

IRM PROCEDURAL UPDATE

DATE: 06/03/2025

NUMBER: ts-21-0625-3360

SUBJECT: Updated Taxpayers Can Elect Itemized Deductions; Clarified Language From Form 4684, Casualties and Thefts, Regarding Additional Disasters

AFFECTED IRM(s)/SUBSECTION(s): 21.6.4

CHANGE(s):

IRM 21.6.4.4.1 Added note that taxpayers may elect to take itemized deductions even if they are less than the standard deduction.

(1) Taxpayers may claim itemized deductions on Schedule A (subject to a limitation), or the standard deduction, whichever is larger, on Form 1040, U.S. Individual Income Tax Return or Form 1040-SR, U.S. Income Tax Return for Seniors.

Note: Taxpayers can check the box on line 18 of their Schedule A, if they choose to take itemized deductions even if they are less than their standard deduction.

(2) A taxpayer who files as married filing separately **must** itemize deductions on Schedule A if their spouse itemizes deductions. They cannot claim the standard deduction.

(3) See the following sub-sections for information about itemized deductions. See IRM 21.6.4.4.2, Standard Deduction, for standard deduction procedures.

IRM 21.6.4.4.1.7 Added clarifying language from Form 4684, Casualties and Thefts, instructions, regarding additional disasters.

(1) A casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual, such as a fire, shipwreck or storm, that is not compensated for by insurance or otherwise. Taxpayers **must** file Form 4684, Casualties and Thefts, to support the deduction.

(2) A theft is the unlawful taking and removing of property or money with the intent to deprive the owner of it. The loss is allowable to the extent not compensated for by insurance or otherwise; the taxpayer must file Form 4684, to support the loss.

(3) Taxpayers filing or amending tax returns with additional casualty and theft losses must complete Form 4684 following normal procedures. If not attached, reject as an incomplete claim, see IRM 21.5.1.5.6, Incomplete CII Claims.

(4) Taxpayers generally must deduct a casualty or theft loss in the year it occurred. However, if the loss occurred in a federally declared disaster area, taxpayers can elect to deduct the loss for the year immediately preceding the year in which the disaster occurred (example: a 2023 loss can be allowed on a 2022 return).

(5) See Publication 547, Casualties, Disasters, and Thefts; Publication 584, Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property), and Pub. 976, Disaster Relief, for more information.

(6) Losses of personal-use property are generally subject to the following limitations:

- \$100 rule - The taxpayer must reduce each casualty or theft loss by this amount after the loss amount is figured.
- 10% rule - The taxpayer must reduce the total casualty and theft losses for a tax year by 10% of the taxpayer's AGI after the \$100 rule is applied.

(7) For tax years 2018 - 2025, net personal casualty and theft losses are allowed only when caused by a Presidentially declared disaster. Verify the taxpayer had a loss in the disaster area via the IRS Disaster Assistance Program.

(8) For tax years 2016 through 2022, limitations on **personal casualty and theft losses** were changed for disaster areas:

- \$100 rule changed to \$500 rule
- 10% rule does not apply

Qualified individuals are those individuals who suffered a personal casualty or theft loss on or after the first day of the disaster incident period caused by:

- A Presidentially declared disaster in 2016
- Hurricane Harvey or Tropical Storm Harvey disaster after August 22, 2017
- Hurricane Irma disaster after September 3, 2017
- Hurricane Maria disaster after September 15, 2017
- California wildfires disaster after October 7, 2017, and before February 1, 2018
- A Presidentially declared disaster that occurred in 2018 and before December 21, 2019, and continued no later than January 19, 2020 (except those attributable to the California wildfires in January 2018 that received prior relief);
- A Presidentially declared disaster that occurred during the period between January 1, 2020, and February 10, 2025. Also, this disaster must have an incident period that began on or after December 28, 2019, and on or before December 12, 2024, and must have ended no later than January 11, 2025.

Note: The definition of a qualified disaster loss does not extend to any major disaster that has been declared only by reason of COVID-19.

Note: Verify the taxpayer had a loss in a qualified disaster area via the IRS Disaster Assistance Program.

