

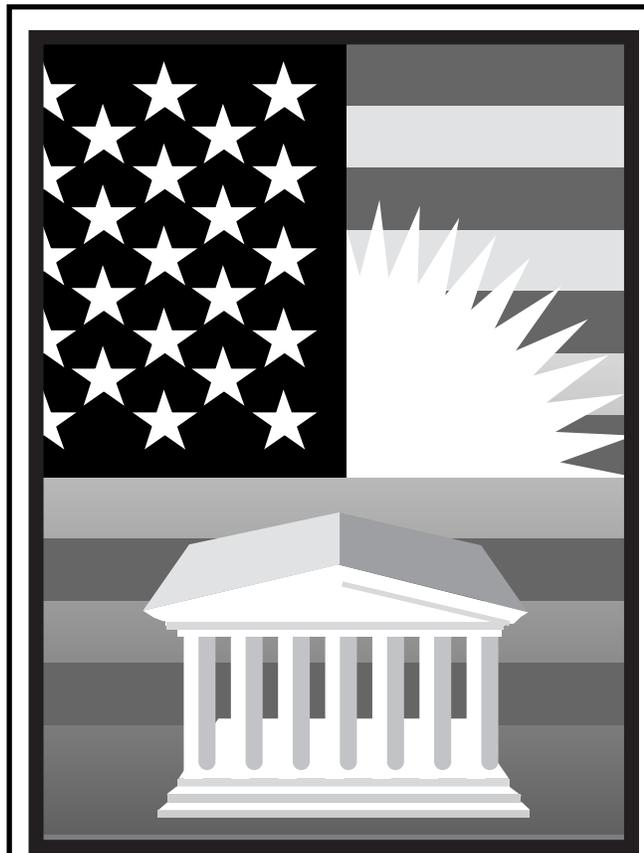


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Casualties, Disasters, and Thefts (Business and Nonbusiness)



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Important Changes

Interest abatement in federally declared disaster areas. For individuals living in an area declared a disaster area by the President after 1997, the IRS will abate interest on income tax for the length of any extension granted for filing income tax returns and paying income tax for 1997 and later tax years.

For other taxpayers located in an area declared a disaster area by the President in 1997, the IRS will abate interest on income tax for the length of any extension granted for filing income tax returns and paying income tax years beginning after 1997. For more information, see *Disaster Area Losses*, later.

Deduction limit for losses of income-producing property. The casualty or theft loss deduction for income-producing property allowed to individuals on Schedule A (Form 1040) is no longer subject to the 2%-of-adjusted-gross-income limit. This change is effective for tax years beginning after 1986.

If you previously claimed this deduction (or could have claimed it but for the 2% limit) for any year beginning after 1986 and before 1998, and the time limit for amending your return for that year has not expired, you may be entitled to an additional deduction for this loss. To claim any additional deduction, file Form 1040X, *Amended U.S. Individual Income Tax Return*. In Part II of Form 1040X, write "Casualty or Theft Loss of Income-Producing Property under Public Law 105-277." Form 1040X must be filed within 3 years after the date you filed the original return or within 2 years after the date you paid the tax, whichever is later. A return filed early is considered filed on the due date.

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 hurricane, fire, car accident, or similar event. A theft occurs if someone steals your property.

A loss on deposits occurs when your financial institution becomes insolvent or bankrupt.

This publication covers 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. When you have a casualty or theft, you have to file Form 4684, *Casualties and Thefts*. You will also have to file one or more of the following forms.

- Schedule A (Form 1040), *Itemized Deductions*
- Schedule D (Form 1040), *Capital Gains and Losses*
- Form 4797, *Sales of Business Property*

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 Publication 544, *Sales and Other Dispositions of Assets*. Also see Publication 523, *Selling Your Home*.

Workbook for casualties and thefts. Publication 584 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 and its contents, and your motor vehicles.

Useful Items

You may want to see:

Publication

- 523** Selling Your Home
- 525** Taxable and Nontaxable Income
- 550** Investment Income and Expenses
- 551** Basis of Assets
- 584** Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)

Form (and Instructions)

- Schedule A** (Form 1040) Itemized Deductions
- Schedule D** (Form 1040) Capital Gains and Losses
- 4684** Casualties and Thefts
- 4797** Sales of Business Property

See *How To Get More Information* 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 is not a day-to-day occurrence and that is not typical of the activity in which you were engaged.

Deductible losses. Deductible 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.
- Hurricanes.
- Mine cave-ins.
- Shipwrecks.
- Sonic booms.
- Storms.
- Tornadoes.
- Vandalism.
- Volcanic eruptions.

Nondeductible losses. A casualty loss is not deductible if the damage or destruction is caused by the following.

- Accidentally breaking articles such as glassware or china under normal conditions.
- A family pet.
- 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 next).

Progressive deterioration. Loss of property due to progressive deterioration is not 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. **But** 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 generally must 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. **But**, a sudden destruction due to an unexpected or unusual infestation by beetles or other insects may result in a casualty loss.

Theft

A theft is the taking and removing of money or property with the intent to deprive the owner of it. The taking of your property must be illegal under the law of the state where it occurred and it must have been done with criminal intent.

Theft includes the taking of money or property by the following means.

- Blackmail
- Burglary
- Embezzlement
- Extortion
- Kidnapping for ransom
- Larceny
- Robbery
- Threats

Mislaid or lost property. The simple disappearance of money or property is not 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.

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.

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 may be able to deduct the loss in one of three ways.

- As a casualty loss.
- As an ordinary loss.
- As a nonbusiness bad debt.

For more information, see *Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions* in the instructions for Form 4684.

Casualty loss or ordinary loss. You can choose to deduct a loss on deposits as a casualty loss or as an ordinary 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 generally is 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. Once you treat the loss as a casualty or ordinary loss, you cannot treat the same amount of the loss as a non-business bad debt when it actually becomes worthless.

