

JACK BAILEY
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Calvert and St. Mary's Counties

Budget & Taxation Committee



THE SENATE OF MARYLAND
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Senate Bill 291 - Income Tax - Credit for Income Taxes and Penalties Due to Financial Exploitation

Dear Chair Guzzone and Members of the Committee,

I am writing to introduce Senate Bill 291. This bill is designed to help victims of fraud by allowing a credit against State income tax for income taxes and penalties attributable to an early withdrawal of retirement funds due to financial exploitation.

Unfortunately, as we are all aware, too many of our constituents fall victim to different forms of financial fraud and exploitation. Sometimes, that fraud has implications that go beyond just the direct financial losses that are suffered as a result. One such example of that is fraud that involves withdrawals from a person's retirement account, where there are significant tax implications on taxpayers who are under the age of 59 ½. These taxpayers must pay federal and State income taxes on the withdrawn funds and further face a penalty for these early withdrawals.

Senate Bill 291 has been narrowly tailored to help these victims recoup the portion of their losses attributable to State tax or penalties. Under this bill, an eligible taxpayer may claim a credit against the State income tax in an amount equal to the lesser of the state income tax attributable to an early withdrawal of retirement funds due to financial exploitation or federal tax penalties paid by the eligible taxpayer in accordance with § 72(t) of the Internal Revenue Code that are attributable to an early withdrawal of retirement funds due to financial exploitation. A person who claims this credit must provide documentation that they have been a victim of financial exploitation, and any unused portion of the credit may not be carried over to any other taxable years.

Senate Bill 291 will help ensure that Marylanders who suffer financial losses due to demonstrated fraud will not have to pay State taxes since a crime was committed against them. I respectfully request a favorable report on Senate Bill 291. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bailey', written over a horizontal line.

Senator Jack Bailey