

**DESCRIPTION OF H.R. 9500,  
THE “TAX RELIEF FOR FRAUD VICTIMS ACT”**

Scheduled for Markup  
by the  
HOUSE COMMITTEE ON WAYS AND MEANS  
on July 1, 2026

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



June 29, 2026  
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## INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup for July 1, 2026, of H.R. 9500, the “Tax Relief for Fraud Victims Act.” This document,<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides a description of this bill.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 9500, the “Tax Relief for Fraud Victims Act”* (JCX-21-26), June 29, 2026. This document can also be found on the Joint Committee on Taxation website at [www.jct.gov](http://www.jct.gov). All section references in the document are to the Internal Revenue Code of 1986, as amended (the “Code”), unless otherwise stated.

## A. Tax Relief for Fraud Victims Act

### Present Law

#### Personal casualty loss limitation

Present law permits individuals to deduct “personal casualty losses” (as defined below).<sup>2</sup> Personal casualty losses are deductible to the extent they exceed \$100 per casualty.<sup>3</sup> Personal casualty losses attributable to a Federally declared disaster<sup>4</sup> or a State declared disaster<sup>5</sup> are deductible only to the extent of the sum of the individual’s personal casualty gains plus the amount by which aggregate net disaster-related losses exceed 10 percent of the individual taxpayer’s adjusted gross income.<sup>6</sup> All other personal casualty losses (*i.e.*, those not attributable to a Federally or State declared disaster) are deductible only to the extent that the losses do not exceed the individual’s personal casualty gains.

For individual taxpayers, personal casualty losses are losses of property not connected with a trade or business or a transaction entered into for profit, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft.<sup>7</sup> Personal casualty gains are recognized gains from any involuntary conversion of property not connected with a trade or business or a transaction entered into for profit, if such gains arise from fire, storm, shipwreck, or other casualty, or from theft.<sup>8</sup>

#### Timing of theft losses

Under present law, a theft loss is treated as sustained in the taxable year the taxpayer discovers the loss, provided that no reasonable prospect of recovery exists at the end of that year.<sup>9</sup>

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<sup>2</sup> Sec. 165(c)(3).

<sup>3</sup> Sec. 165(h)(1).

<sup>4</sup> The term “Federally declared disaster” means any disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the “Stafford Act”). Sec. 165(h)(5).

<sup>5</sup> The term “State declared disaster” means any natural catastrophe that the governor of the State (or the mayor, in the case of the District of Columbia) and the Secretary of the Treasury determine causes damage of sufficient severity and magnitude to warrant application of the personal casualty loss rules. The term “State” includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. Sec. 165(h)(5)(C).

<sup>6</sup> Sec. 165(h)(2). Personal casualty gains are reduced for this purpose by any gain used to offset any personal casualty loss which is not attributable to a disaster.

<sup>7</sup> Sec. 165(c)(3)(B).

<sup>8</sup> Sec. 165(c)(3)(A).

<sup>9</sup> Sec. 165(e).

## **Period of limitation for credit or refund claims**

Present law generally requires a claim for credit or refund to be filed within three years of filing the return or two years of payment.<sup>10</sup> No special limitations period applies for theft losses involving fraud, deceit, or misrepresentation.

## **Early distribution tax**

Present law imposes a ten-percent additional tax on early distributions from qualified retirement plans unless an enumerated exception applies.<sup>11</sup> No exception exists for distributions taken in connection with theft losses resulting from fraud, deceit, or misrepresentation.

## **Description of Proposal**

The proposal modifies the rules for taxpayers with personal casualty losses in several ways. First, the proposal repeals the disallowance of a deduction for personal casualty losses that exceed personal casualty gains and are not attributable to a Federally or State declared disaster. Under the proposal, even if an individual has a personal casualty loss that exceeds the individual's personal casualty gain and that is not attributable to a Federally or State declared disaster, the individual is allowed a deduction for the loss to the extent the loss exceeds 10 percent of the individual's adjusted gross income.

The proposal allows taxpayers to elect, in the case of theft losses involving fraud, deceit, or misrepresentation (as defined by the Secretary), to treat the loss as sustained in the taxable year in which the loss occurs rather than in the year in which the loss is discovered. In addition, the proposal extends the period for filing credit or refund claims relating to such theft losses so that the limitations period does not expire earlier than one year after the date on which the taxpayer discovers the loss. The proposal further provides that the amount refunded is not restricted by the lookback rule that limits refunds to tax paid within the prior two or three years.

The proposal adds an exception to the additional tax on early distributions from qualified retirement plans for distributions arising from theft losses involving fraud, deceit, or misrepresentation for which a casualty loss deduction is allowed and allows repayment of such distributions within one year after the loss is discovered. The proposal also extends the limitations period for refund claims relating to the additional tax so that the period does not expire earlier than one year after the date on which the taxpayer discovers the loss.

The proposal also provides a special rule for "pyrrhotite-related personal casualty losses." A "pyrrhotite-related personal casualty loss" is defined as a personal casualty loss (within the meaning of section 165(h)(3)(B)) arising from damage to a principal residence caused by deterioration of a concrete foundation adversely impacted by pyrrhotite. For refund claims relating to such losses, the general limitations period is treated as not expiring before one year

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<sup>10</sup> Sec. 6511.

<sup>11</sup> Sec. 72(t)(1).

after the date of enactment, and the refund is not limited by the lookback rule that limits refunds to tax paid within the prior two or three years.

### **Effective Date**

The rules relating to the repeal of the casualty loss deduction limitation, the timing of theft losses, and the extension of the limitations period apply to losses sustained in taxable years beginning after December 31, 2025. The rule relating to the exception to the additional tax on early distributions applies to distributions made after December 31, 2025.

For pyrrhotite-related personal casualty losses, the proposal applies to losses sustained in taxable years ending after December 31, 2020. The special limitations period for pyrrhotite-related credit or refund claims relating to such losses applies to claims filed not later than one year after the date of enactment.

**B. Estimated Revenue Effects of the Proposal**

The staff of the Joint Committee on Taxation estimates the revenue effects of the proposal to be as follows:

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<b>Fiscal Years</b>										
<b>[Millions of Dollars]</b>										
<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2027-36</u>
-392	-438	-484	-533	-591	-654	-727	-805	-897	-1,000	-6,520

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Note: Details do not add to totals due to rounding. The date of enactment is assumed to be October 1, 2026.