BusinessManagement DAILY

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Salvage casualty loss for personal car

Suppose your spouse's car was damaged when he or she skidded on a slick road in April. It's going to cost you $3,000 out-of-pocket to repair.

But you can't claim a casualty loss deduction anymore in 2018. Are you out of luck? Maybe not.

Strategy: Start using your spouse's car for business driving. As a result, the business may deduct part of the cost of the repairs this year, even though the car was being used personally when it was damaged.

The new Tax Cuts and Jobs Act (TCJA) eliminates deductions for personal casualty and theft losses (other than losses suffered in federal disaster areas), beginning in 2018. But even before the TCJA crackdown, this was a tough proposition.

Unreimbursed personal casualty losses were deductible only to the extent the annual total exceeded 10% of your AGI after subtracting a $100 floor per event. In many cases, no deduction was allowed because of the 10%-of-AGI floor.

Conversely, there are no such limits for business casualty losses. Any allowable deduction for mixed-use property is based on the percentage of personal versus business use. And there's no change for business losses under the TCJA.

For example, say that you're self-employed and use one of your cars exclusively for business driving. After the accident, you switch cars with your spouse. That means that the car is used for business 2/3rds of the year. On your 2018 return, you can deduct 2/3rds of the cost, or $2,000 (2/3rds of $3,000).

Tip: The tax law allows you to use more than one vehicle for business. So you can still deduct business-related expenses for your other car attributable to four months of the year.

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