



STATE OF CALIFORNIA
Franchise Tax Board

FIRE  FLOOD  EARTHQUAKE 

ftb.ca.gov

Disaster Loss How to Claim a State Tax Deduction

Taxpayers affected by any of the disasters listed below should write the name of the disaster in red ink at the top of their tax return the year they claim the loss.

What's New

For a list of current disasters declared by the President and/or the Governor beginning on or after March 1, 2016, go to ftb.ca.gov and search for **disaster loss for individuals and businesses**.

General Information

For taxable years beginning on or after January 1, 2014, and before January 1, 2024, taxpayers may deduct a disaster loss for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency. For these Governor-only declared disasters, subsequent state legislation is not required to activate the disaster loss provisions. Any law that suspends, defers, reduces, or otherwise diminishes the deduction of a net operating loss shall not apply to a net operating loss attributable to these specified disaster losses. The President's declaration continues to activate the disaster loss provisions. For a complete list of all disasters declared by the President and/or the Governor, see the "Recent Disaster Loss Relief" chart on page 6.

This publication is designed to help you with financial recovery and explains how you can claim your financial loss as a deduction on your California tax return.

For additional information specific to your disaster please see page 6 of this publication or form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts and form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations.

Casualty and Disaster Losses

California law generally follows federal law regarding the treatment of losses incurred as a result of a casualty or a disaster. To qualify as a disaster loss for federal purposes, the President of the United States must declare the area in which the disaster occurred as a disaster area, eligible for federal assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This includes a major disaster or emergency declaration under the Act. A pronouncement by the Governor of California declaring an area as a disaster or emergency area is not enough to qualify as a disaster loss for federal purposes.

A casualty loss occurs when your property is lost or damaged due to an earthquake, fire, flood, or similar event that is sudden, unexpected, or unusual. You usually qualify for a casualty loss deduction for tax purposes when insurance or other reimbursements do not repay you for damage to your property. For California purposes, your casualty loss becomes a disaster loss when both of the following occur:

- You sustain the loss in an area the President of the United States or the Governor of California declares a state of emergency.
- You sustain the loss because of the declared disaster.

Special tax rules apply to disaster losses. You can claim a disaster loss in the taxable year the disaster occurred or in the taxable year immediately before the disaster occurred. The advantage of claiming a disaster loss in the prior year is that the loss will generally reduce the prior year tax liability generating a refund that the Franchise Tax Board (FTB) can quickly issue.

Claiming a Disaster Loss on an Amended Tax Return

You can claim a disaster loss either on an amended tax return filed for the preceding year or on the tax return filed for the year of the loss. If you have already filed your tax return for the preceding year, you can claim a disaster loss against that year's income by filing Form 540X, Amended Individual Income Tax Return. The due date for filing the Form 540X is April 15 following the year of the loss, unless extended.

For example, you sustained a disaster loss in August 2016. You can claim the loss on your 2016 tax return when you file it by April 18, 2017, or claim the loss immediately on your 2015 tax return. If you already filed your 2014 tax return, complete Form 540X. You must make the election to claim the loss on your 2015 tax return by April 18, 2017, the original due date for the 2016 tax return or by the extended due date. For more information, see page 4, When to Claim Your Disaster Loss.

Disaster Loss Carryover Rules

For disasters that occurred in taxable years 2004 through 2011, you are allowed to carryover 100% of the excess loss for up to 15 years. Exception: Certain disasters that were Presidentially declared with no subsequent California legislation can be carried over for 20 years.

See the "Recent Disaster Loss Relief" table on page 6 for a list of the disasters that qualify for the 15 or 20 year disaster loss carryover.

For disaster losses incurred in taxable years 2000 through 2003, you can deduct any excess loss that remains after the five-year period for up to 10 more years at the following percentage rates:

Percentage Allowed to Carry Over	For Disasters incurred in Taxable Year
60	2002 and 2003
55	2000 and 2001

If you have both disaster loss carryovers and net operating loss carryovers, you must use them in the order you incurred them. There is no requirement to deduct NOL carryovers, before disaster loss carryovers.

