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I was scammed. Can I take a deduction? | Biz Brain



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By Karin Price Mueller
NJMoneyHelp.com for NJ.com

Q. I lost \$7,000 in an IRS scam. I'm wondering if there is any way I can take a deduction for it?
-- Scammed

A. We're sorry to hear you fell for this scam.

You may be able to take a deduction, but it will depend on your income level and your total amount of losses for the year.

Really, for most taxpayers, the government sets a pretty high bar for eligibility.

The Internal Revenue Code has a provision for "Nonbusiness Casualty and Theft Losses," said **Bernie Kiely**, a certified financial planner and certified public accountant with **Kiely Capital Management in Morristown**.

He said your \$7,000 loss comes under theft loss provisions.

"The IRS defines a 'theft' as the taking and removing of money or property with the intent to deprive the owner of it," Kiely said. "The taking of property must be illegal under the laws of the state where it occurred and it must have been done with criminal intent."

You don't need to show a conviction for theft, Kiely said.

A casualty and theft loss is reported on Form 4684 and then on Schedule A.

Kiely said the formula for calculating the deductible portion goes like this:

First, you separate all casualty and theft losses.

"For example, a tree hits your car and you have your \$7,000 IRS scam," he said. "Each is a separate loss."

Next, you subtract \$100 from each loss and add all the losses together.

Then, subtract 10 percent of your adjusted gross income (AGI) from the remaining losses.

"The 10 percent of AGI usually knocks out the casualty loss," he said, noting if there is any loss left it is reported on line 20 of Schedule A. "The last time I reported a casualty loss on a client's return was for Hurricane Sandy."

Email your questions to Ask@NJMoneyHelp.com.

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