DEPARTMENT OF REVENUE

* 1 8 1 4 5 1 *

2018 Schedule M1CAT, Casualty and Theft

Your First Name and Initial	Last Name	Social Security Number

1 Description of properties, including the type, location, and date acquired for each property. Use a separate line for each property lost or damaged from the same casualty or theft. You must file a separate Schedule M1CAT for each casualty or theft event involving personal property.

Property A ______________________

Property B ______________________

Property C ______________________

		Property A	Property B	Property C
2	Cost or other basis *(see instructions)* 2			
3	Insurance or other reimbursement, whether or not you filed a claim *(see instructions)* 3			
	Note: If line 2 is more than line 3, skip line 4			
4	Gain from casualty or theft. Subtract line 2 from line 3 and skip lines 5 through 9 for that column 4			
5	Fair market value **before** casualty or theft 5			
6	Fair market value **after** casualty or theft 6			
7	Subtract line 6 from line 5 7			
8	Enter the smaller of line 2 or line 7 8			
9	Subtract line 3 from line 8. If less than zero, enter 0 9			

10 Casualty or theft loss. Add the amounts on line 9 for Properties A through C . . . . . 10 ______
(see instructions if you are filing multiple schedules for the same event)

11 Enter $100 . . . . . 11 $100

12 See instructions before completing line 12. Subtract line 11 from line 10. If less than zero, enter 0. . . . . . 12 ______

13 If you had one casualty or theft event, enter the amount from line 12. . . . . . 13 ______
If you had more than one event, see instructions.

14 Add the amounts on line 4 of all Schedules M1CAT you are filing . . . . . 14 ______

15 If line 14 is **more** than 13, enter the difference here and on line 6 of Schedule M1NC.
STOP HERE. Do not complete the rest of this schedule.
If line 14 is **equal** to line 13, enter 0 here. **STOP HERE.** Do not complete the rest of this schedule.
If line 14 is **less** than line 13, enter 0 here and continue to line 16 . . . . . 15 ______

16 Add lines 14 and 15. . . . . . 16 ______

17 Subtract line 16 from line 13 . . . . . 17 ______

18 Enter the amount from line 1 of Form M1
(if you filed Schedule M1NC, enter the amount from line 38 of Schedule M1NC) . . . . . 18 ______

19 Multiply line 18 by 10% (.10) . . . . . 19 ______

20 Subtract line 19 from line 17. If the result is less than zero, enter 0. Enter the result on line 18 of Schedule M1SA. . 20 ______

2018 Schedule M1CAT Instructions

Purpose of Form

Use Schedule M1CAT, *Casualty and Theft,* to report gains and losses from casualties and thefts. Attach this schedule and Schedule M1SA, *Minnesota Itemized Deductions*, to your Minnesota return.

Which losses are deductible?

You can deduct losses of property from fire, storm, shipwreck, or other casualty, or theft (for example, larceny, embezzlement, robbery, and Ponzi-type investment schemes). See 2017 Internal Revenue Service (IRS) Publication 547 for more examples.

If your property is covered by insurance, you should file a timely insurance claim for reimbursement of your loss. If you do not file an insurance claim, you cannot deduct the full unrecovered amount as a casualty or theft loss. In this case, you may only deduct the part of your loss that is not covered by your insurance policy.

Related expenses. You may not deduct the related expenses you have due to a casualty or theft, such as expenses for treatment of personal injuries or for a rental car.

Costs for protection against future casualties are not deductible but should be capitalized as permanent improvements. An example would be the cost of a levee to stop flooding.

Which losses are not deductible?

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by mold, termites, moths, other insects, or disease.
- A decline in market value of stock, caused by disclosure of accounting or other illegal misconduct by the officers or directors of the corporation that issues the stock, that was acquired on the open market for investment.

When should I deduct a loss?

Deduct the part of your casualty or theft loss that is not reimbursable in the tax year the casualty occurred or the theft was discovered.

If you are not sure whether part of your casualty or theft loss will be reimbursed, do not deduct that part until the tax year when you become reasonably certain that it will not be reimbursed.

If you are reimbursed for a loss you deducted in an earlier year, include the reimbursement in your taxable income in the year you received it, but only to the extent the deduction reduced your taxable income in an earlier year.

