

## Congress saddled scam victims with taxes. A new bill would change that.

*Michael Laris*

Two House Democrats [introduced legislation](#) Wednesday that would change a Trump-era law saddling some scam victims with large tax bills on money stolen from them.

The bill would reinstate a tax deduction for personal casualty losses that was removed by congressional Republicans in 2017. The deduction covered sudden or unexpected events such as floods, fires, earthquakes — and thefts.

The Washington Post last month detailed the cases of scam victims who had to pay tens or hundreds of thousands of dollars in federal taxes on their stolen money. The victims included a [former White House scientist](#), a [retired Florida couple](#) and a victim of a government impersonation scam.

“It’s basically a tax nightmare for people who are already traumatized as crime victims,” Rep. Jamie Raskin (D-Md.), one of members behind the bill, said in an interview. “It compounds criminal violation with tax unfairness and financial injustice. We’re going to do everything in our power to turn this around.”

Raskin, the top Democrat on the House Committee on Oversight and Accountability, introduced the bill with Rep. Jim McGovern (D-Mass.). It would allow people who have suffered losses since the 2017 tax law change to amend their returns and claim the deduction. That could mean tax refunds of hundreds of thousands of dollars for some of the worst-hit victims.

Suzy and Dennis Gomas of Spring Hill, Fla., would stand to get back roughly \$350,000 in taxes they paid the IRS after being defrauded, said their attorney, Tyler DeWitt. “This would be life-changing for these people, because they lost their entire retirement,” DeWitt said.

A far-reaching tax cut bill crafted by congressional Republicans and signed by President [Donald Trump](#) in 2017 suspended the deduction for casualty and theft losses through 2025. Last February, more than 100 House Republicans co-sponsored legislation that would make those changes permanent, though the bill hasn’t passed.

The repeal was meant to help pay for tax cuts and other changes that were part of the biggest overhaul of the tax code in decades. Republicans in the House and Senate had agreed not to reduce revenue to the federal government by more than \$1.5 trillion over a decade.

But cutting the corporate tax rate to 21 percent, one of the top Republican priorities, was alone going to cost the government \$1.35 trillion. Other changes, including lowering individual tax rates, increasing the standard deduction, doubling the child tax credit and eliminating personal exemptions, pushed the bill far beyond the \$1.5 trillion line.

To make up for some of that added cost, Republicans recouped large sums by capping deductions for state and local taxes. They also suspended the casualty and theft deduction.

“The Committee believes that the repeal of many existing tax incentives, including the deduction for

personal casualty and theft losses, makes the system simpler and fairer for all families and individuals, and allows for lower tax rates,” the GOP-controlled Ways and Means Committee wrote in a [2017 report](#). It added that repealing the deduction is “consistent with streamlining the tax code, broadening the tax base, lowering rates, and growing the economy.”

The 2017 law made exceptions for cases of presidentially declared disasters. Losses incurred in profit-seeking transactions such as investments can still be deducted.

Asked last year about the case of a scam victim facing a major tax bill on her stolen retirement funds following the 2017 law, an aide to a senior GOP member of the House Ways and Means Committee responded that “tax provisions like this were removed to offset the cost of lowering tax rates for everyone.” Several Republican committee members have previously declined to address whether the law should be changed.

For many scam victims, the big tax bills come after they are tricked into taking large distributions from their pretax retirement accounts and sending their savings to criminals, often overseas.

Raskin also noted that retirees who had money stolen in connection with their stock portfolios would have to pay taxes on gains they realized over many years in the value of their securities.

Raskin said he hopes to see support on both sides of the aisle for his bill, known as the Tax Relief for Victims of Crimes, Scams and Disasters Act.

“I’m hoping that we get a bipartisan head of steam on it and that people don’t get simply invested in the 2017” law, Raskin said.

The proposed changes would be a natural fit for a bipartisan tax agreement currently being negotiated by members of Congress, Raskin said.

Painful tax consequences are hitting scam victims from both parties. But with tax policy a source of deep partisan conflict in Washington, hurdles remain. Republicans view their Tax Cuts and Jobs Act as a landmark accomplishment worth fighting to preserve and extend.

Raskin, meanwhile, cast repeal of the theft deduction as part of a Republican effort to help the “wealthiest Americans by soaking crime victims.”

“You know how they say life isn’t fair?” he said. “Donald Trump and the Republicans made that the law.”

The IRS said it is obligated to follow the law. In a statement, the agency said withdrawals from tax-deferred accounts get taxed, even in difficult circumstances, and referred questions on appropriate tax policy to lawmakers.

“If there are unintended consequences from legislation passed into law, outside of flexibilities granted to the [Treasury] Secretary, the IRS does not have the authority to resolve them,” the agency said.

Even if the original deduction ends up getting restored, victims of some of the worst scams could still face tax obligations stretching into the tens of thousands of dollars.

Before the law changed in 2017, the casualty deduction didn’t address all losses, just those above 10 percent of annual income, a modification dating back to the 1980s as part of a deficit-reduction effort.

“For a lot of folks, it’s not going to be enough,” said Nancy A. Rossner, executive director of the

Community Tax Law Project, based in Richmond. Rossner has worked with elderly clients facing large tax bills after being scammed. While restoring the deduction would help many, a multi-thousand-dollar tax bill “might as well be a million dollars if they can’t afford to pay it.”

Raskin said that in an ideal world, this would be addressed. At the same time, “we just don’t want to allow the perfect to be the enemy of the good here, because there is a certain simplicity and clarity in simply saying, ‘Let’s repeal the outrageous provision that was adopted as part of the 2017 tax law.’”

Rossner argued that the IRS can act on its own, without a statutory change, to update its internal procedures so that victims of scams are entitled to relief under its Offer in Compromise program. The IRS has the power to cut tax bills in exceptional cases where “collection in full would undermine public confidence that the tax laws are being administered in a fair and equitable manner,” according to documents in the program.

The cost of the legislation is unclear. According to IRS estimates, federal taxpayers claimed \$3 billion in personal theft and casualty loss deductions in 2017. That fell to about \$600 million in 2020.

Last month, Sen. Bob Casey (D-Pa.), chairman of the Senate’s Special Committee on Aging, asked the IRS to provide data and documents by Jan. 18 showing the effects of 2017 law changes, including a clearer idea of financial impacts on taxpayers.

Frances Sharples, who advised the federal government for decades — including working in Congress for future presidential candidate Albert Gore Jr., in the White House and at the National Academy of Sciences — was scammed out of \$655,000 in 2022 by international criminals posing as tech support and bank employees. She paid more than \$100,000 in federal taxes on the stolen money.

The Silver Spring, Md., resident and Raskin constituent had asked him to take action, and she said she was ecstatic he did. “Now the question is, can it get passed? That’s another story,” Sharples said.

People who worked at the White House’s Office of Science and Technology Policy, where Sharples was a senior analyst, and the National Academy of Sciences have approached her about setting up a GoFundMe campaign on her behalf.

She said she declined, telling them to contact their member of Congress instead.