



# Instructions for Form 4684

## Casualties and Thefts

(For use with 2016 Form 4684 (Rev. November 2017))

Section references are to the Internal Revenue Code unless otherwise noted.

## General Instructions

### Future Developments

For the latest information about developments related to Form 4684 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form4684](http://www.irs.gov/form4684).

### What's New

**Special rules and updated return procedures resulting from Hurricanes Harvey, Irma, or Maria.** Many losses from these 2017 hurricanes may be claimed as a disaster loss on your original or amended 2016 tax return by filing Form 4684 with the tax return. Form 4684 has been updated to reflect special relief provided as part of the Disaster Relief and Airport and Airway Extension Act of 2017. For more information about claiming relief, see [Hurricane disaster losses](#) and [Election to deduct loss in the preceding year](#), later. The special relief is described in the *Specific Instructions* for lines 11 and 15, later.

**Extended filing deadline for certain taxpayers.** If you previously obtained a 6-month extension of time to file your original 2016 return and you are an affected taxpayer for purposes of Hurricanes Harvey, Irma, or Maria, you have until January 31, 2018 to timely file. See [IRS.gov/DisasterTaxRelief](http://IRS.gov/DisasterTaxRelief) for more information on which taxpayers have been granted additional time to file through Jan. 31, 2018.

**Disaster losses.** Effective October 13, 2016, the due date for making an election to deduct a loss attributable to a federally declared disaster in the tax year immediately before the tax year in which the loss was sustained has been extended by six months. The period for revoking the election has also been extended to 90 days after the due date for making the election. See [Election to deduct loss in the preceding year](#) for more information. For more information on disaster assistance and emergency relief for individuals, see [IRS.gov/DisasterRelief](http://IRS.gov/DisasterRelief).

### Purpose of Form

Use Form 4684 to report gains and losses from casualties and thefts. Attach Form 4684 to your tax return.

### Losses You Can Deduct

You can deduct losses of property from fire, storm, shipwreck, or other casualty, or theft (for example, larceny, embezzlement, robbery, and Ponzi-type investment schemes). See Pub. 547, *Casualties, Disasters, and Thefts*, for more examples.

If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you can't deduct the loss as a casualty or theft loss. However, the part of the loss that isn't covered by insurance is still deductible.

**Related expenses.** The related expenses you have due to a casualty or theft, such as expenses for the treatment of personal injuries or for the rental of a car, aren't deductible as casualty or theft losses.

Costs for protection against future casualties aren't deductible but should be capitalized as permanent improvements. An example would be the cost of a levee to stop flooding.

### Losses You Can't Deduct

- Money or property misplaced or lost may not be deducted as a theft loss.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.
- A decline in market value of stock, caused by disclosure of accounting or other illegal misconduct by the officers or directors of the corporation that issues the stock, that was acquired on the open market for investment. You may be able to deduct it as a capital loss on Schedule D (Form 1040) if the stock is sold or exchanged or becomes completely worthless. See chapter 4 of Pub. 550, *Investment Income and Expenses*.

**Note.** Victims of fraudulent investment schemes can claim a theft loss deduction if certain conditions apply. See [Losses From Ponzi-Type Investment Schemes](#), later, for more information.

### Gain on Reimbursement

If the amount you receive in insurance or other reimbursement is more than the cost or other basis of the property, you have a gain. If you have a gain, you may have to pay tax on it, or you may be able to postpone the gain.

Don't report the gain on damaged, destroyed, or stolen property if you receive property that is similar or related to it in service or use. Your basis in the new

property is the same as your basis in the old property.

Any tangible replacement property held for use in a trade or business is treated as similar or related in service or use to property held for use in a trade or business or for investment if:

- The property you are replacing was damaged or destroyed in a disaster, and
- The area in which the property was damaged or destroyed was declared by the President of the United States to warrant federal assistance because of that disaster.

Generally, you must recognize the gain if you receive unlike property or money as reimbursement. But you generally can choose to postpone all or part of the gain if, within 2 years of the end of the first tax year in which any part of the gain is realized, you purchase:

- Property similar or related in service or use to the damaged, destroyed, or stolen property, or
- A controlling interest (at least 80%) in a corporation owning such property.

To postpone all of the gain, the cost of the replacement property must be equal to or more than the reimbursement you received for your property. If the cost of the replacement property is less than the reimbursement received, you must recognize the gain to the extent the reimbursement exceeds the cost of the replacement property.

If the replacement property or stock is acquired from a related person, gain generally can't be postponed by:

- Corporations (other than S corporations),
- Partnerships in which more than 50% of the capital or profits interest is owned by corporations (other than S corporations), or
- All other taxpayers, unless the aggregate realized gains on the involuntarily converted property are \$100,000 or less for the tax year. This rule applies to partnerships and S corporations at both the entity and partner or shareholder level.

For details on how to postpone the gain, see Pub. 547.

If your main home was located in a disaster area and that home or any of its contents were damaged or destroyed due to the disaster, special rules apply. See [Gains Realized on Homes in Disaster Areas](#), later.

