

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 9500
OFFERED BY MR. SMITH OF MISSOURI**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Tax Relief for Fraud
3 Victims Act”.

**4 SEC. 2. REPEAL OF LIMITATION ON DEDUCTIONS FOR PER-
5 SONAL CASUALTY LOSSES; INCREASED TAX-
6 PAYER RELIEF WITH RESPECT TO CERTAIN
7 THEFT LOSSES.**

8 (a) REPEAL OF LIMITATION ON DEDUCTIONS FOR
9 PERSONAL CASUALTY LOSSES.—Section 165(h) of the In-
10 ternal Revenue Code of 1986 is amended by striking para-
11 graph (5).

12 (b) CERTAIN THEFT LOSSES SUSTAINED DURING
13 TAXABLE YEAR OF CHOICE; EXTENSION OF PERIOD OF
14 LIMITATION FOR CREDIT OR REFUND CLAIMS FOR CER-
15 TAIN THEFT LOSSES.—

16 (1) CERTAIN THEFT LOSSES SUSTAINED DUR-
17 ING TAXABLE YEAR OF CHOICE.—Section 165(e) of
18 such Code is amended to read as follows:

1 “(e) THEFT LOSSES.—For purposes of subsection
2 (a)—

3 “(1) IN GENERAL.—Except as provided in para-
4 graph (2), any loss arising from theft shall be treat-
5 ed as sustained during the taxable year in which the
6 taxpayer discovers such loss.

7 “(2) THEFT LOSSES INVOLVING FRAUD, DE-
8 CEIT, OR MISREPRESENTATION.—In the case of any
9 loss arising from theft involving fraud, deceit, or
10 misrepresentation (as defined by the Secretary), the
11 taxpayer may elect to treat such loss as sustained
12 during the taxable year in which such loss occurs.”.

13 (2) EXTENSION OF PERIOD OF LIMITATION FOR
14 CREDIT OR REFUND CLAIMS FOR CERTAIN THEFT
15 LOSSES.—Section 165(h)(4) of such Code is amend-
16 ed by adding at the end the following new subpara-
17 graph:

18 “(F) PERIOD OF LIMITATION FOR CREDIT
19 OR REFUND CLAIMS FOR THEFT LOSSES IN-
20 VOLVING FRAUD, DECEIT, OR MISREPRESENTA-
21 TION.—In the case of a claim for credit or re-
22 fund with respect to a deduction allowed under
23 subsection (a) for any loss arising from theft in-
24 volving fraud, deceit, or misrepresentation—

1 “(i) the period of limitation prescribed
2 by section 6511(a) for the filing of such
3 claim shall be treated as not expiring ear-
4 lier than the date that is 1 year after the
5 date on which the taxpayer discovers such
6 loss, and

7 “(ii) section 6511(b)(2) shall not
8 apply with respect to the filing of such
9 claim.”.

10 (c) DISTRIBUTIONS RELATING TO THEFT LOSSES
11 INVOLVING FRAUD, DECEIT, OR MISREPRESENTATION.—
12 Section 72(t)(2) of such Code is amended by adding at
13 the end the following new subparagraph:

14 “(O) DISTRIBUTIONS RELATING TO THEFT
15 LOSSES INVOLVING FRAUD, DECEIT, OR MIS-
16 REPRESENTATION.—

17 “(i) IN GENERAL.—Any distribution
18 to the extent it relates to any loss arising
19 from theft involving fraud, deceit, or mis-
20 representation for which a deduction is al-
21 lowed under section 165(a).

22 “(ii) AMOUNT DISTRIBUTED MAY BE
23 REPAID.—Rules similar to the rules of sub-
24 paragraph (H)(v) shall apply with respect
25 to an individual who receives a distribution

1 to which clause (i) applies, except that sub-
2 paragraph (H)(v)(I) shall be applied by
3 substituting ‘1-year period beginning on
4 the day after the date on which the tax-
5 payer discovers the loss described in sub-
6 paragraph (O)(i)’ for ‘3-year period begin-
7 ning on the day after the date on which
8 such distribution was received’.

9 “(iii) PERIOD OF LIMITATION FOR
10 CREDIT OR REFUND CLAIMS.—In the case
11 of a claim for credit or refund of the tax
12 imposed by paragraph (1) with respect to
13 a distribution described in clause (i)—

14 “(I) the period of limitation pre-
15 scribed by section 6511(a) for the fil-
16 ing of such claim shall be treated as
17 not expiring earlier than the date that
18 is 1 year after the date on which the
19 taxpayer discovers the loss described
20 in clause (i), and

21 “(II) section 6511(b)(2) shall not
22 apply with respect to the filing of such
23 claim.”.

1 (d) CROSS REFERENCE.—Section 6511(i) of such
2 Code is amended by adding at the end the following new
3 paragraph:

4 “(8) For a period of limitations for credit or re-
5 fund in the case of theft losses involving fraud, de-
6 ceit, or misrepresentation, see sections
7 72(t)(2)(O)(iii) and 165(h)(4)(F).”.

8 (e) EFFECTIVE DATES.—

9 (1) IN GENERAL.—Except as provided in this
10 subsection, the amendments made by this section
11 shall apply to losses sustained in taxable years be-
12 ginning after December 31, 2025.

13 (2) DISTRIBUTIONS RELATING TO THEFT
14 LOSSES INVOLVING FRAUD, DECEIT, OR MISREPRE-
15 SENTATION.—The amendment made by subsection
16 (c) shall apply to distributions made after December
17 31, 2025.

18 (3) PYRRHOTITE-RELATED PERSONAL CAS-
19 UALTY LOSSES.—

20 (A) IN GENERAL.—In the case of any
21 pyrrhotite-related personal casualty loss, para-
22 graph (1) shall be applied by substituting “De-
23 cember 31, 2020” for “December 31, 2025”.

24 (B) PYRRHOTITE-RELATED PERSONAL
25 CASUALTY LOSS.—For purposes of this para-

1 graph, the term “pyrrhotite-related personal
2 casualty loss” means any personal casualty loss
3 (as defined in section 165(h)(3)(B) of the In-
4 ternal Revenue Code of 1986) arising in con-
5 nection with damage to a principal residence
6 (within the meaning of section 121 of such
7 Code) by reason of deterioration of a concrete
8 foundation adversely impacted by pyrrhotite.

9 (C) EXTENSION OF PERIOD OF LIMITA-
10 TION FOR CREDIT OR REFUND CLAIMS FOR
11 PYRRHOTITE-RELATED PERSONAL CASUALTY
12 LOSSES.—In the case of a claim for credit or
13 refund with respect to a deduction allowed
14 under section 165(a) of the Internal Revenue
15 Code of 1986 by reason of subparagraph (A)
16 for any pyrrhotite-related personal casualty
17 loss—

18 (i) the period of limitation prescribed
19 by section 6511(a) of such Code for the fil-
20 ing of such claim shall be treated as not
21 expiring earlier than the date that is 1
22 year after the date of the enactment of this
23 section, and

1 (ii) section 6511(b)(2) of such Code
2 shall not apply with respect to the filing of
3 such claim.