Nonbusiness bad debt. If you do not choose to deduct the loss as a casualty loss or as an ordinary loss, you must wait until the actual loss is determined before you can deduct the loss as a nonbusiness bad debt. Once you make the choice, you cannot change it without permission from the Internal Revenue Service.

How to report. The kind of deduction you choose for your loss on deposits determines how you report your loss. If you choose:

- Casualty loss—report it on Form 4684 first and then on Schedule A (Form 1040).
- Ordinary loss—report it on Schedule A (Form 1040).
- Nonbusiness bad debt—report it on Schedule D (Form 1040).

More information. For more information, see *Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions* in the instructions for Form 4684.

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 did not reduce your tax in the earlier year, you do not have to include that part of the recovery in your income. For more information, see *Recoveries* in Publication 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 also must be able to support the amount you take as a deduction.

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

- 1) The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- 2) That the loss was a direct result of the casualty.
- 3) 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.

Theft loss. For a theft loss, you should be able to show all of the following.

- 1) When you discovered that your property was missing.
- 2) That your property was stolen.
- 3) That you were the owner of the property.



It is important that you have records that will prove your deduction. If you do not have the actual records to support your deduction, you can use other satisfactory evidence that is sufficient to establish your deduction.

Figuring a Loss

To determine your deduction for a casualty or theft loss, you must first figure your loss.

Amount of loss. 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 (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 and property used in performing services as an employee, 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 more 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 is not considered. Your loss is figured as follows:

Your adjusted basis in the property

MINUS

Any salvage value

MINUS

Any insurance or other reimbursement you receive or expect to receive

Loss of inventory. You can claim a casualty or theft loss of inventory, including items you hold for sale to customers, through the increase in the cost of goods sold by properly reporting your opening and closing inventories. Do not 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.

You can choose to deduct the loss separately. If you deduct it separately, eliminate the items from cost of goods sold by a downward adjustment to opening inventory or purchases. Reduce the loss by the reimbursement you received. Do not include the reimbursement in gross income. If you do not

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, 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 the discussion for real property under *Figuring the Deduction*, later.

Decrease in Fair Market Value

Fair market value (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 is the difference between the property's fair market value 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 since 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 when stolen, and insurance did not cover them. Your theft loss is \$150.

Recovered property. Recovered 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 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 Publication 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. But, other measures can also be used to establish certain decreases.

See *Appraisal* and *Cost of cleaning up or making repairs*, next.

Appraisal. The appraisal to determine the difference between the FMV of the property immediately before a casualty or theft and immediately afterwards 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 Presidentially declared disaster to establish the amount of your disaster loss. For more information on disasters, see Disaster Area Losses, later.*

Appraisal fee. The appraisal fee is not a part of the casualty or theft loss. It is an expense in determining your tax liability. You can deduct your appraisal fees as a miscellaneous itemized deduction subject to the 2%-of-adjusted-gross-income limit on Schedule A (Form 1040).

Cost of cleaning up or making repairs. The cost of repairing damaged property is not 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 necessary to bring the property back to its condition before the casualty.
- The amount spent for repairs is not excessive.
- The repairs take care of the damage only.
- The value of the property after the repairs is not, 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.

Cars. Books issued by various automobile organizations that list your car may be useful in figuring the value of your car. You can use the books' retail values and modify them by factors such as the mileage and condition of your car to figure its value. The prices are not "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 is not 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 is not usually a measure of its true value.

Figuring Decreases in FMV — Items Not To Consider

You generally should not 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 is not part of a casualty or theft loss. The amount you spend on insurance or to board up your house against a storm is not 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.

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, are not 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 costs. The cost of replacing stolen or destroyed property is not part of a casualty or theft loss.

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

Sentimental value. Do not consider sentimental value when determining your loss. If a family portrait, heirloom, or keepsake is damaged, destroyed, or stolen, you must base your loss only on its fair market value.

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, is not 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.

Photographs. Photographs taken after a casualty will be helpful in establishing the condition and value of the property after it was damaged. Photographs showing the condi-

tion of the property after it was repaired, re-stored, or replaced may also be helpful.

The cost of photographs obtained for this purpose is not a part of the loss. It is an expense in determining your tax liability. You can claim this cost as a miscellaneous itemized deduction subject to the 2%-of-adjusted-gross-income limit on Schedule A (Form 1040).

Adjusted Basis

The measure of your investment in the property you own is **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 Publication 551.

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 Publication 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 do not have a casualty or theft loss to the extent you are reimbursed.

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 do not receive payment until a later tax year. See *Reimbursement Received After Deducting Loss*, later.

Failure to file claim for reimbursement. If your property is covered by insurance you should file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct this loss as a casualty or theft.

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

Example. You have a car insurance policy with a \$500 deductible. Because your insurance did not cover the first \$500 of an auto collision, the \$500 would be deductible (subject to the \$100 and 10% rules discussed later). This is true, even if you do not file an insurance claim, because your insurance policy would never have reimbursed 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 \$5,000 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 \$5,000 you received from your employer's fund. Your casualty loss before applying the deduction limits discussed later is \$5,000.

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 do not reduce your casualty loss by the amount of the 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 applied part of the cash gifts to the cost of repairing your home. There were no limits or restrictions on how you could use the cash gifts. The money you received as excludable gifts and used to pay for repairs to your home does not reduce the amount of your casualty loss on the damaged home.

Insurance payments for living expenses. You do not 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 do not allow you access to your main home because of a casualty or threat of a casualty.

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 line 21 of Form 1040.

A temporary increase in your living expenses is the difference between the actual living expenses you and your family incurred during the period you could not 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 did not because of the casualty.

Example. As a result of a fire, you vacated your apartment for a month and moved to a motel. You normally pay \$525 a month rent. None was charged for the month the apartment was vacated. Your motel rent for this month was \$1,200. You normally pay \$200 a month for food. Your food expenses for the month you lived in the motel were \$400. You received \$1,100 from your insurance company to cover your living expenses. You determine the amount of the payment you must include in income as follows.

