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Testimony of State Representative Dan Sayre presenting
LD 714, An Act to Amend the Tax Laws
Before the Joint Standing Committee on Taxation

Senator Grohoski, friends and colleagues on the Joint Standing Committee on Taxation, I am Dan Sayre, the Representative for House District 135, the greater part of the town of Kennebunk. I present for your consideration **LD 714, An Act to Amend the Tax Laws**.

This bill has been retitled "**An Act to Prevent State Income Tax from Being Collected on Money Stolen from Victims of Scams.**" It addresses the rising problem of scams that induce older Mainers to liquidate retirement assets and deposit them in untraceable accounts, resulting in unrecoverable loss.

The FBI tracks financial scams targeting seniors, including investment scams, technical/customer support schemes, money mule and romance scams, and others. According to the FBI's Internet Crime Complaint Center (IC3) data, in 2024 there was a total of \$4.885 billion in losses from 147,127 complaints nationwide. This is a 46% increase in complaints from 2023, as well as a 43% increase in losses. The FBI reported that in Maine 608 victims lost nearly \$13 million.

These scams take many forms, but a common approach is to convince retirees with substantial savings that the scammers are agents of the federal government. They persuade their victims to turn over their funds either to safeguard them or to assist in a (fraudulent) investigation of malicious actors. Once transferred, the funds disappear, but the citizen is stuck with federal and state tax obligations as a result of having taken distributions from their retirement accounts.

The federal tax code allows this sort of loss to be deducted from income. Maine state law does not. This bill aims to correct that. To be specific, the federal internal revenue code provides that a taxpayer can reduce their tax liability for such losses under Code Section 165. This bill would extend that same remedy for Mainers' state tax obligations if they are victimized by a scam.

Please note that the bill is currently drafted to take effect for tax years beginning January 1, 2026. I ask that it be amended to January 1, 2025. Several Maine families suffered substantial

losses to scammers in tax year 2025, and I believe some are present to testify today. I want this bill to help them.

Thank you for your time and consideration. I will endeavor to answer any questions you have, but I believe representatives of Maine Revenue Services are present who can speak with more expertise regarding the details of the federal and state tax codes and the specifics of making this change.