

## **A HOUSEHOLD LIST THAT COULD SAVE YOU LOTS OF MONEY**

**By Julian Block**

*Excerpted from “The Home Seller's Guide To Tax Savings: Simple Ways For Any Seller To Lower Taxes To The Legal Minimum.”*

The IRS allows deductions for household goods, homes and other kinds of property lost or damaged because of burglaries and vandalism. Ditto for casualty losses, provided they are caused by identifiable events that are “sudden, unexpected or unusual,” such as fires, floods and hurricanes.

But the IRS severely restricts the allowable amounts for theft and casualty losses and knows that complex rules cause many individuals to overstate their deductions, which accounts for why its investigators ask probing questions about lost or damaged household possessions and other categories of personal property.

This is a shrewd line of attack, given that audits are basically adversarial proceedings and the deck is stacked in favor of the IRS. Unlike criminal trials, where defendants are presumed to be innocent until the government establishes their guilt, the burden of proof in audits is on taxpayers, not the IRS, in most cases.

IRS examiners learned long ago that most people are unable to substantiate their loss deductions because they neglected to keep adequate records and have to rely on what, at best, are estimates, assuming they are even able to recall, for instance, all those valuable and not-so-valuable belongings stored in their closets. So the IRS’s ritual response is to throw out or trim unsupported estimates, a strict approach that has been sustained by the courts in countless decisions.

Nevertheless, an understanding IRS wants to ease the burden for people who need to figure their deductions in the event of thefts, casualties, or disasters. The agency offers a free guide, Publication 2194, *Disaster Losses Kit For Individuals*. It includes a handy workbook with schedules for listing, among other things, clothing, jewelry and a residence’s contents on a room-by-room basis.

The schedules for rooms and other areas have separate sheets for the entrance hall, living room, dining room, kitchen, bedrooms, garage, and other sections. Each sheet lists belongings generally found in a specific area.

Thus, the entrance-hall sheet lists chairs, clocks, draperies, lamps, mirrors, pictures, rugs, tables, umbrella stands and wall fixtures, with plenty of space to enter additional items. Alongside each property item are seven columns in which to record the following details: the number of items; date acquired; cost; value before the loss; value after the loss; decrease in value; and amount deductible as a loss.

Yes, you might never need to calculate deductions for casualty or theft losses. But Publication 2194’s workbook will help you inventory your household goods and personal property. That list

can prove to be an indispensable source of information when, for instance, you want to reconsider the adequacy of your insurance coverage, file insurance claims or simply plan to move.

To be sure, it is a disheartening project to list all your possessions, their cost and other information. Still, a compilation beforehand is incomparably easier than trying to remember all those details after property is stolen or destroyed. Whether the inventory is a first-time task or one to bring data up to date, it is prudent to keep a copy of the list outside of your home in a safe deposit box or some other secure location.

Besides Publication 2194, also get Publication 910, *Guide to Free Tax Services*. It provides a complete list of IRS booklets, summarizes what they cover, identifies the many materials and services available, and explains how, when, and where to get them. To order current and prior year publications or forms, call a toll-free number, 800-TAX-FORM (829-3676).