1) Insurance payment for living expenses ..	\$1,100
2) Actual expenses during the month you are unable to use your home because of the fire	\$1,600
3) Normal living expenses	725
4) Temporary increase in living expenses: Subtract line 3 from line 2	875
5) Amount of payment includible in income: Subtract line 4 from line 1	\$225

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 August 1997. You regained use of your home in November 1998. The insurance payments you received in 1997 and 1998 were \$1,500 more than the temporary increase in your living expenses during those years. You include this amount in income on your 1998 Form 1040. If, in 1999, you receive further payments to cover the living expenses you had in 1997 and 1998, you must include those payments in income on your 1999 Form 1040.

Disaster relief. Food, medical supplies, and other forms of assistance you receive do not reduce your casualty loss, unless they are replacements for lost or destroyed property. They also are not taxable income to you.

Disaster unemployment assistance payments are unemployment benefits that are taxable.

Reimbursement Received After Deducting Loss

If you figured your casualty or theft loss using 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.

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 last year. The accident was due to the negligence of the other driver. At the end of the year, there was a reasonable prospect that the owner of the other car would reimburse you in full. You did not have a deductible loss last year.

This January, 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.

Since this is your only casualty or theft loss, you can deduct the loss this year that is more than \$100 and 10% of this year's adjusted gross income.

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

Example. Last year, a hurricane destroyed your motorboat. Your loss was \$3,000, and you estimated that your insurance would cover \$2,500 of it. Since you did not itemize deductions on your return last year, you could not deduct the loss. When the insurance company reimburses you for the loss, you do not report any of the reimbursement as income. This is true even if it is for the full \$3,000 because you did not deduct the loss on your return. The loss did not reduce your tax.



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 receive exactly the reimbursement you expected to receive, you do not have any amount to include in your income or any loss to deduct.

Example. Last December, you had a collision while driving your personal car. Repairs to the car cost \$950. You had \$100 deductible collision insurance. Your insurance company agreed to reimburse you for the rest of the damage. As a result of your expected reimbursement from the insurance company, you did not have a casualty loss deduction last year.

Due to the \$100 rule, you cannot deduct the \$100 you paid as the deductible. When you receive the \$850 from the insurance company this year, you do not report it as income.

Deduction Limits

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

The deduction for casualty and theft losses of employee property and personal-use property is limited. A loss on employee property is subject to the 2% rule, discussed next. A loss on property you own for your personal use is subject to the \$100 and 10%

Table 1. Deduction Limit Rules for Personal-Use Property

	\$100 Rule	10% Rule
Definition of Rule	You must reduce each casualty or theft loss by \$100 when figuring your deduction. Apply this rule after you reduce your loss by any reimbursement.	You must reduce your total casualty or theft loss by 10% of your adjusted gross income. Apply this rule after you reduce each loss by \$100 (the \$100 rule).
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 this rule to the loss from each event.	Apply the rule to the total of all your losses from all events.
More Than One Person— With Loss From the Same Event (other than a married couple filing jointly)	Apply the rule separately to each person.	Apply the rule separately to each person.
Married Couple— With Loss From the Same Event		
Filing Jointly	Apply this rule as if you were one person.	Apply this rule as if you were one person.
Filing Separately	Apply this rule separately to each spouse.	Apply this rule separately to each spouse.
More Than One Owner (other than a married couple filing jointly)	Apply the rule separately to each owner of jointly owned property.	Apply the rule separately to each owner of jointly owned property.

rules discussed later. The \$100 and 10% rules are also summarized in Table 1.

Losses on business property (other than employee property) and income-producing property are not subject to these rules.

2% Rule

The casualty and theft loss deduction for employee property, when added to your job expenses and most other miscellaneous itemized deductions on Schedule A (Form 1040), must be reduced by 2% of your adjusted gross income. Employee property is property used in performing services as an employee.

\$100 Rule

The first \$100 of a casualty or theft loss on personal-use property is not deductible. This rule applies after all reimbursements have been subtracted from your total casualty or theft loss.

Example. You have \$250 deductible collision insurance on your car. The car is damaged in a collision. The insurance company pays you for the damage minus the \$250 deductible. Your casualty loss for the collision is \$150 (\$250 – \$100) because the first \$100 of a casualty loss on personal-use property is not deductible.

Single event. A single \$100 reduction applies to each casualty or theft, no matter how many pieces of property are involved.

Generally, events closely related in origin cause a single casualty. It is a single casualty when the damage is due to 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 hailstorm that

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

Example 1. A thunderstorm 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><u>\$1,600</u></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 September, hurricane winds blew the roof from 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 an accident in January. Your loss after the insurance reimbursement was \$75. In February, your car was damaged in another accident. This time your loss after the insurance

reimbursement was \$90. Apply the \$100 rule to each separate casualty loss. Since neither accident resulted in a loss of over \$100, you are not entitled to any deduction for these accidents.

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

Example. A fire 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 does not 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 figure 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 husband and wife 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 the total of all your casualty or theft losses on personal-use property by 10% of your adjusted gross income. Apply this rule after you reduce each loss by \$100. If you have both gains and losses from casualties or thefts, see *Gains and losses*, later in this discussion.

Example. In June, you discovered that your house had been burglarized. Your loss after insurance reimbursement was \$2,000. Your adjusted gross income is \$29,500. Figure your theft loss as follows.

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

You do not have a theft loss deduction because your loss (\$1,900) is less than 10% of your adjusted gross income (\$2,950).

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 the total of all your losses by 10% of your adjusted gross income.

Example. In March, you had a car accident that totally destroyed your car. You did not have collision insurance on your car, so you did not receive any insurance reimbursement. Your loss on the car was \$1,200. In November, a fire 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 was \$1,700. Your adjusted gross income is \$25,000. You figure your casualty loss deduction as follows.