Taxpayers should complete form FTB 3805V or form FTB 3805Q for the year of loss to compute the carryover.

Net Operating Loss Carryback General Rule

Taxpayers must first carry back the entire NOL incurred in 2016 to the preceding two years. Any loss not applied in the preceding two years can be carried forward up to 20 years. For more information, get form FTB 3805V or form FTB 3805Q.

How to Calculate a Disaster Loss

Compute your tax loss on your federal tax return and transfer that loss amount to your California tax return. In some cases, you may need to make adjustments between state and federal tax laws on your California tax return. For more information, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

Individuals

Calculate your disaster loss by reporting California amounts on federal Form 4684, Casualties and Thefts, Section A - Personal Use Property, and submitting this form with your California tax return. You will also need to attach a statement providing the date and location of the disaster (city, county, and state).

Determine your personal loss by using the smaller of the decrease in the fair market value of your property due to the casualty or the adjusted basis of the property. Fair market value means the amount at which property would change hands between a willing buyer and seller. Adjusted basis generally means what you paid for the property plus the cost of any improvements, less deductions such as depreciation. To determine your allowable loss, deduct insurance proceeds or other reimbursement you received or expect to receive. Next, subtract \$100 and then 10% of your federal adjusted gross income. Claim the remaining amount as your casualty or disaster loss.

Businesses

Calculate your disaster loss by reporting California amounts on federal Form 4684, Casualties and Thefts, Section B – Business and Income-Producing Property.

Determine your business loss by using the smaller of the decrease in the fair market value of your property due to the casualty or the adjusted basis of the property. To determine the allowable loss, deduct insurance or other reimbursement you received or expect to receive.

Federal Postponement Periods

California automatically follows federal postponement periods as announced by the Internal Revenue Service (IRS). The IRS may postpone for up to one year certain tax deadlines for taxpayers affected by a Presidentially declared disaster. Tax deadlines subject to postponement include those for filing tax returns, paying income taxes, and making contributions to a traditional Individual Retirement Arrangement (IRA) or Roth IRA. The IRS and the FTB may cancel the interest and penalties on underpaid income tax for the length of any postponement deadlines.

If the IRS postpones a tax deadline, the following taxpayers are eligible for the postponement:

- Any individual whose main home is located in a covered disaster area.
- Any business whose principal place of business is located in a covered disaster area.
- Any relief worker affiliated with a recognized government or philanthropic organization and who is assisting in a covered disaster area.
- Any individual or business whose records are needed to meet a postponed deadline, provided those records are maintained in a covered disaster area. **Note:** The main home or principal place of business does not have to be located in the disaster area.
- Any estate or trust that has tax records needed to meet a postponed tax deadline, provided those records are maintained in a covered disaster area.
- The spouse on a joint tax return with a taxpayer who is eligible for postponements.
- Any other person determined by the IRS to be affected by a Presidentially-declared disaster.

Disasters Outside of California

If you meet the qualifications to claim a disaster loss anywhere within the United States and have a California tax-filing requirement (resident or nonresident), the same disaster rules and postponement periods automatically apply to you. Be sure you indicate on your tax return the name and date (in red at the top of your tax return) of which disaster you are claiming a loss.

Documentation You Must Attach to your California Tax Return

To report your losses, you may need the following California forms:

- Schedule D-1, Sales of Business Property.
- Form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Individuals, Estates, and Trusts.
- Form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations.

You must also include these federal forms in your disaster loss documentation:

- A completed federal Form 4684, Casualties and Thefts (use California amounts).
- A copy of your federal Form 1040, U.S. Individual Income Tax Return, or 1040X, Amended U.S. Individual Income Tax Return.
- A copy of your federal Form 1120, U.S. Corporation Income Tax Return, or 1120X, Amended U.S. Corporation Income Tax Return.
- Any supporting federal schedules that verify your deduction.

You must attach a clearly written statement to your loss documentation that indicates:

- The date of the disaster.
- The location of the disaster (city, county, and state).
- Your decision to deduct the loss in the taxable year before the year the disaster occurred (optional).