### When To Deduct a Loss

Deduct the part of your casualty or theft loss that isn't reimbursable in the tax year the casualty occurred or the theft was

discovered. However, a disaster loss and a loss from deposits in insolvent or bankrupt financial institutions may be treated differently. See [Disaster Losses](#) and [Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions](#), later.

If you aren't sure whether part of your casualty or theft loss will be reimbursed, don't deduct that part until the tax year when you become reasonably certain that it won't be reimbursed.

If you are reimbursed for a loss you deducted in an earlier year, include the reimbursement in your income in the year you received it, but only to the extent the deduction reduced your tax in an earlier year.

See *Lessee's loss* in Pub. 547 for special rules on when to deduct losses from casualties and thefts to leased property.

## Disaster Losses

A disaster loss is a loss that occurred in an area determined by the President of the United States to warrant federal disaster assistance. It includes a major disaster or emergency declaration. A list of areas warranting public or individual assistance (or both) is available at the Federal Emergency Management Agency (FEMA) website at [FEMA.gov](#).

To determine the amount to deduct for a disaster loss, you must take into account as reimbursements any benefits you received or which you have a reasonable possibility of receiving from federal or state programs to restore your property.

**Hurricane disaster losses.** You can deduct hurricane disaster losses for both regular and AMT purposes without itemizing other deductions on Schedule A. Moreover, your net casualty loss from these hurricanes does not need to exceed 10% of your adjusted gross income to qualify for the deduction, but the \$100 limit per casualty is increased to \$500.

For this purpose, a hurricane disaster loss is a personal casualty loss caused by:

- Hurricane Harvey in the Hurricane Harvey disaster area after August 22, 2017,
- Hurricane Irma in the Hurricane Irma disaster area after September 3, 2017,
- Hurricane Maria in the Hurricane Maria disaster area after September 15, 2017.

In addition, the federal disaster declaration must have been made on or before September 21, 2017. The special relief for these hurricane disaster losses is described in the *Specific Instructions* for lines 11 and 15, later.

**Election to deduct loss in the preceding year.** If you have a casualty loss from a federally declared disaster that occurred in an area warranting public or individual assistance (or both), you can elect to deduct the loss in the tax year immediately before the tax year in which the loss was sustained as long as the loss would otherwise be

allowed as a deduction in the tax year it occurred.

This election must be made by filing your return or amended return for the earlier year, and claiming your disaster loss on it, on or before the date that is six months after the regular due date for filing your original return (without extensions) for the tax year in which the disaster loss was actually sustained.

If you make this election, include a statement that you are making this election. Also specify the name (or give a description) of the disaster, the date(s) of the disaster, and the city or town, county or parish, state, and zip code in which the damaged or destroyed property was located. The statement can be made on the return (for example, on line 1 or 19 of Form 4684) or on an attachment filed with the return.

You can revoke this election on or before the date that is 90 days after the due date for making the election. You must file an amended return for the preceding year that contains a revocation statement. You must pay or make arrangements to pay any tax due as a result of the revocation. See Pub. 547 for more information.

### **Claiming hurricane disaster losses on an original or amended 2016 return.**

Many losses from Hurricanes Harvey, Irma, and Maria occurred in areas of the U.S. Virgin Islands, Puerto Rico, and the states of Florida, Georgia, Louisiana, South Carolina, and Texas designated by FEMA as warranting public or individual assistance (or both). You can make the election to deduct these losses on your amended 2016 return on or before October 15, 2018. If you previously obtained a 6-month extension of time to file your original 2016 return and you are an affected taxpayer for purposes of Hurricanes Harvey, Irma, or Maria, you have until January 31, 2018 to timely file and make this election. See [IRS.gov/DisasterTaxRelief](#) for more information on which taxpayers have been granted additional time to file through Jan. 31, 2018.

### **Claiming hurricane losses in the states of Louisiana and South Carolina on an original return.**

If you have loss attributable to Tropical Storm Harvey or Hurricane Irma in an area of Louisiana or South Carolina designated by FEMA as warranting public or individual assistance (or both) and have not filed your 2016 tax return, you must file a paper form 1040 or Form 1040NR and itemize your deductions if you choose to claim your hurricane disaster loss for 2016. Write "Louisiana, Tropical Storm Harvey" or "South Carolina, Hurricane Irma" (whichever applies) across the top of your tax return and complete Form 4684 and Schedule A using the calculations applicable to other casualty and theft losses. Don't follow the special rules about hurricane disaster losses for lines 11 and 15. Attach Form 4684 and Schedule A to your return.

### **Claiming hurricane losses in the states of Louisiana and South Carolina on an amended return.**

If you have loss

attributable to Tropical Storm Harvey or Hurricane Irma in an area of Louisiana or South Carolina designated by FEMA as warranting public or individual assistance (or both) and already filed your 2016 tax return, you can amend it to claim your hurricane disaster loss for 2016 by filing Form 1040X and itemizing your deductions. Write "Louisiana, Tropical Storm Harvey" or "South Carolina, Hurricane Irma" (whichever applies) across the top of your Form 1040X and include it in the explanation of your changes in Part III of Form 1040X. Complete Form 4684 and Schedule A using the calculations applicable to other casualty and theft losses. Don't follow the special rules about hurricane disaster losses for lines 11 and 15 below. Then, follow the instructions for Form 1040X, line 2. You may need to adjust other items on your return as a result of the changes you make to Schedule A.