Car Basement		
1. Loss	\$1,200	\$1,700
2. Subtract \$100 per incident	<u>100</u>	<u>100</u>
3. Loss after \$100 rule	<u>\$1,100</u>	<u>\$1,600</u>
4. Total loss		\$2,700
5. Subtract 10% of \$25,000 AGI		<u>2,500</u>
6. Casualty loss deduction		<u><u>\$200</u></u>

Married taxpayers. If you and your spouse file a joint return, you are treated as one individual in applying the 10% rule. It does not 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 husband and wife 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 personal-use property, you must compare your total gains to your total and losses. Do this after you have reduced each loss by any reimbursements and by \$100 but before you have reduced the losses by 10% of your adjusted gross income.

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 adjusted gross income. The rest, if any, is your deductible loss from personal-use property.

Example. Your theft loss after reducing it by reimbursements and by \$100 is \$2,700. Your casualty gain is \$700. Because your loss is more than your gain, you must reduce your \$2,000 net loss (\$2,700 - \$700) by 10% of your adjusted gross income.

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 does not apply to your losses.

Example. Your theft loss after reducing it by reimbursements and by \$100 is \$600. 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.

More information. For information on how to figure recognized gains, see *Figuring a Gain*, later. Recognized gains do not include gains you choose to postpone. See *Postponement of 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, are considered together.

Example 1. In June, a fire destroyed your lakeside cottage, which cost \$44,800 (including \$4,500 for the land) several years ago. (Your land was not damaged.) This was your only casualty or theft loss for the year. The FMV of the property immediately before the fire was \$80,000 (\$45,000 for the cottage and \$35,000 for the land). The FMV immediately after the fire was \$35,000 (value of the land). You collected \$30,000 from the insurance company. Your adjusted gross income is \$40,000. Your deduction for the casualty loss is \$10,700, figured in the following manner.

1. Adjusted basis of the entire property (cost in this example)	\$44,800
2. FMV of entire property before fire	\$80,000
3. FMV of entire property after fire	<u>35,000</u>
4. Decrease in FMV of entire property (line 2 minus line 3)	<u>\$45,000</u>
5. Amount of loss (smaller of line 1 or line 4)	\$44,800
6. Subtract insurance	<u>30,000</u>
7. Loss after reimbursement	\$14,800
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	\$14,700
10. Subtract 10% of \$40,000 AGI	<u>4,000</u>
11. Casualty loss deduction	<u><u>\$10,700</u></u>

Example 2. You bought your home a few years ago. You paid \$50,000 (\$10,000 for the land and \$40,000 for the house). You also spent an additional \$2,000 for landscaping. This year a fire destroyed your home. The fire also damaged the shrubbery and trees in your yard. The fire was your only casualty or theft loss this year. Competent appraisers valued the property as a whole at \$75,000 before the fire, but only \$15,000 after the fire. Shortly after the fire, the insurance company paid you \$45,000 for the loss. Your adjusted gross income is \$48,000. You figure your casualty loss deduction as follows.

1. Adjusted basis of the entire property (cost of land, building, and landscaping)	\$52,000
2. FMV of entire property before fire	\$75,000
3. FMV of entire property after fire	<u>15,000</u>
4. Decrease in FMV of entire property (line 2 minus line 3)	<u>\$60,000</u>
5. Amount of loss (smaller of line 1 or line 4)	\$52,000
6. Subtract insurance	<u>45,000</u>
7. Loss after reimbursement	\$7,000
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	\$6,900
10. Subtract 10% of \$48,000 AGI	<u>4,800</u>
11. Casualty loss deduction	<u><u>\$2,100</u></u>

Personal property. Personal property is generally any property that is not 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 casualty loss deduction.

Example 1. In August, a storm destroyed your pleasure boat, which cost you \$8,500. This was your only casualty or theft loss for the year. Its FMV immediately before the storm was \$7,000. You had no insurance, but were able to salvage the motor of the boat and sell it for \$200. Your adjusted gross income is \$52,000.

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) ...	\$8,500
2. FMV before storm	\$7,000
3. FMV after storm	<u>200</u>
4. Decrease in FMV (line 2 minus line 3) ..	<u>\$6,800</u>
5. Amount of loss (smaller of line 1 or line 4)	\$6,800
6. Subtract insurance	<u>0</u>
7. Loss after reimbursement	\$6,800
8. Subtract \$100	<u>100</u>
9. Loss after \$100 rule	\$6,700
10. Subtract 10% of \$52,000 AGI	<u>5,200</u>
11. Casualty loss deduction	<u><u>\$1,500</u></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 \$10,000. The FMV of the car just before the accident was \$7,500. Its FMV just after the accident was \$80 (scrap value). Your insurance company reimbursed you \$6,000.

Your watch was not insured. You had purchased it for \$250. Its FMV just before the accident was \$500. Your adjusted gross income is \$31,000. Your casualty loss deduction is zero, figured as follows.

Car Watch		
1. Adjusted basis (cost)	\$10,000	\$250
2. FMV before accident	\$7,500	\$500
3. FMV after accident	<u>80</u>	<u>0</u>
4. Decrease in FMV (line 2 minus line 3)	<u>\$7,420</u>	<u>\$500</u>
5. Loss (smaller of line 1 or line 4)	\$7,420	\$250
6. Subtract insurance	<u>6,000</u>	<u>0</u>
7. Loss after reimbursement	<u>\$1,420</u>	<u>\$250</u>
8. Total loss		\$1,670
9. Subtract \$100		<u>100</u>
10. Loss after \$100 rule		\$1,570
11. Subtract 10% of \$31,000 AGI ..		<u>3,100</u>
12. Casualty loss deduction		<u><u>0</u></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. But you apply a single \$100 reduction to the total loss. Then you apply the 10% rule.

