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Ways and Means Committee

Subcommittees

Education

Revenues



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB124: Income Tax - Subtraction Modification - Losses From Theft or Fraud
Ways and Means Committee

Chair Wilkins, Vice Chair Feldmark, Members of the House Ways & Means Committee,

Imposter scams, fake online shopping schemes, and phony investment opportunities are becoming increasingly sophisticated, wiping out the hard-earned life savings of vulnerable Maryland retirees. According to the Federal Trade Commission, consumers lost more than \$12.5 billion to fraud in 2024, a staggering 25 percent increase from the previous year. When these scams drain retirement accounts, the harm does not stop with the theft itself. Victims are often hit with a second financial blow, forced to pay state taxes on money that was stolen from them.

HB 124 provides targeted financial relief to elderly victims of fraud and theft in Maryland, ensuring that residents are not punished for crimes committed against them. Under current law, the state treats losses from these scams as taxable income, requiring victims to pay taxes on savings they no longer possess. HB 124 corrects this injustice by allowing victims to subtract documented losses from their taxable income, preventing the state from imposing an additional and deeply unfair penalty.

To qualify for this relief, taxpayers must submit an official police report confirming that a theft or fraud scheme occurred, along with documentation demonstrating that the loss was taken from a qualified retirement plan. These safeguards ensure the relief is narrowly tailored and responsibly administered.

Retirement savings are uniquely vulnerable to fraud. These accounts are accessible, liquid, and often large enough to meet a scammer's demands. Individuals with substantial retirement savings are also more likely to be older and, in many cases, specifically targeted by professional online criminals. Imposter scams, the most common and effective tool used by fraudsters, exploit fear, urgency, and trust to manipulate victims into surrendering their financial security.

HB 0124 delivers commonsense, compassionate relief for Marylanders who have already suffered devastating financial harm. It recognizes that victims of fraud should be supported—not taxed—after having their retirement stolen out from under them.

I urge the committee to give HB 0124 a favorable report.

Americans lose billions to scams, then get taxed on stolen money

[Michelle Singletary](#) December 5, 2024 at 5:00 a.m. EST

Meanwhile, Congress stalls on relief bills

(KAAN Illustration for The Washington Post)

The Lawmakers: Part five of seven in the [Scammed](#) series.

Judith Boivin lost well over a half-million dollars to a government impostor scam. Now she's bracing for the tax bill.

Unless lawmakers act, she will owe nearly \$180,000 in state and federal taxes on stolen retirement money.

With traditional 401(k) retirement accounts and IRAs, your contributions are made with pretax dollars. So, when you take a distribution, it becomes part of your taxable income. And if you're younger than 59½, the distribution also is subject to a penalty that would shave off an additional 10 percent.

Judith Boivin describes being warned about the tax implications of withdrawing her retirement funds. (Joshua Carroll and Amber Ferguson/The Washington Post)

The cruel reality of financial scams is that victims who tap tax-advantaged accounts still must pay taxes on funds they never used for themselves.

This wasn't the case before the 2017 Tax Cuts and Jobs Act, which scrapped a deduction that fraud victims like Judith could use to offset their losses.

Story continues below advertisement

The write-off fell under a provision of the tax code that made allowances for personal casualty, disaster and theft losses not connected to a moneymaking enterprise. But Congress eliminated the theft part for tax years 2018 through 2025.

Oddly, lawmakers left a carveout for victims of Ponzi-type investment schemes, who can take the write-off under certain conditions.

Unless Congress acts to restore the deduction, Judith will owe the IRS more than \$137,000 and the state of Maryland more than \$42,000 for the 2023 tax year. That's on top of the nearly \$600,000 she lost in the scam itself.