These taxpayers are also entitled to an increased standard deduction. See IRM 21.6.4.4.2, Standard Deduction. If the total itemized deduction is less than the increased standard deduction, send Letter 474C or Letter 4364C with the following paragraph if changing the taxpayer's refund amount: *We changed your itemized deductions. Disaster relief legislation allows you to increase your standard deduction by the amount of your casualty loss. The standard deduction plus the net disaster loss of \$XXXX was more than your itemized deductions. For more information about the legislation, visit our website at IRS.gov*

Example: Total itemized deductions shown on Schedule A is \$20,000. Standard deduction is \$14,600, plus \$15,000 loss reported on Form 4684. The taxpayer is entitled to a standard deduction of \$29,600.

(9) Disaster casualty loss claims for those disasters listed in (8) are centralized in Austin and Philadelphia (International). Reassign the case per the Accounts Management Site Specialization Temporary Holding Numbers.

(10) Control disaster loss claims shown in (8) using category code KATX, Priority Code 1, program code 710-82365. For all other disaster areas, control the case using category code DSTR.

(11) Input RC 076, if the adjustment is input to adjust Schedule A, RC 092 if the adjustment is input to adjust the standard deduction.

IRM 21.6.4.4.8.5 Updated years for lines on Schedule H for Social Security and Medicare Tax.

(1) Either the primary or secondary taxpayer may file Schedule H, Household Employment Taxes. IDRS allows the input and adjustment of either or both taxpayer's employment taxes.

(2) The reference numbers for adjusting Schedule H, Part I are:

Title	Primary Taxpayer	Secondary Taxpayer
Total Social Security Wages (line 1/ 1a)	004	904
Qualified Sick and Family Wages (line 1b) for leave taken April 1, 2020, through March 31, 2021	200	900
Total Medicare Wages (line 3)	073	973

Federal Income Tax Withheld (if requested by employee) (line 7)	003	903
Social Security and Medicare Tax (line 2 plus line 4, for tax years 2020 - 2023, line 2c plus line 4, minus line 8b)	007	907
Additional Medicare Tax (AdMT) Withholding (line 6)	074	974
Nonrefundable Portion of Credit for Qualified Sick and Family Leave (line 8b) for leave taken April 1, 2020, through March 31, 2021	202	902
Nonrefundable Portion of Credit for Qualified Sick and Family Leave (line 8c) for leave taken April 1, 2021, through September 30, 2021	281	981
Deferred Social Security Tax (tax year 2020, line 8d)	211	211
Refundable Portion of Credit for Qualified Sick and Family Leave (line 8e) for leave taken April 1, 2020, through March 31, 2021	299	299
Refundable Portion of Credit for Qualified Sick and Family Leave (line 8f) for wages paid April 1, 2021, through September 30, 2021	271	271

Note: Refer to IRM 21.7.2.3.3, FICA Taxes (including Additional Medicare Tax), for the applicable wage limitations and tax rates.

Note: If you are unable to use xMend to input all reference numbers for Qualified Sick and Family Leave, use the IAT REQ54 Tool.

(3) The employer is instructed to report social security and Medicare wages, with respect to any single household employee, for an amount equal to or more than \$2,700 in 2024 (\$2,600 in 2023, \$2,400 in 2022, or \$2,300 in 2021). Delete total social security and Medicare wages if less than those amounts.

If total cash wages subject to	And	Then
Social security taxes (line 1a, reference number 004/904) are not present	social security taxes (line 2a) are entered	Divide the line 2a amount by .124 (12.4%).
Medicare taxes (line 3, reference number 073/973) are not present	Medicare taxes (line 4) are entered	Divide the line 4 amount by .029 (2.9%).
Additional Medicare Tax withholding (line 5, reference number 074/974) are not present	Additional Medicare Tax withholding (line 6) is entered	Divide the line 6 amount by .009 (0.9%).
Social security taxes (line 1a) are greater than total cash wages		1. Try to determine the correct amounts.

subject to Medicare taxes (line 3)		2. Increase the Total cash wages subject to Medicare taxes (line 3) to equal the Total cash wages subject to social security taxes, if unable to determine the correct amounts. 3. Treat as a "math error" if the tax is more than the taxpayer reported.
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(4) Use RC 050 when adjusting Schedule H.