Example. In July, a hurricane damaged your home, which cost you \$64,000 including land. The FMV of the property (both building and land) immediately before the storm was \$70,000 and its FMV immediately after the storm was \$60,000. 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 \$5,000 from the insurance company for the damage to your home, but your household furnishings were not insured. Your adjusted gross income is \$44,000. You figure your casualty loss deduction from the hurricane in the following manner.

1. Adjusted basis of real property (cost in this example)	<u>\$64,000</u>
2. FMV of real property before hurricane	\$70,000
3. FMV of real property after hurricane ..	<u>60,000</u>
4. Decrease in FMV of real property (line 2 minus line 3)	<u>\$10,000</u>
5. Loss on real property (smaller of line 1 or line 4)	\$10,000
6. Subtract insurance	<u>5,000</u>
7. Loss on real property after reimbursement	<u>\$5,000</u>
8. Loss on furnishings	\$600
9. Subtract insurance	<u>0</u>
10. Loss on furnishings after reimbursement	<u>\$600</u>
11. Total loss (line 7 plus line 10)	<u>\$5,600</u>
12. Subtract \$100	<u>100</u>
13. Loss after \$100 rule	<u>\$5,500</u>
14. Subtract 10% of \$44,000 AGI	<u>4,400</u>
15. Casualty loss deduction	<u>\$1,100</u>

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. 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 \$40,000. You made no further improvements or additions to it.

A flood in March damaged the entire building. The FMV of the building was \$38,000 immediately before the flood and \$32,000 afterwards. Your insurance company reimbursed you \$4,000 for the flood damage. Depreciation on the business part of the building before the flood totaled \$2,400. Your adjusted gross income is \$25,000.

You have a deductible business casualty loss of \$1,000. You do not have a deductible personal casualty loss because of the 10% rule. You figure your loss as follows.

	Busi- ness Part	Per- sonal Part
1. Cost (total \$40,000)	\$20,000	\$20,000
2. Subtract depreciation	<u>2,400</u>	<u>0</u>
3. Adjusted basis	<u>\$17,600</u>	<u>\$20,000</u>
4. FMV before flood (total \$38,000)	\$19,000	\$19,000
5. FMV after flood (total \$32,000)	<u>16,000</u>	<u>16,000</u>
6. Decrease in FMV (line 4 minus line 5)	<u>\$3,000</u>	<u>\$3,000</u>

7. Amount of loss (smaller of line 3 or line 6)	\$3,000	\$3,000
8. Subtract insurance	<u>2,000</u>	<u>2,000</u>
9. Loss after reimbursement	\$1,000	\$1,000
10. Subtract \$100 on personal-use property	<u>0</u>	<u>100</u>
11. Loss after \$100 rule	\$1,000	\$900
12. Subtract 10% of \$25,000 AGI on personal-use property	<u>0</u>	<u>2,500</u>
13. Deductible business loss ..	<u>\$1,000</u>	
14. Deductible personal loss ...		<u>0</u>

Figuring a Gain

If you receive insurance 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 later), minus
- Your adjusted basis in the property at the time of the casualty or theft.

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 have 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 \$45,000. You received \$40,000 in cash. The remaining \$5,000 was paid directly to the holder of a mortgage on the property. The reimbursement you received includes the \$5,000 paid on the mortgage.

Main home destroyed. If you have a gain because your main home was destroyed, you generally can exclude the gain from your income as if you had sold or exchanged your home. For information on this exclusion, see Publication 523. If your gain is more than the amount you can exclude, but you buy replacement property, you may be able to postpone the excess gain. See *Postponement of Gain*, later.

Reporting a gain. You generally must report your gain as income in the year you receive the reimbursement. But you do not have to report your gain if you meet certain requirements and choose to postpone the gain according to the rules explained under *Postponement of Gain*, later.

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

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

Postponement of Gain

Do not 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 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. But 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 the gain if you spend the reimbursement to restore the property.

To postpone 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 1955, you bought an oceanfront cottage for your personal use at a cost of \$8,000. You made no further improvements or additions to it. When a storm destroyed the cottage this January, the cottage was worth \$250,000. You received \$146,000 from the insurance company in March. You had a gain of \$138,000 (\$146,000 - \$8,000).

You spent \$144,000 to rebuild the cottage. Since 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 cannot 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 casualties and thefts occurring **after** the following dates.

- 1) February 5, 1995, for C corporations and partnerships in which more than 50% of the capital or profits interest is owned by C corporations.
- 2) June 8, 1997, for all others (including individuals, partnerships—other than those in (1) above—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 (2) above, gains cannot be offset with 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 does not 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 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 Publication 544.

Making the replacement. You must buy replacement property for the specific purpose of replacing your destroyed or stolen property. Property you acquire as a gift or inheritance does not qualify.

You do not 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 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 are not considered to have bought replacement property unless it is finished before the end of the replacement period. See *Replacement period*, later.

Replacement property. Replacement property must be similar or related in service or use to the property it replaces.

Timber loss. Standing timber 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 is not similar or related in service or use to the stolen or 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 to or destruction of your main home (or its contents) if located in a federally declared disaster area. See *Disaster Area Losses*, later.

Owner-investor. If you are an owner-investor, similar or related in service or use means that any replacement property must have the same relationship of services or uses to you as the property it replaces. You decide this by determining 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 fire. 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 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 federal 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 a business is treated as similar or related in service or use to the destroyed property. 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 the tax on your entire gain if the cost of the stock that gives you controlling interest is at least as much as the amount realized (reimbursement) for your property. You have 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.

Basix adjustment to corporation's property. For casualties or thefts after August 20, 1996, 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 are not required to reduce the adjusted bases 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) above.
- 3) All other property.

If two or more properties fall in class (1), (2), or (3), 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 cannot be less than zero.

