Understanding Loss Deductions For Yard Trees

The sudden destruction of trees or other yard plants due to a fire, storm, or massive insect attack qualifies for a casualty loss deduction. Unfortunately, the casualty loss rules for personal use property allow deductions only for large losses. To calculate your deduction, start with the lesser of the decrease in fair market value of your property caused by the loss of its basis - usually its cost. Appraisal fees and other costs of determining your loss do not add to the loss, but you can take them as itemized deductions on Form 1040, Schedule A. Subtract any insurance or other reimbursement you receive for the damage (if the reimbursement is more than the loss, you may have a taxable gain). Next, combine all losses caused by the same event and deduct $100. Finally, combine all losses from all events during the year and subtract 10% of your adjusted gross income from Form 1040, line 33. The amount left is your deduction. Form 4684, Section A, steps you through the calculation. This information is summarized from **IRS Publication 17, Your Federal Income Tax for Individuals, 1997,** and **Agricultural Handbook 708, Forest Owner's Guide to the Federal Income Tax.**

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