Form 1040 (2023) Judith [redacted] [redacted] Page 2

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	131084.
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	131084.
19	Child tax credit or credit for other dependents from Schedule 8812	19	
20	Amount from Schedule 3, line 8	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	131084.
23	Other taxes, including self-employment tax, from Schedule 2, line 21	23	75.
24	Add lines 22 and 23. This is your total tax	24	131159.
Payments			
25	Federal income tax withheld from:		
a	Form(s) W-2	25a	
b	Form(s) 1099	25b	
c	Other forms (see instructions)	25c	
d	Add lines 25a through 25c	25d	
26	2023 estimated tax payments and amount applied from 2022 return	26	
27	Earned income credit (EIC)	27	
28	Additional child tax credit from Schedule 8812	28	
29	American opportunity credit from Form 8863, line 8	29	
30	Reserved for future use	30	
31	Amount from Schedule 3, line 15	31	
32	Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32	
33	Add lines 25d, 26, and 32. These are your total payments	33	
34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
35a	Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	
b	Routing number		
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
d	Account number		
36	Amount of line 34 you want applied to your 2024 estimated tax	36	
37	Subtract line 33 from line 24. This is the amount you owe . For details on how to pay, go to www.irs.gov/Payments or see instructions	37	137223.
38	Estimated tax penalty (see instructions)	38	6064.
Third Party Designee			
Do you want to allow another person to discuss this return with the IRS? See instructions <input checked="" type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No			
Designee's name	Phone no	Personal identification number (PIN)	
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Sign	Your signature	Date	Your occupation
			If the IRS sent you an identity protection PIN, enter it here.

Here

Spouse's signature. If a joint return, **both** must sign. _____ Date _____ Spouse's occupation _____ (see inst.) _____

Joint return? See instructions. Keep a copy for your records.

If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) _____

Phone no. _____ Email address _____

Paid Preparer Use Only

Preparer's name _____ Preparer's signature _____ Date _____ PTIN _____ Check if: Self-employed

Firm's name _____ Phone no. _____

Firm's address _____ Firm's EIN _____

Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2023)

PAYMENT VOUCHER WORKSHEET FOR ESTIMATED TAX AND EXTENSION PAYMENTS (PVW)

ESTIMATED TAX WORKSHEET

IMPORTANT: Review the instructions before completing this form. If you are using this form for subsequent estimated payments and you previously have calculated the amounts you must pay for each quarter, you **do not** need to complete this worksheet. **DO NOT MAIL THIS WORKSHEET TO THE REVENUE ADMINISTRATION DIVISION.**

1. Total income expected in 2024 (federal adjusted gross income)	1. _____
2. Net modifications	2. _____
3. Maryland adjusted gross income (line 1, plus or minus line 2)	3. _____
4. Deductions:	
a. If standard deduction is used, see instructions.	
b. If deductions are itemized, enter total of federal itemized deductions less state and local income taxes	4. _____
5. Maryland net income (Subtract line 4 from line 3)	5. _____
6. Personal exemptions	6. _____
7. Taxable net income (Subtract line 6 from line 5.)	7. _____
8. Maryland income tax	8. _____
9. Personal and business income tax credits	9. _____
10. Subtract line 9 from line 8 (If less than 0, enter 0.)	10. _____
11. Local income tax or special nonresident income tax: Multiply line 7 by _____ (See instructions.)	11. _____
12. Local income tax credit	12. _____
13. Total 2024 Maryland and local income tax (Subtract line 12 from the sum of lines 10 and 11.)	13. _____
14. Maryland income tax to be withheld during the year 2024	14. _____
15. Total estimated tax to be paid by declaration (Subtract line 14 from line 13.) ADJUSTED TO	15. 42560.
16. Amount to be submitted with Form PV (Divide line 15 by 4.) DUE: APRIL 15, 2024 For payment by credit card, visit marylandtaxes.gov	16. 10640.

DUE: JUNE 17, 2024 10640.
 DUE: SEPT 16, 2024 10640.
 DUE: JANUARY 15, 2025 10640.

Judith Boivin’s 2023 tax documents indicate she owes a combined \$179,783 after draining most of her retirement savings. She hopes to qualify for some tax forgiveness through the IRS Offer in Compromise program.

Judith is on the hook for \$137,223

to the federal government because of the scam.