### **Claiming hurricane losses in the U.S. Virgin Islands, Puerto Rico, or the states of Florida, Georgia, and Texas on an original return.**

If you have a hurricane disaster loss described under [Hurricane disaster losses](#), earlier, in an area of the U.S. Virgin Islands, Puerto Rico, or the states of Florida, Georgia, and Texas designated by FEMA as warranting public or individual assistance (or both) and haven't filed your 2016 tax return, you must file a paper Form 1040 or Form 1040NR if you choose to claim your hurricane disaster loss for 2016. Write "Hurricane Harvey Tax Relief" or "Hurricane Irma Tax Relief" or "Hurricane Maria Tax Relief" (whichever applies) across the top of your tax return. Complete Form 4684 and Schedule A as directed under *Specific Instructions* to determine the amount of your loss and add the loss to your standard deduction or other itemized deductions using the special rules described below. Attach Form 4684 and Schedule A to your return.

### **Claiming hurricane losses in the U.S. Virgin Islands, Puerto Rico, or the states of Florida, Georgia, and Texas on an amended return.**

If you have a hurricane disaster loss described under [Hurricane disaster losses](#), earlier, in an area of the U.S. Virgin Islands, Puerto Rico, or the states of Florida, Georgia, and Texas designated by FEMA as warranting public or individual assistance (or both) and already filed your 2016 tax return, you can amend it to claim your hurricane disaster loss for 2016 by filing Form 1040X. Write "Hurricane Harvey Tax Relief" or "Hurricane Irma Tax Relief" or "Hurricane Maria Tax Relief" (whichever applies) across the top of your tax return and include it in the explanation of your changes in Part III of Form 1040X. Complete Form 4684 and Schedule A as directed under *Specific Instructions* to determine the amount of your loss and add the loss to your standard deduction or other itemized deductions using the special rules described below and then follow the instructions for Form 1040X, line 2. You may need to adjust other items on your return as a result of the changes you make to Schedule A

**Home made unsafe by disaster.** If your home was located in a disaster area and your state or local government ordered you to tear it down or move it because it was no longer safe to use as a home due to the disaster, the resulting loss in value is treated as a disaster loss. The order for you to tear down or move the home must have been issued within 120 days after the area was officially declared a disaster area.

For purposes of figuring the disaster loss, use the value of your home before you moved it or tore it down as its fair market value after the casualty.

## Gains Realized on Homes in Disaster Areas

The following rules apply if your main home was located in an area declared by the President of the United States to warrant federal assistance as the result of a disaster, and the home or any of its contents were damaged or destroyed due to the disaster. These rules also apply to renters who receive insurance proceeds for damaged or destroyed property in a rented home that is their main home.

1. No gain is recognized on any insurance proceeds received for unscheduled personal property that was part of the contents of the home.

2. Any other insurance proceeds you receive for the home or its contents are treated as received for a single item of property, and any replacement property you purchase that is similar or related in service or use to the home or its contents is treated as similar or related in service or use to that single item of property. Therefore, you can choose to recognize gain only to the extent the insurance proceeds treated as received for that single item of property exceed the cost of the replacement property.

3. If you choose to postpone any gain from the receipt of insurance or other reimbursement for your main home or any of its contents, the period in which you must purchase replacement property is extended until 4 years after the end of the first tax year in which any part of the gain is realized.

For details on how to postpone gain, see Pub. 547.

**Example.** Your main home and its contents were completely destroyed in 2016 by a tornado in a federally declared disaster area. In 2016, you received insurance proceeds of \$200,000 for the home, \$25,000 for unscheduled personal property in your home, \$5,000 for jewelry, and \$10,000 for a stamp collection. The jewelry and stamp collection were kept in your home and were scheduled property on your insurance policy. No gain is recognized on the \$25,000 you received for the unscheduled personal property. If you reinvest the remaining proceeds of \$215,000 in a replacement home, any type of replacement contents (whether scheduled or unscheduled), or both, you can elect to postpone any gain on your home, jewelry, or stamp collection. If

you reinvest less than \$215,000, any gain is recognized only to the extent \$215,000 exceeds the amount you reinvest in a replacement home, any type of replacement contents (whether scheduled or unscheduled), or both. To postpone gain, you must purchase the replacement property before 2021. Your basis in the replacement property equals its cost decreased by the amount of any postponed gain.

## Special Treatment for Losses on Deposits in Insolvent or Bankrupt Financial Institutions

If you are an individual who incurred a loss from a deposit in a bank, credit union, or other financial institution because of the bankruptcy or insolvency of that institution and you can reasonably estimate your loss, you can elect to deduct the loss as:

- A casualty loss to personal use property on Form 4684, or
- An ordinary loss (miscellaneous itemized deduction) on Schedule A (Form 1040), Itemized Deductions, line 23, or Form 1040NR, Schedule A, Itemized Deductions, line 9. You can't elect the ordinary loss deduction if any part of the deposits related to the loss is federally insured. The maximum amount you can claim is \$20,000 (\$10,000 if you are married filing separately). Your deduction is reduced by any expected state insurance proceeds and is subject to the 2%-of-adjusted-gross-income (AGI) limit.

