INSTRUCTIONS FOR FORM AR4684

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.

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 AR4684 through line 12 for each casualty or theft involving property not used in a trade or business or for income-producing purposes.

Line 1

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

Line 2

Cost or other basis usually means original cost plus improvements. Subtract any postponed gain from the sale of a previous main home.

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 also is 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. If you exclude the gain and the entire gain is excludable, don't report the casualty on Form AR4684. 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.

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 qualified disaster loss, add the amounts on line 4 of all Forms AR4684. Compare the sum with the amount on line 10. If the amount on line 10 is larger, enter $100 on line 11 of the Form AR4684 reporting the qualified disaster losses. If the amount on line 10 is smaller, enter $100 and complete the remainder of the form without applying the special rules for qualified 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 qualified 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 (Federal Form 1040), line 4. Estates and trusts include this amount on Schedule D (Federal 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.

Net loss. If line 14 is less than line 13 and you have qualified disaster losses subject to the $100 reduction on line 11 on any Form(s) AR4684:

Subtract line 14 from line 13 of the Form AR4684 listing those qualified disaster losses. The difference is your net qualified disaster loss. Enter this amount on line 15 and on AR3, line 27 as "Net Qualified Disaster Loss."

Don't complete the rest of this section if all your personal casualty and theft losses are qualified disaster losses are subject to the $100 reduction.

If line 14 is less than line 13 and you have no qualified disaster losses subject to the $100 reduction on line 11 of the Form AR4684, 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 AR4684, 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.

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 AR4684, 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 Federal Form 8829, Expenses for Business Use of Your Home (if you are using Federal Form 8829). Enter on Form AR4684, line 27, the deductible loss from Federal Form 8829, line 34, and "See Federal Form 8829" above line 27. 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 2021, figure the casualty or theft loss for the home office in Section A instead of on Form 8829 and Section B.

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 AR4684 to report the transaction. Instead, see the Instructions for Federal 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 Federal Form 4797 for details on how to figure the amount to enter on Form AR4684, line 20.

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.

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.

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.

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 Federal Form 4797, Sales of Business Property, isn't otherwise required, enter the amount from this line on page 2 of your tax return, on the line identified as from Federal Form 4797. Next to that line, enter "Form AR4684."

Line 32

Estates and trusts, enter on the "Other deductions" line of your tax return. Partnerships enter on Form AR1050, Schedule K, line 16. S corporations, enter on Form AR K-1, line 14a and/or 14b. Next to that line, enter "Form AR4684."

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 Federal Form 4797, Part III, for more information on the types of property subject to recapture. If recapture applies, complete Federal Form 4797, Part III, and this line, instead of Form AR4684, 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 Federal Form 4797 isn't otherwise required, enter the amount from this line on page 2 of AR1000F/AR1000NR, line 15. Next to that line, enter "Form AR4684."