United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

H.R. 9500, *Tax Relief for Fraud Victims Act*

Rep. Max Miller (R-OH), Rep. Tom Suozzi (D-NY)

Background:

- Under current law, **the deduction for personal casualty and theft losses is largely suspended**, unless the loss is attributable to a federally (or in some instances, state) declared disaster.
  - This creates different treatment for taxpayers who suffer losses due to a disaster versus taxpayers who suffer casualty and theft losses, despite the fact that these taxpayers are similarly situated.
- As a result, **many victims of private-sector fraud** – like Ponzi schemes, identity theft, or investment scams – **have no ability to deduct their significant financial losses,** essentially taxing them on the money that was stolen from them as a result.

H.R. 9500, *Tax Relief for Fraud Victims Act*:

- **Repeals the limitation on personal casualty losses** in section 165(h) of the Code to strike the requirement that a loss must be linked to a federally or State declared disaster.
- **Provides flexible reporting for fraud victims**, allowing taxpayers to elect to treat a theft loss as sustained in the year the loss occurred, rather than just the year the loss was discovered.
- **Extends the timeframe for victims to file claims for credits or refunds related to theft losses**, ensuring that complex fraud cases do not outrun the IRS's standard three-year window.
- Lastly, provides special rules for distributions from retirement plans related to fraudulent theft losses, **allowing victims to repay these distributions into an account and seek refunds for taxes previously paid on these distributions**.
- Altogether, **this bill restores fairness** by ensuring the tax code does not penalize victims of crime by treating stolen funds as income **and provides a critical lifeline for seniors and investors** impacted by sophisticated scams by allowing them to recover a portion of those losses through tax deductions.