

Name \_\_\_\_\_

Federal Income Tax  
Casualty Loss Illustration

Antonio, a mechanic, owns his own auto repair business. In the current year a fire starts in his garage, destroying the following property:

Asset	Adjusted Basis	FMV Before Casualty	FMV After Casualty	Insurance Recovery
A	\$18,000	\$15,000	-0-	\$12,000
B	12,000	14,000	\$6,000	7,000
C	18,000	11,000	2,000	1,000

Assets A and B are both machines that Antonio has used in his business for several years. Asset C is Antonio's personal automobile. Because of the fire, Antonio has to close the garage for 2 weeks. He estimates \$10,000 lost in income while he is closed, none of which is compensated by insurance. Antonio's AGI for the year, not including the items mentioned above, is \$40,000. What are the amount and character of Antonio's deduction as a result of the items noted above?

	A	B	C	D	E	F	G
38			<u>A</u>		<u>B</u>		<u>C</u>
39	<b>Basis</b>						
40							
41	<b>FMV Before</b>						
42	<b>FMV After</b>						
43	<b>Decline</b>						
44							
45							
46	<b>Lesser (Basis or Decline)</b>						
47	<b>Less: Ins proceeds</b>						
48	<b>Sub-total</b>						
49	<b>Less: \$100 floor</b>						
50	<b>Less: 10% of AGI</b>						
51	<b>Deductible loss</b>						