If you elect to deduct the estimated loss as a casualty loss or as an ordinary loss, you can't claim the same loss as a nonbusiness bad debt. If the estimated loss deducted is less than the actual loss, you can claim the difference as a nonbusiness bad debt for the year in which the final determination of the loss occurs. A nonbusiness bad debt is deducted on Schedule D (Form 1040), Capital Gains and Losses, as a short-term capital loss.

If you are a 1% or more owner or an officer of the financial institution, or are related to any such owner or officer, you can't deduct the loss as a casualty loss or as an ordinary loss. See chapter 4 of Pub. 550 for the definition of "related."

If you elect to deduct the loss as a casualty loss or as an ordinary loss and you have more than one account in the same financial institution, you must include all your accounts. Once you make the election, you can't change it without permission from the IRS. See Notice 89-28, 1989-1 C.B. 667, for more details.

To elect to deduct the loss as a casualty loss, complete Form 4684 as follows: On line 1, enter the name of the financial institution and "Insolvent Financial Institution." Skip lines 2 through 9. Enter the amount of the loss on line 10, and complete the rest of Section A.

If, in a later year, you recover an amount you deducted as a loss, you may have to

include in your income the amount recovered for that year. For details, see *Recoveries* in Pub. 525, Taxable and Nontaxable Income.

## Damage From Corrosive Drywall

Under a special procedure, you may be able to claim a casualty loss deduction for amounts you paid to repair damage to your home and household appliances that resulted from corrosive drywall. For details, see *Special Procedure for Damage From Corrosive Drywall* under *Casualty* in Pub. 547.

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## Specific Instructions

### Which Sections To Complete

Use Section A to figure casualty or theft gains and losses for property that isn't used in a trade or business or for income-producing purposes. Also use Section A to figure casualty or theft losses and gains related to the portion of your home used for business if you used the simplified method to determine your deductible expenses for business use of your home.

Use Section B to figure casualty or theft gains and losses for property that is used in a trade or business or for income-producing purposes.

If property is used partly in a trade or business and partly for personal purposes, such as a personal home with a rental unit, figure the personal part in Section A and the business part in Section B.

Use Section C to figure a theft loss deduction from a Ponzi-type investment scheme if you qualify to use Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58, and choose to follow the procedures in the guidance. Section C of Form 4684 replaces Appendix A in Revenue Procedure 2009-20. You don't need to complete Appendix A. See [Losses From Ponzi-Type Investment Schemes](#), later.

### Section A—Personal Use Property

Use a separate column for lines 2 through 9 to show each item lost or damaged from a single casualty or theft described on line 1. If more than four items were lost or damaged, use additional sheets following the format of lines 1 through 9.

Use a separate Form 4684 through line 12 for each casualty or theft involving property not used in a trade or business or for income-producing purposes. For example, use a separate Form 4684 through line 12 for property lost or damaged due to Hurricane Harvey, Hurricane Irma, or Hurricane Maria.

Don't include any loss previously deducted on an estate tax return.

If you are liable for casualty or theft losses to property you lease from someone else,

see *Leased property* under *Figuring a Loss* in Pub. 547.

## Line 1

Describe the type of property (for example, furniture, jewelry, car, etc.).

If you are electing to deduct a disaster loss in the tax year immediately before the tax year in which the loss was sustained, see [Disaster Losses](#) earlier for additional information you must provide. Include this information on line 1 or on an attached statement.

## Line 2

Cost or other basis usually means original cost plus improvements. Subtract any postponed gain from the sale of a previous main home. Special rules apply to property received as a gift or inheritance. See *Basis Other Than Cost* in Pub. 551, *Basis of Assets*, for details. If you inherited the property from someone who died in 2010 and the executor of the decedent's estate made the election to file Form 8939, *Allocation of Increase in Basis for Property Received From a Decedent*, refer to the information provided by the executor or see Pub. 4895, *Tax Treatment of Property Acquired From a Decedent Dying in 2010*.

## Line 3

Enter on this line the amount of insurance or other reimbursement you received or expect to receive for each property. Include your insurance coverage whether or not you are filing a claim for reimbursement. For example, your car worth \$2,000 is totally destroyed in a collision. You are insured with a \$500 deductible, but decide not to report it to your insurance company because you are afraid the insurance company will cancel your policy. In this case, enter \$1,500 on this line.

If you expect to be reimbursed but haven't yet received payment, you must still enter the expected reimbursement from the loss. If, in a later tax year, you determine with reasonable certainty that you won't be reimbursed for all or part of the loss, you can deduct for that year the amount of the loss that isn't reimbursed.

