

119TH CONGRESS
2D SESSION

H. R. 9500

AN ACT

To amend the Internal Revenue Code of 1986 to repeal the limitation on deductions for personal casualty losses and to provide for increased taxpayer relief with respect to theft losses involving fraud, deceit, or misrepresentation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Tax Relief for Fraud
3 Victims Act”.

4 **SEC. 2. REPEAL OF LIMITATION ON DEDUCTIONS FOR PER-**
5 **SONAL CASUALTY LOSSES; INCREASED TAX-**
6 **PAYER RELIEF WITH RESPECT TO CERTAIN**
7 **THEFT LOSSES.**

8 (a) REPEAL OF LIMITATION ON DEDUCTIONS FOR
9 PERSONAL CASUALTY LOSSES.—Section 165(h) of the In-
10 ternal Revenue Code of 1986 is amended by striking para-
11 graph (5).

12 (b) CERTAIN THEFT LOSSES SUSTAINED DURING
13 TAXABLE YEAR OF CHOICE; EXTENSION OF PERIOD OF
14 LIMITATION FOR CREDIT OR REFUND CLAIMS FOR CER-
15 TAIN THEFT LOSSES.—

16 (1) CERTAIN THEFT LOSSES SUSTAINED DUR-
17 ING TAXABLE YEAR OF CHOICE.—Section 165(e) of
18 such Code is amended to read as follows:

19 “(e) THEFT LOSSES.—For purposes of subsection
20 (a)—

21 “(1) IN GENERAL.—Except as provided in para-
22 graph (2), any loss arising from theft shall be treat-
23 ed as sustained during the taxable year in which the
24 taxpayer discovers such loss.

25 “(2) THEFT LOSSES INVOLVING FRAUD, DE-
26 CEIT, OR MISREPRESENTATION.—In the case of any

1 loss arising from theft involving fraud, deceit, or
 2 misrepresentation (as defined by the Secretary), the
 3 taxpayer may elect to treat such loss as sustained
 4 during the taxable year in which such loss occurs.”.

5 (2) EXTENSION OF PERIOD OF LIMITATION FOR
 6 CREDIT OR REFUND CLAIMS FOR CERTAIN THEFT
 7 LOSSES.—Section 165(h)(4) of such Code is amend-
 8 ed by adding at the end the following new subpara-
 9 graph:

10 “(F) PERIOD OF LIMITATION FOR CREDIT
 11 OR REFUND CLAIMS FOR THEFT LOSSES IN-
 12 VOLVING FRAUD, DECEIT, OR MISREPRESENTA-
 13 TION.—In the case of a claim for credit or re-
 14 fund with respect to a deduction allowed under
 15 subsection (a) for any loss arising from theft in-
 16 volving fraud, deceit, or misrepresentation—

17 “(i) the period of limitation prescribed
 18 by section 6511(a) for the filing of such
 19 claim shall be treated as not expiring ear-
 20 lier than the date that is 1 year after the
 21 date on which the taxpayer discovers such
 22 loss, and

23 “(ii) section 6511(b)(2) shall not
 24 apply with respect to the filing of such
 25 claim.”.

1 (c) DISTRIBUTIONS RELATING TO THEFT LOSSES
 2 INVOLVING FRAUD, DECEIT, OR MISREPRESENTATION.—
 3 Section 72(t)(2) of such Code is amended by adding at
 4 the end the following new subparagraph:

5 “(O) DISTRIBUTIONS RELATING TO THEFT
 6 LOSSES INVOLVING FRAUD, DECEIT, OR MIS-
 7 REPRESENTATION.—

8 “(i) IN GENERAL.—Any distribution
 9 to the extent it relates to any loss arising
 10 from theft involving fraud, deceit, or mis-
 11 representation for which a deduction is al-
 12 lowed under section 165(a).

13 “(ii) AMOUNT DISTRIBUTED MAY BE
 14 REPAID.—Rules similar to the rules of sub-
 15 paragraph (H)(v) shall apply with respect
 16 to an individual who receives a distribution
 17 to which clause (i) applies, except that sub-
 18 paragraph (H)(v)(I) shall be applied by
 19 substituting ‘1-year period beginning on
 20 the day after the date on which the tax-
 21 payer discovers the loss described in sub-
 22 paragraph (O)(i)’ for ‘3-year period begin-
 23 ning on the day after the date on which
 24 such distribution was received’.

1 “(iii) PERIOD OF LIMITATION FOR
2 CREDIT OR REFUND CLAIMS.—In the case
3 of a claim for credit or refund of the tax
4 imposed by paragraph (1) with respect to
5 a distribution described in clause (i)—

6 “(I) the period of limitation pre-
7 scribed by section 6511(a) for the fil-
8 ing of such claim shall be treated as
9 not expiring earlier than the date that
10 is 1 year after the date on which the
11 taxpayer discovers the loss described
12 in clause (i), and

13 “(II) section 6511(b)(2) shall not
14 apply with respect to the filing of such
15 claim.”.