She also

owes

\$42,560

in taxes to

the state of Maryland.

The 80-year-old retiree can't cover the tax bill and may have to sell her Maryland home. Though she and her husband still have Social Security and some savings, their annual income has been slashed from more than \$70,000 to \$31,000 because of the stolen retirement funds.

Judith hopes she might qualify for some tax forgiveness through the IRS Offer in Compromise (OIC) program, which is intended to help people experiencing economic hardship. It allows the federal government to settle a tax debt for less than the amount owed.

But securing an OIC is difficult because the agency weighs an applicant's income, expenses and, most importantly, such assets as a home with equity. As a result, it rejects more applicants than it approves: Of the 30,163 OICs sought in 2023, the [IRS accepted 12,711, or 42 percent, amounting to \\$214.5 million.](#)

Because of the scam, Judith Boivin says she and her husband don't have enough to cover their 2023 state and federal tax bills. (Joshua Carroll and Amber Ferguson/The Washington Post)

Any movement to help crime victims like Judith has languished in Congress, despite the magnitude of financial fraud. Adults 60 and older were scammed out of \$1.9 billion in 2023, according to the [Federal Trade](#)

[Commission](#). For all Americans, losses surpassed \$10 billion.

Reps. Jamie Raskin (D-Maryland) and Jim McGovern (D-Massachusetts) introduced the Tax Relief for Victims of Crimes, Scams, and Disasters Act, which would reinstate the tax deduction for victims of crimes, natural disasters and other personal casualty losses. It also would enable taxpayers affected after the 2017 law was passed to file an amended return to reflect theft losses.

But the legislation has stalled.

“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,” Raskin said in an interview.

Listen

Michelle Singletary's full interview with Rep. Jamie Raskin (D-Md.) who has proposed legislation to help assist scam victims, recorded on Nov. 7, 2024.

“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.

President-elect Donald Trump has said he wants to extend many of the provisions of the 2017 Tax Cuts and Jobs Act.

“I am really hoping when we get back [in January], we can get this done and we can correct this change,” Raskin said.

Sign up for The Color of Money newsletter

For tips on how to spot scams and other personal finance advice, sign up for Michelle Singletary's [free weekly newsletter](#).

Meanwhile, AARP has endorsed the bipartisan Casualty Loss Deduction Restoration Act, which also would reinstate the personal casualty loss and theft deduction for the 2018 to 2025 tax years. However, this legislation has a \$50,000 cap per year for that period. For forward-looking claims, there is no limit.

It, too, has stalled.

“It’s just unbelievable that a criminal could steal more than half a million from somebody and then IRS shows up and says, ‘Hey, you owe us money because you drained your 401(k),’” Bill Sweeney, AARP senior vice president for government affairs, said of Judith’s case.

Sweeney said Congress needs to hear from victims like Judith about the huge tax repercussions they face.

“This is not how our government should be funding itself,” he said.

There are other consequences of scam-stolen retirement funds.

Judith Boivin looks over paperwork at her home in Rockville, Maryland, on July 26. (Allison Robbert/The Washington Post)

Because the IRS treats such withdrawals as earnings, they can inflate a scam victim's gross income. Higher income can affect their Medicare costs and their potential eligibility for public benefits, such as Medicaid, subsidized housing, and Supplemental Nutrition Assistance Program (SNAP) benefits, as well as other tax credits and deductions, according to a report by the majority staff of the Senate Special Committee on Aging.

The elimination of the theft tax deduction for scam victims is needlessly punitive.

Story continues below advertisement

These aren't reckless people. They worked for years to amass a retirement

safety net, and most won't be able to replace what they have lost.

They deserve relief when so much has been taken from them. In a real sense, such policies make the victim financially culpable for being victimized.

“It's totally unjust,” Judith said. “It's just as much of a scam as the scam itself. To think that people have lost hundreds of thousands of dollars and now lose their homes ... it's horrible.”

Part 6 | The Family

A scam upended her life. Now, her family is feeling it, too.