

Deductibility of Casualty and Theft Losses for 2018

There are severe new limits placed on individuals' itemized deductions of casualty and theft losses that were made by the Tax Cuts and Jobs Act, effective beginning in 2018.

Before the Tax Cuts and Jobs Act, individuals could claim as itemized deductions certain personal casualty losses, not compensated by insurance or otherwise, including losses arising from fire, storm, shipwreck, or other casualty, or from theft. There were two limitations to qualify for a deduction: (1) a loss had to exceed \$100, and (2) aggregate losses could be deducted only to the extent they exceeded 10% of adjusted gross income.

However, for tax years 2018 through 2025, the personal casualty and theft loss deduction isn't available, except for casualty losses incurred in a federally declared disaster. So a taxpayer who suffers a personal casualty loss from a disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act still will be able to claim a personal casualty loss as an itemized deduction, subject to the \$100-per-casualty and 10%-of-AGI limitations mentioned above. Also, where a taxpayer has personal casualty gains, personal casualty losses can still be offset against those gains, even if the losses aren't incurred in a federally declared disaster.

The casualty loss deduction helped to lessen the financial impact of casualty and theft losses on individuals. Now that the deduction generally won't be allowed, except for declared disasters, you may want to review your homeowner, flood, and auto insurance policies to determine if you need additional protection.

I hope this information helps you understand these changes. Please call me if you wish to discuss how this change or any of the many other changes in the Tax Cuts and Jobs Act could affect your particular tax situation, and the possible planning steps you might consider in response.