figured the amount of your loss, as discussed earlier, you must figure how much of the loss you can deduct. If the loss was to property for your personal use or your family's, there are **two limits** on the amount you can deduct for your casualty or theft loss.

- 1) You must reduce each casualty or theft loss by \$100 (\$100 rule).
- 2) You must further reduce the total of all your losses by 10% of your adjusted gross income (10% rule).

For more information about the deduction limits, see Publication 547.

When your loss is deductible. You can generally deduct a casualty or disaster area loss only in the tax year in which the casualty or disaster occurred. You can generally deduct a theft loss only in the year you discovered your property was stolen. However, you can choose to deduct disaster area losses on your return for the year immediately before the year of the disaster if the President has declared your area a federal disaster area. For details, see *Disaster Area Losses* in Publication 547.

How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free tax services. To find out what services are available, see Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



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- *Frequently Asked Tax Questions* to find answers to questions you may have.
- *Fill-in Forms* to complete tax forms online.
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- *Digital Dispatch* and *IRS Local News Net* to receive our electronic newsletters on hot tax issues and news.

You can also reach us with your computer using any of the following.

- Telnet at iris.irs.ustreas.gov
- File Transfer Protocol at ftp.irs.ustreas.gov
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TaxFax Service. Using the phone attached to your fax machine, you can receive forms, instructions, and tax information by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
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- A second IRS representative sometimes monitors live telephone calls. That person

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- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



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- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at www.irs.ustreas.gov/cdorders.

Schedule 19. Summary of Contents of Home

Schedule	Totals from column (8), pages 3 to 20
1) Entrance hall	\$
2) Living room	
3) Dining room	
4) Kitchen	
5) Den	
6) Bedrooms	
7) Bathrooms	
8) Recreation room	
9) Laundry and basement	
10) Garage	
11) Sporting equipment	
12) Men's clothing	
13) Women's clothing	
14) Children's clothing	
15) Jewelry	
16) Electrical appliances	
17) Linens	
18) Miscellaneous	
Total loss on contents before reimbursements	\$
MINUS: Insurance and other reimbursements	
Total loss after reimbursements (ENTER on Schedule 22, <i>Casualty or Theft Loss Deduction</i>)	\$

Schedule 20. Loss on Personal-Use Real Property

Description of property (Show location and date acquired) _____

1) **Basis of property damaged or destroyed** \$ _____

2) Minus:

 Deferred gain on sale of previous home . . . \$ _____

 Prior casualty losses _____

 Any other reduction to basis _____ \$ _____

3) Plus:

 Permanent improvements made—

 Aluminum siding \$ _____

 Central air conditioning _____

 Fence _____

 Heating system _____

 Landscaping _____

 Remodeling _____

 Roof _____

 Wall to wall carpeting _____

 Other: _____

4) **Adjusted basis** \$ _____

5) Fair market value of property before casualty or disaster . . . \$ _____

6) Fair market value of property after casualty or disaster. . . . _____

7) **Decrease in fair market value.** Subtract line 6 from line 5 . . . \$ _____

8) **Loss on personal-use real property before reimbursements—**

 Lesser of line 4 or line 7 _____

9) Insurance and other reimbursements _____

10) **Total loss after reimbursement.** Subtract line 9 from line 8.
 (Enter on Schedule 22, *Casualty or Theft Loss Deduction*). . . \$ _____

Schedule 21. **Loss on Cars, Vans, Trucks, and Motorcycles**

Vehicle #1

Description of vehicle (Show kind, make, model, and date acquired) _____

- 1) Basis \$ _____
- 2) Fair market value before casualty or disaster \$ _____
- 3) Fair market value after casualty or disaster . . . _____
- 4) Decrease in fair market value. Subtract line 3 from line 2 \$ _____
- 5) Loss on vehicle before reimbursements—
Lesser of line 1 or line 4 \$ _____
- 6) Insurance and other reimbursements _____
- 7) Total loss after reimbursement. Subtract line 6 from line 5 \$ _____
If you do not have a second vehicle, enter this amount on Schedule 22. Otherwise, complete lines 1–8 below.

Vehicle #2

Description of vehicle (Show kind, make, model, and date acquired) _____

- 1) Basis \$ _____
- 2) Fair market value before casualty or disaster \$ _____
- 3) Fair market value after casualty or disaster . . . _____
- 4) Decrease in fair market value. Subtract line 3 from line 2 \$ _____
- 5) Loss on vehicle before reimbursements—
Lesser of line 1 or line 4 \$ _____
- 6) Insurance and other reimbursements _____
- 7) Total loss after reimbursements. Subtract line 6 from line 5 \$ _____
- 8) **Total loss on cars, vans, trucks, and motorcycles.** Add line 7 for vehicle 1 and line 7 for vehicle 2. (Enter the total on Schedule 22, *Casualty or Theft Loss Deduction*) . . . \$ _____

Schedule 22. Casualty or Theft Loss Deduction

(Note: You can use this schedule to figure your deductible loss. But remember to report your loss on Form 4684.)

1) Loss on contents of home (from Schedule 19)	\$
2) Loss on personal-use real property (from Schedule 20).	
3) Loss on cars, vans, trucks, and motorcycles (from Schedule 21)	
4) Total. Add lines 1, 2, and 3	\$
5) Minus: \$100 (This applies to each disaster, casualty, or theft.)	
6) Minus: 10% of your adjusted gross income	
7) Casualty or theft loss deduction	\$