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**SB 291 – Income Tax - Credit for Income Taxes and Penalties Due to Financial
Exploitation
Senate Budget and Taxation Committee
February 3, 2026
FAVORABLE**

Good afternoon, Chair Guzzone, Vice Chair Rosapepe, and members of the Senate Budget and Taxation Committee. My name is Sara Westrick, and I am the Advocacy Director for AARP Maryland. Representing nearly 850,000 members, AARP Maryland is one of the largest membership-based organizations in the state. We thank Senator Bailey for sponsoring this important legislation that prevents fraud victims from being financially punished twice.

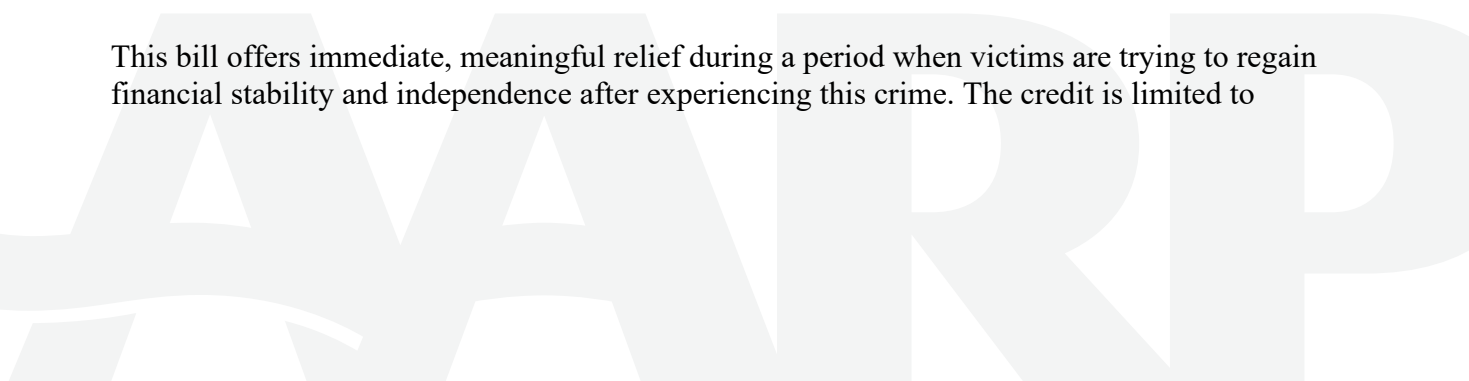
AARP is a nonpartisan, nonprofit organization dedicated to empowering people to live their best lives. We advocate on key issues affecting families, including health care, financial security, retirement planning, and protection from financial abuse.

When Congress passed the federal Tax Cuts and Jobs Act of 2017, it eliminated the ability of fraud victims to deduct financial losses caused by theft. Because Maryland tax law closely follows federal law, this harmful change also affected state taxpayers.

This means that when someone is scammed out of their hard-earned money, even money withdrawn from a retirement account without their knowledge, the IRS and Maryland Comptroller treat that loss as taxable income. For example, if an individual has \$100,000 stolen from a 401(k), the loss is treated as a voluntary withdrawal rather than a theft, leaving the victim owing thousands of dollars in taxes on money they never actually received.

This nightmare scenario happened to AARP member Kate Kleinert, who has now transformed her story into advocacy and awareness efforts. Before becoming one of AARP's national fraud-prevention ambassadors, she was a retired secretary and widow who fell victim to an online romance scam. Believing she was romantically involved with a man posing as a United Nations surgeon, she prepared for a new life with him in Pennsylvania. When he claimed he had been arrested and needed \$20,000 for bail, she sent the money, only for him to keep demanding more. She ultimately lost \$39,000 and later learned she also owed \$5,000 in federal taxes because the stolen funds were considered taxable "income." Older adults and vulnerable individuals are disproportionately affected by these fraud operations and may be unable to absorb these costs.

This bill offers immediate, meaningful relief during a period when victims are trying to regain financial stability and independence after experiencing this crime. The credit is limited to



verified victims, applies to only one tax year, and ensures relief goes only where clearly justified. This makes it a responsible, tightly scoped policy tool.

AARP Maryland respectfully requests that the Committee issue a favorable report on SB 291.

If you have any questions, please contact Sara Westrick, AARP Maryland Advocacy Director, at swestrick@aarp.org or by calling 410-310-0374.