16 (d) CROSS REFERENCE.—Section 6511(i) of such
17 Code is amended by adding at the end the following new
18 paragraph:

19 “(8) For a period of limitations for credit or re-
20 fund in the case of theft losses involving fraud, de-
21 ceit, or misrepresentation, see sections
22 72(t)(2)(O)(iii) and 165(h)(4)(F).”.

23 (e) CLAIM PROCESSING DEADLINE.—In the case of
24 a claim for credit or refund with respect to a deduction
25 allowed under section 165(a) of such Code for any speci-

1 filed personal casualty loss (as defined in subsection (f)(5))
 2 or with respect to any distribution described in section
 3 72(t)(2)(O)(i) of such Code (as added by this section), the
 4 Secretary of the Treasury (or the Secretary's delegate)
 5 shall process such claim not later than 2 years after the
 6 date on which such claim is filed.

7 (f) EFFECTIVE DATES.—

8 (1) IN GENERAL.—Except as otherwise pro-
 9 vided in this subsection, the amendments made by
 10 this section shall apply to losses sustained in taxable
 11 years beginning after December 31, 2025.

12 (2) SPECIFIED PERSONAL CASUALTY LOSSES.—
 13 In the case of any specified personal casualty loss,
 14 paragraph (1) shall be applied by substituting “De-
 15 cember 31, 2020” for “December 31, 2025”.

16 (3) DISTRIBUTIONS RELATING TO THEFT
 17 LOSSES INVOLVING FRAUD, DECEIT, OR MISREPRE-
 18 SENTATION.—The amendment made by subsection
 19 (c) shall apply to distributions made after December
 20 31, 2020.

21 (4) EXTENSION OF PERIOD OF LIMITATION FOR
 22 CREDIT OR REFUND CLAIMS FOR SPECIFIED PER-
 23 SONAL CASUALTY LOSSES.—

24 (A) FRAUD-RELATED PERSONAL CASUALTY
 25 LOSSES.—In the case of any fraud-related per-

sonal casualty loss, if the taxpayer discovers such loss before the date of the enactment of this section—

(i) section 165(h)(4)(F)(i) of the Internal Revenue Code of 1986 (as added by this section) shall be applied by substituting “the date of the enactment of this subparagraph” for “the date on which the taxpayer discovers such loss”, and

(ii) section 72(t)(2)(O)(iii)(I) of such Code (as added by this section) shall be applied by substituting “the date of the enactment of this subparagraph” for “the date on which the taxpayer discovers the loss described in clause (i)”.

(B) PYRRHOTITE-RELATED PERSONAL CASUALTY LOSSES.—In the case of a claim for credit or refund with respect to a deduction allowed under section 165(a) of the Internal Revenue Code of 1986 for any pyrrhotite-related personal casualty loss—

(i) the period of limitation prescribed by section 6511(a) of such Code for the filing of such claim shall be treated as not expiring earlier than the date that is 1

1 year after the date of the enactment of this
 2 section, and

3 (ii) section 6511(b)(2) of such Code
 4 shall not apply with respect to the filing of
 5 such claim.

6 (5) SPECIFIED PERSONAL CASUALTY LOSS.—

7 For purposes of this subsection—

8 (A) SPECIFIED PERSONAL CASUALTY
 9 LOSS.—The term “specified personal casualty
 10 loss” means—

11 (i) any fraud-related personal casualty
 12 loss, and

13 (ii) any pyrrhotite-related personal
 14 casualty loss.

15 (B) FRAUD-RELATED PERSONAL CASUALTY
 16 LOSS.—The term “fraud-related personal cas-
 17 ualty loss” means any personal casualty loss (as
 18 defined in section 165(h)(3)(B) of the Internal
 19 Revenue Code of 1986) sustained after Decem-
 20 ber 31, 2020, and before January 1, 2026, aris-
 21 ing from theft involving fraud, deceit, or mis-
 22 representation (as defined by the Secretary).

23 (C) PYRRHOTITE-RELATED PERSONAL CAS-
 24 UALTY LOSS.—The term “pyrrhotite-related
 25 personal casualty loss” means any personal cas-

1 ualty loss (as defined in section 165(h)(3)(B) of
2 the Internal Revenue Code of 1986) sustained
3 after December 31, 2020, and before January
4 1, 2026, in connection with damage to a prin-
5 cipal residence (within the meaning of section
6 121 of such Code) by reason of deterioration of
7 a concrete foundation adversely impacted by
8 pyrrhotite.

Passed the House of Representatives September 15,
2026.

Attest:

Clerk.

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