**Types of reimbursements.** Insurance is the most common way to be reimbursed for a casualty or theft loss, but if:

- Part of a federal disaster loan is forgiven, the part you don't have to pay back is considered a reimbursement.
- The person who leases your property must make repairs or must repay you for any part of a loss, the repayment and the cost of the repairs are considered reimbursements.
- A court awards you damages for a casualty or theft loss, the amount you are able to collect, minus lawyers' fees and other necessary expenses, is a reimbursement.

- You accept repairs, restoration, or cleanup services provided by relief agencies, it is considered a reimbursement.
- A bonding company pays you for a theft loss, the payment is also considered a reimbursement.

**Lump-sum reimbursement.** If you have a casualty or theft loss of several assets at the same time and you receive a lump-sum reimbursement, you must divide the amount you receive among the assets according to the fair market value of each asset at the time of the loss.

### Grants, gifts, and other payments.

Grants and other payments you receive to help you after a casualty are considered reimbursements only if they must be used specifically to repair or replace your property. Such payments will reduce your casualty loss deduction. If there are no conditions on how you have to use the money you receive, it isn't a reimbursement.

**Use and occupancy insurance.** If insurance reimburses you for your loss of business income, it doesn't reduce your casualty or theft loss. The reimbursement is income, and is taxed in the same manner as your business income.

**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. You may be able to exclude up to \$250,000 of the gain (up to \$500,000 if married filing jointly). To exclude a gain, you generally must have owned and lived in the property as your main home for at least 2 years during the 5-year period ending on the date it was destroyed. For information on this exclusion, see Pub. 523, *Selling Your Home*.

If you exclude the gain and the entire gain is excludable, don't report the casualty on Form 4684. If the gain is more than you can exclude, reduce the insurance or other reimbursement by the amount of the exclusion and enter the result on line 3. Attach a statement showing the full amount of insurance or other reimbursement and the amount of the exclusion. You may be able to postpone reporting the excess gain if you buy replacement property. See [Gain on Reimbursement](#) and [Gains Realized on Homes in Disaster Areas](#), earlier.

## Line 4

If you are entitled to an insurance payment or other reimbursement for any part of a casualty or theft loss but you choose not to file a claim for the loss, you can't realize a gain from that payment or reimbursement. Therefore, figure the gain on line 4 by subtracting your cost or other basis in the property (line 2) only from the amount of reimbursement you actually received. Enter the result on line 4, but don't enter less than zero.

If you filed a claim for reimbursement but didn't receive it until after the year of the casualty or theft, include the gain in your

income in the year you received the reimbursement.

## Lines 5 and 6

Fair market value (FMV) is the price at which the property would be sold between a willing buyer and a willing seller, each having knowledge of the relevant facts. The difference between the FMV immediately before the casualty or theft and the FMV immediately after represents the decrease in FMV because of the casualty or theft.

The FMV of property after a theft is zero if the property isn't recovered.

FMV is generally determined by a competent appraisal. The appraiser's knowledge of sales of comparable property about the same time as the casualty or theft, knowledge of your property before and after the occurrence, and the methods of determining FMV are important elements in proving your loss.

The appraised value of property immediately after the casualty must be adjusted (increased) for the effects of any general market decline that may occur at the same time as the casualty or theft. For example, the value of all nearby property may become depressed because it is in an area where such occurrences are commonplace. This general decline in market value isn't part of the property's decrease in FMV as a result of the casualty or theft.

Replacement cost or the cost of repairs isn't necessarily FMV. However, you may be able to use the cost of repairs to the damaged property as evidence of loss in value if:

- The repairs are actually made,
- The repairs are necessary to restore the property to the condition it was in immediately before the casualty,
- The amount spent for repairs isn't excessive,
- The repairs only correct the damage caused by the casualty, and
- The value of the property after the repairs isn't, as a result of the repairs, more than the value of the property immediately before the casualty.

To figure a casualty loss to real estate not used in a trade, business, or for income-producing purposes, measure the decrease in value of the property as a whole. All improvements, such as buildings, trees, and shrubs, are considered together as one item. Figure the loss separately for other items. For example, figure the loss separately for each piece of furniture.

## Line 11

If you have a hurricane disaster loss described under [Hurricane disaster losses](#), earlier, in the U.S. Virgin Islands, Puerto Rico, or the states of Florida, Georgia, and Texas, add the amounts on line 4 of all

Forms 4684. Subtract the result from the amount on line 10 of the Form 4684 reporting a hurricane disaster loss. If the difference is positive, then enter \$500 on line 11 of the Form 4684 reporting the hurricane disaster losses. If the difference is zero or less, enter \$100 and complete the remainder of the form without applying the special rules for hurricane disaster losses.

## Line 15

**Note.** You will complete line 15 differently depending on whether you have a net gain or loss and whether you have a [hurricane disaster loss](#).

**Net gain.** If line 14 is **more** than line 13, you have a net gain. Report the gain as follows:

- Combine your short-term gains with your short-term losses and include the net short-term gain or (loss) on Schedule D (Form 1040), line 4. Estates and trusts include this amount on Schedule D (Form 1041), line 4.
- Combine your long-term gains with your long-term losses and include the net long-term gain or (loss) on Schedule D (Form 1040), line 11. Estates and trusts include this amount on Schedule D (Form 1041), line 11.

