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**Statement of the Maryland Federation of
National Active and Retired Federal Employees
Senate Budget & Taxation Committee Hearing, February 3, 2026
On SB 291 – Credit for Income Tax and Penalties
Due to Financial Exploitation**

(Position – FAV)

To: Chair Guy Guzzone
Senate Budget & Taxation Committee

From: Robert Doyle, Chair
State Legislative Committee
NARFE – Maryland Federation

I am pleased to provide our written statement today on behalf of the State Legislative Committee of the National and Active and Retired Federal Employees Association (NARFE) Maryland Federation, representing approximately 317,000 federal annuitants and employees in Maryland. For the continuing benefit of our members and all Maryland seniors, we support and ask you for a favorable report on SB 291 – Credit for Income Tax and Penalties Due to Financial Exploitation. We thank Senator Jack Bailey for introducing this important bill.

SB 291 would offer significant help to seniors and vulnerable adults who are the victims of financial scams, which are unfortunately becoming more prevalent. The Bill allows a nonrefundable credit against the Maryland income tax for the amount of specified income tax or penalties attributable to an early withdrawal of retirement funds due to financial exploitation. The credit is equal to the lesser of (1) the Maryland income tax attributable to the early withdrawal or (2) federal tax penalties paid in accordance with Internal Revenue Code requirements that are attributable to the early withdrawal. To claim the credit, an eligible taxpayer must provide specified documentation of the financial loss and penalties. This includes, among other items, a report from a law enforcement agency and an affidavit attesting that Federal tax penalties were incurred as a result of early withdrawal of retirement funds due to financial exploitation.

“Financial exploitation,” for purposes of SB 291 incorporates the definition from §13-601 of the Maryland Estates and Trusts Article. Thus, as the SB 291 Fiscal and Policy Note spells out, financial exploitation includes (1) breach of a fiduciary relationship resulting in the unauthorized appropriation, sale, or transfer of property; (2) unauthorized taking of personal assets; (3) misappropriation, misuse, or transfer of assets belonging to a susceptible or older adult from a personal or joint account; and (4) intentional failure to effectively use a susceptible or older adult’s income and assets for the necessities required for the susceptible or older adult’s support and maintenance. It does not include an individual’s good-faith use of a susceptible or older adult’s assets, including for the purposes of establishing and implementing an estate plan intended to reduce taxes or to maximize eligibility for public benefits in order to preserve assets for an identified or identifiable person.

Why We Need This Bill

Under current Maryland law, the victim of a financial scam involving retirement funds has insult added to injury. Not only does she or he lose the scammed funds, but the lost funds will be considered as a withdrawal so will be income under Maryland (and Federal) tax laws. Consequently, the victim will owe taxes on the stolen money, and for early withdrawal of retirement funds, Federal tax penalties.

This tax liability situation is a result of the Federal Tax Cut and Jobs Act of 2017 which scrapped a deduction on theft of funds from scams. There is an effort to address this in the Federal tax laws. The Tax Relief for Victims of Crimes, Scams, and Disasters Act, introduced by Reps. Jamie Raskin (D-Maryland) and Jim McGovern (D-Massachusetts) in the current Congress (H.R.3469/S.1773 in the 119th Congress), would reinstate the tax deduction for victims of crimes, natural disasters and other personal casualty losses. Additionally, taxpayers affected after the 2017 law was passed could file an amended return to reflect theft losses.

“There was a perfectly sensible and indeed compelling provision in the tax code, which says if you’ve worked your entire life, you’ve saved up \$600,000 ... and that money gets stolen from you in a scam by a rip-off artist, then you can deduct that money for the purposes of paying taxes....In the Republicans’ efforts to look for money to offset tax cuts for the wealthiest citizens

and for big corporations, ... the provision which allows people to deduct the cost of money lost through a scam in a con was eliminated,” Raskin said in an interview. This Federal legislation is pending.¹ While we hope the Raskin & McGovern bill becomes law, in the meantime, we note the need for SB 291 remains high to help Maryland financial scam victims.

Statistics and data demonstrate the need for this bill to help Maryland seniors. Federal Trade Commission data show in Maryland, older residents reported contributing to nearly \$4.9 billion in national fraud losses in 2024, a 43% increase from the previous year, amid 40,000 statewide fraud reports. Nationally, the FTC reported \$12.5 billion in total scam losses for 2024, a 25% increase, with investment fraud and job scams topping the list alongside impersonation schemes. Older adults reported losing \$2.3 billion to fraud overall in 2024, with those 70 and older accounting for much of that figure. The FBI noted a record \$4.9 billion lost by seniors to scams in 2024, an 11% rise from 2023, with investment scams causing \$1.8 billion in losses for those 60 and up.²

While SB 291 would not make whole a senior or vulnerable adult who was victimized by a financial scam, it would restore some of the loss. We urge Maryland to pass this bill to offer help to seniors who are the victims of significant financial fraud impacting their retirement savings. Accordingly, we respectfully request the Committee issue a Favorable report on SB 291.

Robert M. Doyle, Chair
State Legislative Committee
NARFE – MD Federation
4226 Carvel Lane
Edgewater, MD 21037
bdoyle47@verizon.net
H (410) 798-0079
C/Text (301) 693-1774

¹ Americans lose billions to scams, then get taxed on stolen money, by Michelle Singletary, Washington Post, December 5, 2024, <https://www.washingtonpost.com/business/interactive/2024/scam-elderly-tax-issues-victim-aid-congress/>

² <https://southernmarylandchronicle.com/2025/08/08/ftc-reports-sharp-rise-in-senior-impersonation-scams/>