

Abstract: Every year, many Americans become victims of natural disasters, such as hurricanes, fires, floods and more. Unexpected disasters may cause damage to homes and personal property. This article defines a personal casualty loss and briefly outlines the rules for making a personal casualty loss claim on a taxpayer's federal income tax return.

Not every disaster allows for a casualty loss tax deduction

Many Americans have become victims of natural disasters in 2024. Wherever you live, unexpected disasters may cause damage to your home or personal property. What's considered a personal casualty for tax purposes? It's defined as damage from a sudden, unexpected or unusual event, such as a hurricane, tornado, flood, earthquake, fire, act of vandalism or terrorist attack.

Through 2025, you can deduct personal casualty losses only if you itemize on your tax return and the loss results from a federally declared disaster. There is, however, an exception to that general rule. Suppose you have personal casualty *gains* because your insurance proceeds exceed the tax basis of the damaged or destroyed property. In that case, you can deduct personal casualty losses that aren't due to a federally declared disaster up to the amount of your personal casualty gains.

When to claim a refund

A special election allows taxpayers to deduct a casualty loss that's due to a federally declared disaster on the tax return for the *preceding* year and claim a refund. You can file an amended return if you've already filed the relevant return.

This election must be made no later than six months after the due date (without considering extensions) for filing your tax return for the year in which the disaster occurs. However, the election itself must be made on an original or amended return for the preceding year.

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