Can You Deduct That Loss?

Your one-page guide to casualty loss rules after the OBBBA

The New Rule (Permanent as of 2025)

The OBBBA made the "declared disaster only" rule permanent. For your 2025 return (filed in 2026), personal casualty losses are ONLY deductible if the loss occurred in a federally declared disaster area.

2026 UPDATE: State-declared disasters will also qualify (governor + Treasury secretary agreement).

What Doesn't Qualify Anymore

Car accidents, fender benders or vehicle theft (unless in a declared disaster zone)

House fires from non-disaster causes (electrical, cooking, accidental)

Burst pipes, basement floods or weather damage below the declaration threshold

Vandalism, fallen trees or animal damage to your property

If the president didn't declare it, the IRS doesn't want to hear about it.

The Three-Hurdle Deduction Math

Even if your loss qualifies, clear these three hurdles. Example: $100K AGI, $15K loss.

Hurdle	What It Means	Example
1. Insurance	Subtract any insurance payout first	$15,000 - $3,000 ins. = $12,000
2. $100 Floor	Subtract $100 per event	$12,000 - $100 = $11,900
3. 10% AGI	Only the amount exceeding 10% of AGI is deductible	**$11,900 - $10,000 = $1,900 deduction**

You must itemize (Schedule A). 2025 standard deduction: $15,750 single / $31,500 MFJ.

The Exception: "Qualified" Disaster Losses

When a disaster gets special "qualified" status from Congress:

- The 10% AGI hurdle is eliminated entirely
- You can claim the loss even if you don't itemize (added to standard deduction)
- The $100 floor increases to $500, but overall the math is dramatically better
- Timing election: Claim the loss on the prior year's return to get cash faster

Quick Decision Checklist

1. Was the loss caused by a federally or state-declared disaster? If no: stop here.
2. After subtracting insurance, the $100 floor and 10% of AGI, is anything left?
3. Does your total itemized deduction beat the standard deduction?
4. If "qualified" disaster status applies, skip steps 2-3. Claim it regardless.

IRS Topic 515: Casualty, Disaster and Theft Losses | IRS Publication 547 | FEMA: disasterassistance.gov