It is a good idea to take and keep photos of the damaged property to document the loss.

For filing deadline dates specific to your disaster, refer to the table on this page under When to Claim Your Disaster Loss.

When to Claim Your Disaster Loss

The deadlines for electing a prior year deduction versus claiming your loss on the current year are:

Individual Tax Returns:

Year of Loss	Prior Year Tax Return	Current Year Tax Return
	2014	2015
2015	Claim on original or amended 2014 tax return by April 18, 2016.	Claim on the 2015 tax return.
	2015	2016
2016	Claim on original or amended 2015 tax return by April 18, 2017.	Claim on the 2016 tax return.
	2016	2017
2017	Claim on original or amended 2016 tax return by April 16, 2018.	Claim on the 2017 tax return.

Corporation Tax Returns:

Year of Loss	Prior Year Tax Return	Current Year Tax Return
	2014	2015
2015	Claim on original or amended 2014 tax return by the current year's original due date.	Claim on the 2015 tax return.
	2015	2016
2016	Claim on original or amended 2015 tax return by the current year's original due date.	Claim on the 2016 tax return.
	2016	2017
2017	Claim on original or amended 2016 tax return by the current year's original due date.	Claim on the 2017 tax return.

How to Replace California Tax Returns Lost or Damaged in a Disaster

If your tax returns are lost or damaged in a disaster, we can replace your California tax returns at no cost. Complete form FTB 3516, Request for Copy of Tax Return. Print the name of the disaster at the top of the form, and we will send you copies of your most recently filed tax return.

You can also request a copy of your lost or damaged tax return by writing us a letter that includes all of the following:

- Your name
- Your address
- Your social security number (for personal income tax returns)
- Your corporation number, California Secretary of State file number, or federal employer identification number (for business entity tax returns)
- The tax year requested
- Your signature

Please send your request to the address listed below.

DATA STORAGE
FRANCHISE TAX BOARD
PO BOX 1570
RANCHO CORDOVA CA
95741-1570

Where to Get Forms to Claim Your Loss

You can download and print California tax forms and publications at ftb.ca.gov. You can also order forms by calling 800.338.0505.

To order personal income tax forms, select the personal income tax forms option and any of the following form codes when prompted:

- **900** – California Resident Income Tax Booklet (includes Form 540)
- **914** – California Nonresident Income Tax Booklet (includes Long and Short Form 540NR)
- **908** – Form 540X, Amended Individual Income Tax Return
- **909** – Schedule D-1, Sales of Business Property
- **926** – Form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Individuals, Estates, and Trusts
- **937** – Form FTB 3516, Request for Copy of Personal Income Tax or Fiduciary Return

To order business entity tax forms, select business entities tax forms option, and any of the following form codes when prompted:

- **816** – California S Corporation Tax Booklet (includes Form 100S)
- **817** – California Corporation Tax Booklet (includes Form 100)
- **816 and 817** – Form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations – Corporations

Form 100X, Amended Corporation Income Tax Return, is available at ftb.ca.gov.

Refunds

Our commitment is to quickly issue refunds to disaster victims.

If you electronically file your disaster loss tax return, you will receive your refund within 7 days if you choose to have it deposited directly into your bank account or within 10 days by mail. Follow your tax software instructions to enter the disaster information.

Note: Taxpayers may e-file their original tax return only. Taxpayers that opt to amend the prior year's tax return must file via paper format.

You can also file paper tax returns. To help us process your refund quickly, use red ink to print the name of the disaster at the top of Side 1 of your California tax return (for example: DISASTER – BLUE CUT FIRE 2016). We give these tax returns top priority and will process them as quickly as possible.

Information and Assistance on Claiming a California Disaster Loss

Internet and Telephone Assistance

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours are subject to change.

Website: **ftb.ca.gov**
Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States
TTY/TDD: 800.822.6268 for persons with hearing or speech impairments

Asistencia Por Internet y Teléfono

Asistencia telefónica está disponible durante todo el año desde las 7 a.m. hasta las 5 p.m. de lunes a viernes, excepto días feriados. Las horas están sujetas a cambios.