Main home replaced. If your gain from a casualty loss 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 the excess gain by buying replacement property that is similar or related in service or use. To postpone all the gain, the replacement property must cost at least as much as the amount you received from the casualty minus the excluded gain.

You must reduce the basis of your replacement property by the amount of postponed gain. Also, if you postpone 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. Your basis in replacement property is its cost minus any gain postponed. In this way, tax on the gain is postponed until you dispose of the replacement property.

Example. A fire destroyed your home. 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 home constructed for \$70,000 within the time limit, you can postpone reporting the gain. You will have reinvested all the reimbursement (including your entire gain) in your new home. Your basis for the new home will be \$65,000 (\$70,000 cost minus \$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 ends 2 years after the close of the first tax year in which any part of your gain is realized.

Main home in disaster area. For your main home (or its contents) located in a federally declared disaster area, the replacement period 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 1. You are a calendar year taxpayer. A hurricane destroyed your home in September 1998. In December 1998, the insurance company paid you \$3,000 more than the adjusted basis of your home. The area in which your home is located is not a federally declared disaster area. Because you first realized a gain from the reimbursement for the casualty in 1998, you have until December 31, 2000, to replace the property. If your home had been in a federally declared disaster area, you would have until December 31, 2002, to replace the property.

Example 2. You are a calendar year taxpayer. While you were on your 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 August 11, 1998. Your insurance company investigated the theft and did not settle your claim until January 3, 1999, when they paid you \$3,000. Because you first realized a gain from the reimbursement for the theft during 1999, you have until December 31, 2001, to replace the property.

Extension. You may get an extension of the replacement period if you apply to the District Director of the Internal Revenue Service for your area. Your application must contain all the details about the need for the extension. You should make the application before the end of the replacement period.

However, you can file an application within a reasonable time after the replacement period ends if you have a good reason for the delay. An extension may be granted if you can show that there is reasonable cause for not making the replacement within the regular period.

Ordinarily, requests for extensions are not made or granted until near the end of the replacement period or the extended replacement period. Extensions are usually limited to a period of not more than 1 year. The high market value or scarcity of replacement property is not sufficient grounds for granting an extension. If your replacement property is being constructed and you clearly show that the replacement or restoration cannot be made within the replacement period, you may be granted an extension of the period.

How To Postpone a Gain

You postpone 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 gain.

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

- 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 bought in that year.

Substituting replacement property. Once you have acquired qualified replacement property that you designate as replacement property, you cannot later substitute other qualified replacement property. This is true even if you acquire the other property within the replacement period. The designation is made by the statement with your return reporting that you have acquired replacement property. However, if you discover that the

original replacement property was not 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 1040X) for the tax year of the gain in either of the following situations.

- You do not acquire replacement property within the required replacement period. On this amended return, you must report the gain and pay any additional tax due.
- You acquire replacement property within the required replacement period but at a cost less than the amount you receive from the casualty or theft. On this amended return, you must report the portion of the gain that cannot 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 IRS District Director for your area of any of the following.

- You replaced the property.
- You do not intend to replace the property.
- You did not replace the property within the specified period of time.

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 cannot postpone the gain by buying replacement property.

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

Example. Your property was stolen last year. Your insurance company reimbursed you \$10,000, of which \$5,000 was a gain. You reported the \$5,000 gain on your return for last year (the year you realized the gain) and paid the tax that was due. This year you bought replacement property within the replacement period. Your replacement property cost \$9,000. Since you reinvested all but \$1,000 of your reimbursement, you can now postpone \$4,000 (\$5,000 – \$1,000) of your gain.

To postpone your gain, file an amended return for last year using Form 1040X. You should attach an explanation showing that you previously reported the entire gain from the theft 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 a Gain or a Loss

Include a casualty or theft gain in your income in the year you receive the reimbursement unless you choose to postpone the gain as explained earlier.

Casualty loss. Generally, you can deduct a casualty loss only in the tax year in which the casualty occurred. This is true even if you do not repair or replace the damaged property until a later year. (But see *Disaster Area Losses*, later.)

Theft losses. You generally can deduct theft losses only in the year you discover your property was stolen. You must be able to show there was a theft, but you do not have to know when the theft occurred. However, you should show when you discovered that your property was missing.

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 your loss is on leased property and you were liable to the owner for the loss, you can deduct the loss only in the year in which the liability becomes fixed. This is true even if the loss occurred or the liability was paid in a different year.

Disaster Area Losses

This section discusses the special rules that apply to Presidentially declared disaster area losses. It contains information on when you can deduct your loss, how to claim your loss, and the treatment of your home in a disaster area. A **Presidentially declared disaster** is a disaster that occurred in an area declared by the President to be eligible for federal assistance under the Disaster Relief and Emergency Assistance Act.

When to deduct the loss. If you have a casualty loss from a disaster that occurred in a Presidentially declared disaster area, you can choose to deduct that loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened. If you make this choice, the loss is treated as having occurred in the preceding year.

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.

If you do not choose to deduct your loss on your return for the earlier year, deduct it on your return for the year in which the disaster occurred.

Example. You are a calendar year taxpayer. A flood damaged your home this June. The flood damaged or destroyed a considerable amount of property in your town. The town was declared a federal disaster area as a result of the flood. You can choose to deduct the flood loss on your home on last year's tax return.

Disaster loss to inventory. If your inventory loss is from a disaster in an area declared by the President of the United States to be eligible for federal assistance, you may choose 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 will not be reported again in inventories.

Home made unsafe by disaster. If your home is located in a federal disaster area, your state or local government may order you to tear it down or move it because it is no

Table 2. When To Deduct a Loss

Type of Loss	Tax Year Deducted
Loss on deposits <ul style="list-style-type: none"> Casualty loss Bad debt Ordinary loss 	Year a reasonable estimate can be made Year deposits are totally worthless Year a reasonable estimate can be made
Casualty losses	Year loss occurred
Federal disaster area losses	Year the disaster occurred or the year immediately before the disaster
Thefts	Year of discovery of the theft

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.) 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.