The holding period for long-term gains and losses is more than 1 year. For short-term gains and losses, it is 1 year or less. To figure the holding period, begin counting on the day after you received the property and include the day the casualty or theft occurred.

Generally, if you inherit property, you are considered to have held the property for longer than 1 year, regardless of how long you actually held it. If you inherited property from someone who died in 2010 and the executor made the election to file Form 8939, refer to the information provided by the executor or see Pub. 4895 to determine your holding period.

**Net loss.** If line 14 is **less** than line 13 and you have hurricane disaster losses subject to the \$500 reduction on line 11 on any Form(s) 4684:

Subtract line 14 from line 12 of the Form(s) 4684 listing those hurricane disaster losses. The difference is your net hurricane disaster loss. Enter this amount on line 15 and on Schedule A, line 28 (Schedule A, line 14 for Form 1040NR filers), as "Net Hurricane Disaster Loss."

Complete the rest of Schedule A either by:

- Itemizing other deductions as usual, or
- Including the amount of your standard deduction (see the Instructions for Form 1040, line 40, or the Instructions for Form 1040NR, line 38) on Schedule A, line 28 (Schedule A, line 14 for Form 1040NR filers), as "Standard Deduction Claimed With Hurricane Disaster Loss." If you are also filing Form 6251, Alternative Minimum Tax for Individuals, enter on line 1 of that form the amount from Form 1040, line 41, even though that amount has been reduced by the

standard deduction. Include the amount of the standard deduction (before it was increased by any net disaster loss) on line 27.

- Do not complete the rest of this section if all your hurricane disaster losses are subject to the \$500 reduction.

If line 14 is less than line 13 and you have no hurricane disaster losses subject to the \$500 reduction on line 11 of the Form 4684, enter -0- and go to line 16 and complete the rest of the section.

## Line 17

Estates and trusts figure AGI in the same way as individuals, except that the costs of administration are allowed in figuring AGI.

## Section B—Business and Income-Producing Property

Use a separate column of Part I, lines 20 through 27, to show each item lost or damaged from a single casualty or theft described on line 19. If more than four items were lost or damaged, use additional sheets following the format of Part I, lines 19 through 27.

Use a separate Form 4684, Section B, Part I, for each casualty or theft involving property used in a trade or business or for income-producing purposes. Use one Section B, Part II, to combine all Sections B, Part I.

For details on the treatment of casualties or thefts to business or income-producing property, including rules on the loss of inventory through casualty or theft, see *Figuring a Loss* in Pub. 547.

## Home Used for Business or Rented Out

If you had a casualty or theft loss involving a home you used for business or rented out, your deductible loss may be limited. First, complete Form 4684, Section B, lines 19 through 26. If the loss involved a home used for a business for which you are filing Schedule C (Form 1040), Profit or Loss From Business, figure your deductible casualty or theft loss on Form 8829, Expenses for Business Use of Your Home (if you are using Form 8829). Enter on Form 4684, line 27, the deductible loss from Form 8829, line 34, and "See Form 8829" above line 27. For a home you rented out or used for a business for which you aren't filing Schedule C (Form 1040), see section 280A(c)(5) to figure your deductible loss. Attach a statement showing your computation of the deductible loss, enter that amount on line 27 and "See attached statement" above line 27.

If you used the simplified method to determine your deductible expenses for business use of your home for 2016, figure the casualty or theft loss for the home office in Section A instead of on Form 8829 and Section B.

## Property Used in a Passive Activity

A gain or loss from a casualty or theft of property used in a passive activity isn't taken into account in determining the loss from a passive activity unless losses similar in cause and severity recur regularly in the activity. See Form 8582, Passive Activity Loss Limitations, and its instructions for details.

## Losses From Ponzi-Type Investment Schemes

The IRS has issued the following guidance to assist taxpayers who are victims of losses from Ponzi-type investment schemes.

- Revenue Ruling 2009-9, 2009-14 I.R.B. 735 (available at [www.irs.gov/irb/2009-14\\_IRB/ar07.html](http://www.irs.gov/irb/2009-14_IRB/ar07.html)).
- Revenue Procedure 2009-20, 2009-14 I.R.B. 749 (available at [www.irs.gov/irb/2009-14\\_IRB/ar11.html](http://www.irs.gov/irb/2009-14_IRB/ar11.html)).
- Revenue Procedure 2011-58, 2011-50 I.R.B. 849 (available at [www.irs.gov/irb/2011-50\\_IRB/ar11.html](http://www.irs.gov/irb/2011-50_IRB/ar11.html)).

If you qualify to use Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58, and choose to follow the procedures in the guidance, first fill out Section C to determine the amount to enter on Section B, line 28. Skip lines 19 to 27. Section C of Form 4684 replaces Appendix A in Revenue Procedure 2009-20. You don't need to complete Appendix A.

For more information, see the instructions for [Section C](#) later and the above revenue ruling and revenue procedures.

If you choose not to use the procedures in Revenue Procedure 2009-20, you may claim your theft loss by filling out Section B, lines 19 to 39, as appropriate.