Sitio web: **ftb.ca.gov**
Teléfono: 800.852.5711 dentro de los Estados Unidos
916.845.6500 fuera de los Estados Unidos
TTY/TDD: 800.822.6268 para personas con discapacidades auditivas o del habla

Federal Forms and Information

Common casualty or disaster forms and publications:

- Form 4684, Casualties and Thefts
- Publication 547, Casualties, Disasters, and Thefts (Business and Nonbusiness)
- Publication 584, Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
- Publication 584B, Business Casualty, Disaster, and Theft Loss Workbook

To get forms and other tax information from the IRS go to **irs.gov**. You can also call the IRS at **800.829.1040**. To get federal forms by mail, call **800.TAX.FORM (800.829.3676)**.

Federal Emergency Management Agency (FEMA)

Call FEMA at **800.462.9029** to get a list of Disaster Recovery Centers in your area. You can access their website at **fema.gov**.

Recent Disaster Loss Relief							
Disaster Code	Incident Period	Disaster	County	Federal Loss Throwback Election	State Loss Throwback Election	State Throwback Election Extension ¹	100% Disaster Loss Carryover Period
75	August 2016	Blue Cut Fire	San Bernardino	No	Yes	Yes	20 years
74	August 2016	Clayton Fire	Lake	No	Yes	Yes	20 years
73	August 2016	Chimney Fire	San Luis Obispo	No	Yes	Yes	20 years
72	July 2016	Soberanes Fire	Monterey	No	Yes	Yes	20 years
71	July 2016	Sand Fire	Los Angeles	No	Yes	Yes	20 years
70	June 2016	Erskine Fire	Kern	No	Yes	Yes	20 years
69	December 2015	Carlsbad Rainstorms	San Diego (City of Carlsbad)	No	Yes	Yes	20 years
68	October 2015	Rainstorms	Inyo, Kern, Los Angeles	No	Yes	Yes	20 years
67	September 2015	Valley Wildfire	Lake ² , Napa	Yes ²	Yes	Yes	20 years
66	September 2015	Butte Wildfire	Amador, Calaveras ²	Yes ²	Yes	Yes	20 years
65	July 2015	Severe Rainstorms	Imperial, Kern, Los Angeles, Riverside, San Bernardino, San Diego	No	Yes	Yes	20 years
64	July 2015	Wildfire	Lake, Trinity	No	Yes	Yes	20 years
63	June 2015	Wildfire	Butte, El Dorado, Humboldt, Lake, Madera, Napa, Nevada, Sacramento, San Bernardino, San Diego, Shasta, Solano, Tulare, Tuolumne, Yolo	No	Yes	Yes	20 years
62	May 2015	Oil Spill	Santa Barbara	No	Yes	Yes	20 years
61	February 2015	Severe Rainstorms	Humboldt, Mendocino, Siskiyou	No	Yes	Yes	20 years
60	February 2015	Mono Wildfire	Mono	No	Yes	Yes	20 years

1 The IRC Section 165(i) election is made by filing a tax return or an amended tax return on or before the later of:

- The due date of the tax return, without extensions, for the taxable year in which the disaster actually occurred.
- The due date of the tax return, including extensions, for the taxable year immediately preceding the tax year of occurrence. (Treas. Regs. 1.165-11(e))

For example, calendar-year individuals generally have until April 15, 2016, to amend their 2014 tax return to claim a disaster loss that occurred during 2015.

For taxable years beginning on or after January 1, 2014 and before January 1, 2024, the state throwback election may be made on or before the later of:

- The due date of the tax return, including extensions for the taxable year in which the disaster actually occurred.
- The due date of the tax return, including extensions, for the taxable year immediately preceding the tax year of occurrence.

Note - For taxable years on or before January 1, 2014, if California legislature passed legislation that extends the election date by listing the disaster in R&TC, the state throwback election could be made.

2 The President declared a major disaster for Lake County and Calaveras County.