You do not have a casualty loss if your home is unsafe due to dangerous conditions existing before the disaster. (For example, the location of your house is in an area known for severe storms.) This is true even if your home is condemned.

Example. Because of a severe storm, the county you live in is declared 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.

How to deduct your loss in the preceding year. If you choose to deduct your loss on your return or amended return for the tax year immediately preceding the tax year in which the disaster happened, include a statement saying that you are making that choice. The statement can be made on the return or can be filed with the return. The statement should specify the date or dates of the disaster and the city, town, county, and state where the damaged or destroyed property was located at the time of the disaster.

Time limit for making choice. You must make this choice to take your casualty loss for the disaster in the preceding year by the later of the following dates.

- The due date (without extensions) for filing your income tax return for the tax year in which the disaster actually occurred.

- The due date (with extensions) for the return for the preceding tax year.

Example. If you are a calendar year taxpayer, you ordinarily have until April 15, 1999, to amend your 1997 tax return to claim a casualty loss that occurred during 1998.

Revoking your choice. You can revoke your choice within 90 days after making it by returning to the Internal Revenue Service any refund or credit you received from making the choice. However, if you revoke your choice before receiving a refund, you must return the refund within 30 days after receiving it for the revocation to be effective.

Figuring the loss deduction. You must figure the loss under the usual rules for casualty losses, as if it occurred in the year preceding the disaster.

Example. A disaster damaged your home and destroyed your furniture. This was your only casualty loss for the year. The area was later determined to warrant federal assistance. The cost of your home and land was \$34,000. The FMV immediately before the disaster was \$47,500 and the FMV immediately afterwards was \$15,000. 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 did not cover this type of casualty loss, and you expect no reimbursement for either your home or your furniture.

You choose to amend your previous year's return to claim your casualty loss for the disaster. Your adjusted gross income was \$40,000. You figure your casualty loss as follows:

	House	Furnishings
1. Cost	\$34,000	\$10,000
2. FMV before disaster	\$47,500	\$8,000
3. FMV after disaster	15,000	5,000
4. Decrease in FMV (line 2 minus line 3)	\$32,500	\$3,000
5. Smaller of line 1 or line 4 ...	\$32,500	\$3,000
6. Subtract estimated insurance	-0-	-0-
7. Loss after reimbursement ...	\$32,500	\$3,000
8. Total loss	\$35,500	\$3,500
9. Subtract \$100	100	100
10. Loss after \$100 rule	\$35,400	\$3,400
11. Subtract 10% of \$40,000 AGI	4,000	400
12. Amount of casualty loss deduction	\$31,400	\$3,000

Claiming a disaster loss on an amended return. If you have already filed your return for the preceding year, you can claim a disaster loss against that year's income by filing an amended return. Individuals file an amended return on Form 1040X.

How to report the loss on Form 1040X.

You should adjust your deductions on Form 1040X. The instructions for Form 1040X explain 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 did not 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) along with Form 4684, to your amended return. Fill out Form 1040X to refigure your tax on the rest of the form to find your refund.

Records. You should keep the records that support your loss deduction. You do not have to attach them to the amended return.

Grants. You do not have to include grants received under the Disaster Relief and Emergency Assistance Act in your gross income. However, you cannot deduct a casualty loss to the extent you are specifically reimbursed for it by the grant.

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

Special rules for main home in a disaster area. Special rules regarding gains may apply to insurance proceeds you receive because of the damage to or destruction of your main home (whether owned or rented) or its contents. For a discussion of these rules, see *Gains Realized on Homes in Disaster Areas* in the instructions for Form 4684.

Interest abatement on underpayments in disaster areas. The IRS will abate interest for the length of the extension period granted to all taxpayers who meet both of the following requirements.

- They were located in an area declared a disaster area by the President after 1997.
- They were granted extensions to file income tax returns and pay income tax for tax years beginning after 1997.

For individuals living in an area declared a disaster area by the President during 1998, the IRS will also abate interest on income tax for the length of any extension period granted for filing their 1997 income tax returns and paying income tax for that year.

Some individuals who were granted an extension may have been charged interest on income tax owed for 1997. To the extent possible, the IRS will identify individuals eligible for the retroactive abatement of interest. The IRS will make appropriate adjustments to their accounts, notify them when these adjustments have been made, and, where appropriate, refund interest paid.

If you are eligible for retroactive interest abatement, but are not notified by the end of 1999 that interest has been abated, call IRS Customer Service at 1-800-829-1040 to request abatement of interest. If you are eligible for interest abatement, you can also file Form

843, *Claim for Refund and Request for Abatement*, with the IRS Service Center where you filed your tax return.

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), *Itemized Deductions*

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

- Form 4684
- Schedule D (Form 1040), *Capital Gains and Losses*

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 and property used in performing services as an employee on Schedule A (Form 1040). Gains from business and income-producing

property are combined with losses from business property (other than property used in performing services as an employee) and the net gain or loss is reported on Form 4797. If you are not otherwise required to file Form 4797, only enter the net gain or loss on page 1 of Form 1040. Partnerships and corporations should see 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 (other than property used in performing services as an employee) with total gains from business and income-producing property. Individuals report the net gain or loss as an ordinary gain or loss on Form 4797, *Sales of Business Property*. If you are not otherwise required to file Form 4797, only enter the net gain or loss on page 1 of Form 1040. Individuals deduct any loss of income-producing property and property used in performing services as an employee on Schedule A (Form 1040). Partnerships and 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. Individuals may also have to report the gain on Schedule D depending on whether they have other transactions. Partnerships and 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 chapter 3 in Publication 544 for more information about this 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. Amounts you spend to restore your property after a casualty increase your adjusted basis. See *Adjusted Basis* in Publication 551 for more information.