Personal Use Property

Use a separate column for lines 1 through 9 to show each item lost or damaged from a single casualty or theft event. If more than three items were lost or damaged, complete lines 1 through 9 of additional Schedules M1CAT for those items.

Complete a separate Schedule M1CAT through line 12 for each casualty or theft event involving property not used in a trade or business or for income-producing purposes. For example, complete a separate Schedule M1CAT through line 12 for property lost or damaged due to a fire, and another Schedule M1CAT for property lost or damaged due to a storm.

Do not include any loss previously deducted on an estate tax return.

If you are liable for casualty or theft losses to property leased from someone else, see **Leased property** under **Figuring a Loss** in 2017 IRS Publication 547.

Line Instructions

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. Special rules apply to property received as a gift or inheritance. See **Basis Other Than Cost** in 2017 IRS Publication 551, Basis of Assets, for details.

Line 3

Enter 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 and you are insured with a $500 deductible. You decide not to report the collision to your insurance company because you are afraid they will cancel your policy. In this case, enter $1,500 on this line.

If you expect to be reimbursed but have not 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 will not be reimbursed for all or part of the loss, you can deduct for that year the amount of the loss that is not reimbursed.

Types of reimbursements. Insurance is the most common way to be reimbursed for a casualty or theft loss. However, all of the following are considered reimbursements:

- The part of a federal disaster loan forgiven that you do not need to pay back.
- Repayment for any part of a loss from a person who leases your property.
- Cost of repairs for a person who leases your property and must make repairs.
- The amount you were able to collect, minus lawyers' fees and other necessary expenses, for court-awarded damages for a casualty theft or loss.
- Repairs, restoration, or cleanup services you accepted from relief agencies.
- Payment from a bonding company for a theft loss.

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 is not a reimbursement.

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 cannot 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 do not enter less than zero.

If you filed a claim for reimbursement but did not receive it until after the year of the casualty or theft, include the gain in your taxable income in the year you received the reimbursement.

Continued

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 is not 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 is not part of the property's decrease in FMV as a result of the casualty or theft.

Replacement cost or the cost of repairs is not necessarily FMV. However, you may be able to use the cost of repairs to the damaged property as evidence of loss in value if all of the following apply:

- 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 is not excessive.
- The repairs only correct the damage caused by the casualty.
- The value of the property after the repairs is not, 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 10

If you had more than 3 properties stolen or destroyed during the same casualty or theft event, complete additional Schedules M1CAT lines 1 through 9 for the additional properties. Complete only one Schedule M1CAT, lines 10 through 12 for each casualty or theft event.

Line 12

If you experienced one casualty or theft event in 2018, complete one Schedule M1CAT lines 12 through 20 to determine the amount to enter on Schedule M1SA.

If you experienced more than one casualty or theft event in 2018, complete one Schedule M1CAT through line 12 for each separate event.

Line 13

If you had one casualty or theft event, enter the amount from line 12.

If you had more than one casualty or theft event, combine the total of lines 12 from all Schedules M1CAT on one line 13 of a Schedule M1CAT. Complete lines 13 through 20 on this single form to determine your casualty or theft loss deduction. Leave lines 13-20 blank on all other Schedules M1CAT.

Your refund will be delayed or denied if you do not include all Schedules M1CAT.

Line 15

You will complete line 15 differently depending on whether you have a net gain or loss.

Net gain. If line 14 is more than line 13, you have a net gain. Report the net gain on Schedule M1NC, *Federal Adjustments*.

Net loss. If line 14 is less than line 13, you have a net loss. Report the net loss on Schedule M1SA, *Minnesota Itemized Deductions*.

Business and Income-producing property

If you reported a casualty and theft loss on federal Form 4684, you do not need to complete Schedule M1CAT. Include the amount from lines 32 and 38b of your Form 4684 on line 25 of Schedule M1SA, *Minnesota Itemized Deductions*.

If you had a casualty and theft loss for property used as an employee, you will need to complete Section B-Business and Income-Producing Property of federal Form 4684. You will include the amount from lines 32 and 38b on line 20 of Schedule M1SA. Attach the Form 4684 you completed for these losses to your Minnesota return.

Theft Loss Deduction for Ponzi-Type Investment Scheme

If you had a deductible theft loss on line 51 in Section C of Form 4684, you do not need to complete Schedule M1CAT. Include the amount from lines 32 and 38b for these losses on line 25 of Schedule M1SA.