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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 323

HB 323 - Tax Exemption for Elder Fraud

Testimony by Delegate Vaughn Stewart
February 5, 2026 | Ways and Means Committee

Introduction

HB 323 addresses a narrow but serious inequity in Maryland's tax code: when individuals—often seniors—are victims of financial exploitation, they are frequently forced to withdraw retirement savings to stabilize their finances, and are then taxed and penalized for doing so. This bill ensures that victims are not punished twice.

What the Bill Does

With a sponsor amendment, HB 323 will provide targeted state income tax relief to Marylanders who were required to draw down retirement savings as a direct result of documented financial exploitation.

The bill allows an eligible taxpayer to reduce Maryland taxable income—or claim equivalent relief—attributable to retirement funds withdrawn to address losses caused by fraud or financial abuse, up to the amount of the loss.

The relief is carefully limited:

- It applies only to withdrawals directly connected to documented financial exploitation.
- The amount of relief is capped at the lesser of the loss or the amount withdrawn.
- It does not create a refundable credit or carryforward benefit.

- It requires clear documentation, including records from Adult Protective Services, law enforcement, financial institutions reporting under the Senior Safe Act, or court documentation.

This is a targeted remedy, not a broad tax preference.

Why This Matters

Financial exploitation is one of the fastest-growing crimes affecting older adults and vulnerable individuals. Victims often face immediate financial instability, and many have no choice but to access retirement accounts to cover housing, healthcare, or basic living expenses after funds are stolen.

Those withdrawals trigger additional tax liability—sometimes substantial—compounding the harm already suffered. The tax code, unintentionally, becomes a second source of loss.

HB 323 corrects that outcome by aligning tax policy with basic principles of fairness: victims of documented financial exploitation should not face additional tax penalties simply for responding to a crime.

Why This Is Sound Tax Policy

HB 323 is deliberately narrow and fiscally responsible.

It is limited to verified cases of financial exploitation. It is capped at actual losses. It relies on existing definitions and documentation standards in Maryland law. And it does not create ongoing obligations or open-ended exposure for the State.

From a fiscal standpoint, the bill is predictable and bounded. From a policy standpoint, it ensures that Maryland's tax system does not exacerbate the harm caused by fraud and abuse.

Why a Favorable Report Is Warranted

HB 323 provides measured, compassionate relief to Marylanders who have already suffered significant financial harm. It closes a gap in the tax code without creating new loopholes or incentives for abuse.

With the sponsor amendment, the bill does exactly what it is intended to do: offer fairness without overreach.

For these reasons, I respectfully urge the Committee to issue a favorable report on House Bill
323.

Thank you.