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)**. You can use an NOL to lower your tax in an earlier year, allowing you to get a refund for tax you already paid. Or, you can use it to lower your tax in a later year. You do not have to be in business to have an NOL from a casualty or theft loss. For more information, see Publication 536, *Net Operating Losses*.

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, get 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.

 **Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at www.irs.ustreas.gov. While visiting our Web Site, you can select:

- *Frequently Asked Tax Questions* to find answers to questions you may have.
- *Fill-in Forms* to complete tax forms online.
- *Forms and Publications* to download forms and publications or search publications by topic or keyword.
- *Comments & Help* to e-mail us with comments about the site or with tax questions.
- *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](ftp://ftp.irs.ustreas.gov)
- Direct dial (by modem) **703-321-8020**

 **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.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- 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.



Walk-in. You can pick up certain forms, instructions, and publications at many post offices, libraries, and

IRS offices. Some libraries and IRS offices have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response 7 to 15 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**
Western Area Distribution Center
Rancho Cordova, CA 95743-0001
- **Central part of U.S.:**
Central Area Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903
- **Eastern part of U.S. and foreign addresses:**
Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261-5074



CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.
- 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. The first release is available in mid-December and the final release is available in late January.

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Tax Publications for Individual Taxpayers

See *How To Get More Information* for a variety of ways to get publications, including by computer, phone, and mail.

General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax (For Individuals)
- 225 Farmer's Tax Guide
- 334 Tax Guide for Small Business
- 509 Tax Calendars for 1999
- 553 Highlights of 1998 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

Specialized Publications

- 3 Armed Forces' Tax Guide
- 378 Fuel Tax Credits and Refunds
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses
- 503 Child and Dependent Care Expenses
- 504 Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 508 Educational Expenses
- 514 Foreign Tax Credit for Individuals
- 516 U.S. Government Civilian Employees Stationed Abroad
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 U.S. Tax Guide for Aliens
- 520 Scholarships and Fellowships
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- 523 Selling Your Home
- 524 Credit for the Elderly or the Disabled
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- 537 Installment Sales
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- 544 Sales and Other Dispositions of Assets
- 547 Casualties, Disasters, and Thefts (Business and Nonbusiness)
- 550 Investment Income and Expenses
- 551 Basis of Assets
- 552 Recordkeeping for Individuals
- 554 Older Americans' Tax Guide
- 555 Community Property
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 559 Survivors, Executors, and Administrators
- 561 Determining the Value of Donated Property
- 564 Mutual Fund Distributions
- 570 Tax Guide for Individuals With Income From U.S. Possessions
- 575 Pension and Annuity Income
- 584 Nonbusiness Disaster, Casualty, and Theft Loss Workbook
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 590 Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
- 593 Tax Highlights for U.S. Citizens and Residents Going Abroad
- 594 Understanding the Collection Process
- 596 Earned Income Credit
- 721 Tax Guide to U.S. Civil Service Retirement Benefits

- 901 U.S. Tax Treaties
- 907 Tax Highlights for Persons with Disabilities
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 915 Social Security and Equivalent Railroad Retirement Benefits
- 919 Is My Withholding Correct for 1999?
- 925 Passive Activity and At-Risk Rules
- 926 Household Employer's Tax Guide
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 950 Introduction to Estate and Gift Taxes
- 967 IRS Will Figure Your Tax
- 968 Tax Benefits for Adoption
- 970 Tax Benefits for Higher Education
- 971 Innocent Spouse Relief
- 1542 Per Diem Rates
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Problem Resolution Program of the Internal Revenue Service

Spanish Language Publications

- 1SP Derechos del Contribuyente
- 579SP Cómo Preparar la Declaración de Impuesto Federal
- 594SP Comprendiendo el Proceso de Cobro
- 596SP Crédito por Ingreso del Trabajo
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

See *How To Get More Information* for a variety of ways to get forms, including by computer, fax, phone, and mail. For fax orders only, use the catalog numbers when ordering.

Form Number and Title	Catalog Number	Form Number and Title	Catalog Number
1040 U.S. Individual Income Tax Return	11320	2106 Employee Business Expenses	11700
Sch A & B Itemized Deductions & Interest and Ordinary Dividends	11330	2106-EZ Unreimbursed Employee Business Expenses	20604
Sch C Profit or Loss From Business	11334	2210 Underpayment of Estimated Tax by Individuals, Estates and Trusts	11744
Sch C-EZ Net Profit From Business	14374	2441 Child and Dependent Care Expenses	11862
Sch D Capital Gains and Losses	11338	2848 Power of Attorney and Declaration of Representative	11980
Sch E Supplemental Income and Loss	11344	3903 Moving Expenses	12490
Sch EIC Earned Income Credit	11339	4562 Depreciation and Amortization	12906
Sch F Profit or Loss From Farming	11346	4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141
Sch H Household Employment Taxes	12187	4952 Investment Interest Expense Deduction	13177
Sch J Farm Income Averaging	25513	5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329
Sch R Credit for the Elderly or the Disabled	11359	6251 Alternative Minimum Tax—Individuals	13600
Sch SE Self-Employment Tax	11358	8283 Noncash Charitable Contributions	62294
1040A U.S. Individual Income Tax Return	11327	8582 Passive Activity Loss Limitations	63704
Sch 1 Interest and Ordinary Dividends for Form 1040A Filers	12075	8606 Nondeductible IRAs	63966
Sch 2 Child and Dependent Care Expenses for Form 1040A Filers	10749	8812 Additional Child Tax Credit	10644
Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers	12064	8822 Change of Address	12081
1040EZ Income Tax Return for Single and Joint Filers With No Dependents	11329	8829 Expenses for Business Use of Your Home	13232
1040-ES Estimated Tax for Individuals	11340	8863 Education Credits	25379
1040X Amended U.S. Individual Income Tax Return	11360		