

# Income Tax Deductions for Property Loss

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**P**roperty losses from natural disasters can be tax deductible. Such deductions, which are allowed for partial or total loss of personal or business property, could greatly reduce the amount of federal income tax owed for the year the disaster occurred.

## Records

A variety of records are required when claiming a theft or casualty loss resulting from a disaster:

- Documentation of the kind of disaster and when it occurred.
- Documentation of the damage that was a direct result of the disaster.
- Ownership of the property.
- Income tax basis in the property (usually the original cost of the property plus the cost of any improvements *before* the loss, minus depreciation claimed for income tax purposes).
- Fair market value before and after the disaster.
- Any insurance benefits or other compensation received including free repairs, restoration, and cleanup from any disaster relief agencies.

“Before” and “after” photographs, receipts, cancelled checks, deeds, purchasing contracts, and professional appraisals are good supporting evidence for casualty losses.

## Appraisals

Obtain a professional estimate of value on badly damaged business or personal property as soon as possible. This estimate will serve as evidence for casualty loss claims. Appraisal fees are tax deductible.

## Itemizing tax deductions

Casualty losses are deductible when deductions are itemized. Losses from fire, storm, theft, or property destroyed by a sudden external force can be claimed as casualty losses. The deduction must be reduced by any reimbursements or payments to rebuild or restore property.

Homeowners can claim a casualty loss deduction for the difference between the fair market value of the property *before* and *after* the disaster, subtracting insurance proceeds or other reimbursements received to rebuild or restore a home, 10% of adjusted gross income, and \$100 per disaster event.

To document the “before” and “after” value of a home, use the most recent assessed value from property taxes for the “before” disaster market value and a current appraisal for the “after” disaster market value.

Grants, gifts specifically designed to repair or replace property, must be deducted. Homeowners who have not received reimbursement at the time of tax filing must estimate the amount of their expected reimbursement.

Consult a local tax advisor and refer to current Internal Revenue Service (IRS) instructions for figuring tax loss deductions. Use IRS Tax Form 4684 and information sheet to file a casualty loss deduction as part of your tax return.

## Internal Revenue Service

For specific questions, the IRS has a toll-free telephone number (1-800-829-3676) and a website ([www.irs.gov](http://www.irs.gov)).

### Resources

**OSU Extension Service.** The Extension Service has materials on related topics. To locate the local office of the OSU Extension Service, go to “County Government” in your telephone book.

Publications and videos are available for viewing on the OSU Extension website ([extension.oregonstate.edu](http://extension.oregonstate.edu), then “Publications”). You may order copies by fax (541-737-0817), e-mail ([puborders@oregonstate.edu](mailto:puborders@oregonstate.edu)), or phone (541-737-2513).

**American Red Cross.** The alphabetical listing in local phone books will point you to a local chapter of the American Red Cross. The agency’s website includes information and materials in English and Spanish ([www.redcross.org](http://www.redcross.org)).

**Emergency Management.** The “County Government” section in local phone books lists each county’s emergency management unit. Listings vary by county (look under Sheriff or Health departments, Emergency Management services, Civil Defense, Public Works, or related units).

### Extension Disaster Education Network

**(EDEN).** This website provides a list of resources developed in other states about floods; drought; snow, ice, and wind damage; animal emergencies; and general disaster ([www.agctr.lsu.edu/eden](http://www.agctr.lsu.edu/eden), then “Extension websites” and “Other on-line sources”).

**Emergency Animal Rescue Service (EARS).** This site provides tips for animal owners and links to emergency shopping lists for owners of dogs, cats, birds, horses, reptiles, and amphibians ([www.uan.org/ears/index.html](http://www.uan.org/ears/index.html)).

**Federal Emergency Management Agency (FEMA).** The online library offers publications and videos in English and Spanish and includes materials specifically developed for children ([www.fema.gov](http://www.fema.gov)).

**Oregon Emergency Management (OEM).** Affiliated with the Oregon State Police, the OEM website offers emergency-related information on earthquakes and tsunamis, and provides disaster recovery resources ([www.osp.state.or.us/oem](http://www.osp.state.or.us/oem)).

**Social Security Online.** The official site of the Social Security Administration, this site links to hundreds of publications in 21 languages and provides information on survivor benefits and programs ([www.ssa.gov](http://www.ssa.gov)).