## Section 179 Property of a Partnership or S Corporation

Partnerships (other than electing large partnerships) and S corporations that have a casualty or theft involving property for which the section 179 expense deduction was previously claimed and passed through to the partners or shareholders must not use Form 4684 to report the transaction. Instead, see the Instructions for Form 4797 for details on how to report it. Partners and S corporation shareholders who receive a Schedule K-1 reporting such a transaction should see the Instructions for Form 4797 for details on how to figure the amount to enter on Form 4684, line 20.

## Line 19

If you are claiming a loss from a fraudulent investment arrangement and you are **not** filling out Section C, you must enter the name, Taxpayer Identification Number (if known), and address (if known) of the individual or entity that conducted the

fraudulent arrangement. Complete the rest of Section B, Part I.

If you are electing to deduct a disaster loss in the tax year immediately before the tax year in which the loss was sustained, see [Disaster Losses](#) earlier for additional information you must provide. Include this information on line 19 or on an attached statement.

### Line 20

Cost or adjusted basis usually means original cost plus improvements, minus depreciation allowed or allowable (including any section 179 expense deduction), amortization, depletion, etc. Special rules apply to property received as a gift or inheritance. See *Basis Other Than Cost* in Pub. 551 for details. If you inherited the property from someone who died in 2010 and the executor of the decedent's estate made the election to file Form 8939, refer to the information provided by the executor or see Pub. 4895.

### Line 21

See the instructions for [line 3](#).

### Line 22

See the instructions for [line 4](#).

### Lines 23 and 24

See the instructions for [lines 5 and 6](#) for details on determining FMV.

#### Loss on each item figured separately.

Unlike a casualty loss to personal use real estate, in which all improvements are considered one item, a casualty loss to business or income-producing property must be figured separately for each item. For example, if casualty damage occurs to both a building and to trees on the same piece of real estate, measure the loss separately for the building and for the trees.

### Line 28

If the amount on line 28 includes losses on property held 1 year or less, and losses on property held for more than 1 year, you must allocate the amount between lines 29 and 34 according to how long you held each property. Enter on line 29 all gains and losses on property held 1 year or less. Enter on line 34 all gains and losses on property held more than 1 year, except as provided in the instructions for line 33.

If you are claiming a theft loss from a Ponzi-type investment scheme and are following the procedures in Revenue Procedure 2009-20, 2009-14 I.R.B. 749, enter on line 28 the amount from Section C, line 51. Don't complete Section B, lines 19 to 27 of Form 4684 for that loss. You must fill out Section B, Part II.

## Part II, Column (a)

On lines 29 and 34, use a separate line to identify each casualty or theft. If you have more than two casualties or thefts, attach an additional sheet following the format of lines 29 and 34.

**Example.** Ishmael is claiming two casualty losses for his business property. One loss is due to a fire in July and the other loss is due to a hurricane in October. He fills out one Section B, Part I for the fire and another separate Section B, Part I for the hurricane. He held the property for one year or less. He fills out only one Section B, Part II, to summarize the two losses he is claiming. On line 29, he enters "Fire" on the first line and "Hurricane" on the second line.



*If you are claiming a theft loss from a Ponzi-type investment scheme, enter the name of the individual or entity that conducted the fraudulent arrangement.*

## Part II, Column (b)(i)

Enter the part of line 28 from trade, business, rental, or royalty property (other than property you used in performing services as an employee).

## Part II, Column (b)(ii)

Enter the part of line 28 from income-producing property and from property you used in performing services as an employee. Income-producing property is property held for investment, such as stocks, notes, bonds, gold, silver, vacant lots, and works of art.

## Part II, Column (c)

On line 29, enter the part of line 22 that is from property held for one year or less.

On line 34, enter the part of line 22 that is from property held for more than one year.

### Line 30

Include in the total any amounts from the additional sheet you attached because you had more than two casualties or thefts on line 29.

### Line 31

If Form 4797, Sales of Business Property, isn't otherwise required, enter the amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Next to that line, enter "Form 4684."

### Line 32

Estates and trusts, enter on the "Other deductions" line of your tax return. Partnerships (except electing large partnerships), enter on Form 1065, Schedule K, line 13d. Electing large partnerships, enter on Form 1065-B, Part II, line 11. S corporations, enter on Form

1120S, Schedule K, line 12d. Next to that line, enter "Form 4684."

### Line 33

If you had a casualty or theft gain from certain trade, business, or income-producing property held more than 1 year, you may have to recapture part or all of the gain as ordinary income. See the instructions for Form 4797, Part III, for more information on the types of property subject to recapture. If recapture applies, complete Form 4797, Part III, and this line, instead of Form 4684, line 34.

### Line 35

Include in the total any amounts from the additional sheet you attached because you had more than two casualties or thefts.

### Line 38a

Taxpayers, other than partnerships and S corporations, if Form 4797 isn't otherwise required, enter the amount from this line on page 1 of your tax return, on the line identified as from Form 4797. Next to that line, enter "Form 4684."

