

Casualty and Theft Losses

Noncash deduction over \$5,000. Same records as those described on page 4-19 for \$500 to \$5,000 category, except that a written appraisal may also be required. See *Contributions of Property—Form 8283*, page 4-16.

Part contribution, part goods or services. A written statement from a charity is required if a donation is more than \$75 and is partly a contribution and partly for goods or services. The statement must contain an estimate of the value of goods or services received.

Exception: A written statement for goods or services is not required if one of the following is true:

- 1) The charity is a federal, state, or local government, or a religious organization where the benefit is an intangible religious benefit, such as admission to a religious ceremony.
- 2) The goods or services are of token value, as described under *Token items* on page 4-16.
- 3) The goods or services are membership benefits, as described under *Membership benefits* on page 4-16.

Car expenses. If a deduction is claimed for charitable use of a vehicle, a written log must be kept that shows the name of the organization the taxpayer performed volunteer services for, the date each time the vehicle was used for charity, and miles driven for the charity if the standard mileage rate is used.

Vehicles, Boats, and Airplanes

Special rules apply for determining the value of used motor vehicles, boats, and airplanes for purposes of deducting charitable contributions.

Written acknowledgement. The taxpayer must obtain written acknowledgement from the donee organization, which includes details on the use or disposition of the vehicle by the donee organization. A copy of the written acknowledgement must be attached to the tax return.

Deduction limits. A deduction for used items donated to a charity are generally equal to the fair market value of the item at the time of the donation. In the case of vehicles, boats, and airplanes, the deduction may be less than FMV under the gross proceeds deduction limit:

- 1) If the donee organization sells the donated vehicle without a significant intervening use or material improvement by the donee organization, then the deduction is limited to the gross proceeds received from the sale.
- 2) If the donee organization sells the donated vehicle after significant intervening use or material improvement to the vehicle, the deduction is limited to FMV.
- 3) If the donee organization sells the vehicle at significantly below FMV, the gross proceeds limitation will not apply if it was a gratuitous transfer to a needy individual in line with the purpose of the charity to provide transportation to the poor.

Contributions of less than \$500. A contemporaneous written acknowledgement is still required if the contribution is \$250 or more. If the donee organization sells the vehicles without any significant intervening use or material improvement, and the sale yields gross proceeds of \$500 or less, the deduction is equal to the lesser of FMV or \$500.

Example: Jack donates his car, worth \$800, to a charity that turns around and sells it for \$400 without any significant intervening use or without making any material improvements. Jack can deduct \$500 as a charitable contribution for the donation of his car. Because his deduction is \$250 or more, he still needs a written acknowledgement from the charity, but the acknowledgement is not required to be attached to his return.

Cross References

- Schedule A (Form 1040), line 20
- Form 4684, *Casualties and Thefts*
- IRS Pub. 547, *Casualties, Disasters, and Thefts*
- IRS Pub. 584, *Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)*
- IRC §165

See Update



Related Topics

- Weather-related sales of livestock, page 5-28
- Bad debts, Tab 8
- Casualty loss included in NOL, Tab 8

What Casualty and Theft Losses Are Deductible

Casualty loss. 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 a person is engaged.

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

Casualty and theft loss examples. Losses that result from any of the following are deductible:

- Blackmail
- Burglary
- Car accident
- Earthquake
- Embezzlement
- Extortion
- Fire
- Flood
- Hurricane
- Kidnapping for ransom
- Larceny
- Mine cave-in
- Robbery
- Shipwreck
- Sonic boom
- Storm
- Terrorist attack
- Tornado
- Vandalism
- Volcanic eruption

A government-ordered demolition or relocation of a home that is unsafe to use because of a disaster is a casualty. Fraud or misrepresentation is a theft if it is illegal under state or local law.

Nondeductible expenses. The following items are not deductible as casualty and theft losses:

- Expenses for the treatment of personal injuries.
- Car rental while taxpayer's vehicle is being repaired.
- Costs for protection against future casualties, such as a levee to stop flooding.
- Money or property misplaced or lost.
- Accidentally breaking china, glassware, furniture, and similar items under normal conditions.
- Damage caused by a family pet.
- Defective design or workmanship that could lead to collapse or casualty.
- Progressive damage to buildings, clothes, trees, etc., caused by termites, moths, other insects, or disease. However, a sudden destruction due to an unexpected or unusual infestation of beetles or other insects may result in a casualty loss.
- The steady weakening of a building due to normal wind and weather conditions.
- The deterioration and damage to a water heater that bursts. However, the damage to rugs and drapes caused by the bursting water heater is a casualty.
- Personal use property losses caused by droughts. *Exception:* Severe drought damage may cause a casualty when it damages the foundation of a building. (*Stevens*, TC Memo, 1984)
- The sentimental value of an item lost or destroyed in a casualty.

