If you suffered a disaster, you may be eligible for a casualty loss tax deduction

Every year, severe storms, flooding, wildfires and other disasters affect millions of taxpayers. Many experience casualty losses from damage to their homes or personal property. The One Big Beautiful Bill Act (OBBBA), signed into law last year, generally made permanent the Tax Cuts and Jobs Act (TCJA) limitation on the personal casualty loss tax deduction. But it also expanded the deduction in one way.

What's deductible

For losses incurred from 2018 through 2025, the TCJA generally restricted deductions for personal casualty losses to those due to federally declared disasters. This is the rule that applies to your 2025 income tax return due April 15, 2026. (Before the TCJA, personal casualty losses were also potentially deductible if due to various other types of incidents, such as theft, vandalism and accidents as well as to fires, floods, etc., not attributable to a federally declared disaster.)

The OBBBA generally has made the disaster requirement permanent. But, effective January 1, 2026, it expands eligible disasters to include certain state-declared disasters. This applies to the tax return you'll file *next* year for 2026.

There's an exception to the general rule, however: If you have personal casualty gains because your insurance proceeds exceed the tax basis of the damaged or destroyed property, you can deduct personal casualty losses that *aren't* due to a declared disaster up to the amount of your personal casualty gains.

Additional limits

Even when the cause of a personal casualty loss qualifies you for the deduction, additional limits apply. First, your deduction for the loss from the declared disaster is reduced by any insurance proceeds received. If insurance covered your entire loss, you can't claim a casualty loss deduction for that loss. If insurance *didn't* cover your entire loss, then $100 (per casualty event) must be subtracted from the uncovered amount.

Finally, a 10% of adjusted gross income (AGI) floor applies. So you can deduct only the uncovered loss (reduced by $100 per casualty event) that exceeds 10% of your AGI for the year you claim the loss deduction. If, say, your 2025 AGI is $100,000 and your casualty loss (after subtracting insurance proceeds and $100 per event) is $11,000, you can deduct only $1,000 on your 2025 return.

Also keep in mind that you must itemize deductions to claim the casualty loss deduction. Since 2018, fewer people have itemized because the TCJA significantly increased the standard deduction amounts — and the OBBBA has increased them further. For 2025, they're $15,750 for single filers, $23,625 for heads of households, and $31,500 for married couples filing jointly. For 2026, they're $16,100, $24,150 and $32,200, respectively. So even if you qualify for a casualty deduction under the rules and limits, you might not get any tax benefit because you don't have enough total itemized deductions to exceed your standard deduction.

Have questions?

The rules for the personal casualty loss deduction are complex, so contact us for more information. We can help you determine whether you qualify for — and will benefit from — this deduction on your 2025 income tax return.