## Section C—Theft Loss Deduction for Ponzi-Type Investment Scheme Using the Procedures in Revenue Procedure 2009-20

Fill out Section C if you claim a theft loss deduction for a Ponzi-type investment scheme and you meet **both** of the following conditions.

- You qualify to use Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58.
- You choose to follow the procedures in the guidance.

If you meet both conditions, fill out Section C in lieu of Appendix A in Revenue Procedure 2009-20.

For more information about claiming a theft loss deduction from a Ponzi-type investment scheme, see the following guidance.

- Revenue Ruling 2009-9, 2009-14 I.R.B. 735 (available at [www.irs.gov/irb/2009-14\\_IRB/ar07.html](http://www.irs.gov/irb/2009-14_IRB/ar07.html)).
- Revenue Procedure 2009-20, 2009-14 I.R.B. 749 (available at [www.irs.gov/irb/2009-14\\_IRB/ar11.html](http://www.irs.gov/irb/2009-14_IRB/ar11.html)).
- Revenue Procedure 2011-58, 2011-50 I.R.B. 849 (available at [www.irs.gov/irb/2011-50\\_IRB/ar11.html](http://www.irs.gov/irb/2011-50_IRB/ar11.html)).



*Don't fill out Section C if you don't qualify to use the procedures in Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58, or you don't choose to follow them. Instead, go to the instructions for Section B.*

**Line 40**

Enter the initial amount of cash or basis of property that you invested in the investment arrangement. Don't include any of the following on this line, line 41, or line 42.

- Amounts borrowed from the responsible group and invested in the specified fraudulent arrangement, to the extent the borrowed amounts weren't repaid at the time the theft was discovered.
- Amounts such as fees that were paid to the responsible group and deducted for federal income tax purposes.
- Amounts reported to you (the qualified investor) as taxable income that weren't included in gross income on the investor's federal income tax returns.
- Cash or property that you (the qualified investor) invested in a fund or other entity (separate from you (the qualified investor) for federal income tax purposes) that invested in a specified fraudulent arrangement.

For definitions of responsible group, specified fraudulent arrangement, and qualified investor, see Section 4 of Revenue Procedure 2009-20.

**Line 41**

Enter the amounts of cash or the basis of property that you invested after you made the initial investment (including amounts reinvested).

**Line 42**

Enter the total amounts of net income (for example, interest and dividends minus expenses) from the specified fraudulent arrangement that, consistent with information received from that arrangement, you included in income for federal tax purposes for all tax years before the discovery year, including tax years for which a refund is barred by the statute of limitations.

**Discovery year.** The discovery year is the tax year when one of the following occurs.

- The indictment, information, or complaint described in section 4.02(1) or (2) of Revenue Procedure 2009-20 (as modified by Revenue Procedure 2011-58) is filed.
- The complaint or similar document described in section 4.02(3) of Revenue Procedure 2009-20 (as modified by Revenue Procedure 2011-58) is filed, or the death of the lead figure occurs, whichever is later.

**Line 44**

Enter the total amount of cash or property that you withdrew from the investment

arrangement in all years (whether designated as income or principal).

**Line 45**

This is the amount of your investment that is eligible for a deduction before any actual or potential recoveries are taken into account.

**Line 46**

**Potential third-party recovery.** This is the amount of all actual or potential claims for recovery, as of the last day of the discovery year (defined earlier), that are **not** from potential insurance or Securities Investor Protection Corporation (SIPC) recovery, or a potential direct recovery.

**Potential insurance/SIPC recovery.** This is the total of all actual or potential claims for reimbursement that, as of the last day of the discovery year, are attributable to:

- Insurance policies in your name that protect you from this type of loss;
- Contractual arrangements, other than insurance, that guaranteed or otherwise protected against this type of loss; or
- Amounts payable from SIPC, as advances for customer claims under the Securities Investor Protection Act of 1970, or by a similar entity under a similar provision.

**Potential direct recovery.** This is the amount of all actual or potential claims for recovery, as of the last day of the discovery year (defined earlier), against the responsible individual or group.

**Line 48**

Enter the amounts you actually received as a reimbursement or recovery from any source. Don't include amounts that are potential direct recoveries (defined earlier) or potential third-party recoveries (defined earlier).

**Line 49**

Enter the amount of potential insurance/SIPC recovery (defined earlier).

**Line 51**

Enter the amount from line 51 on line 28 of Section B. Don't complete lines 19 to 27 for this loss. Then complete Section B, Part II.

**TIP** *If you had other casualties or thefts, fill out a separate Section B, Part I, for them.*

**Part II**

Read the statements and declarations in this part carefully. Enter the required information in the spaces provided. You are agreeing to these statements and declarations when you sign your tax return. The information you enter in this part will be used to verify the fraudulent investment arrangement.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

|   |                 |
|---|-----------------|
| <b>Recordkeeping</b> . . . . .  | 2 hrs., 37 min. |
| <b>Learning about the law or the form</b> . . . . .                   | 43 min.         |
| <b>Preparing the form</b> . . . . .                                   | 1 hr., 34 min.  |
| <b>Copying, assembling, and sending the form to the IRS</b> . . . . . | 48 min.         |

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.