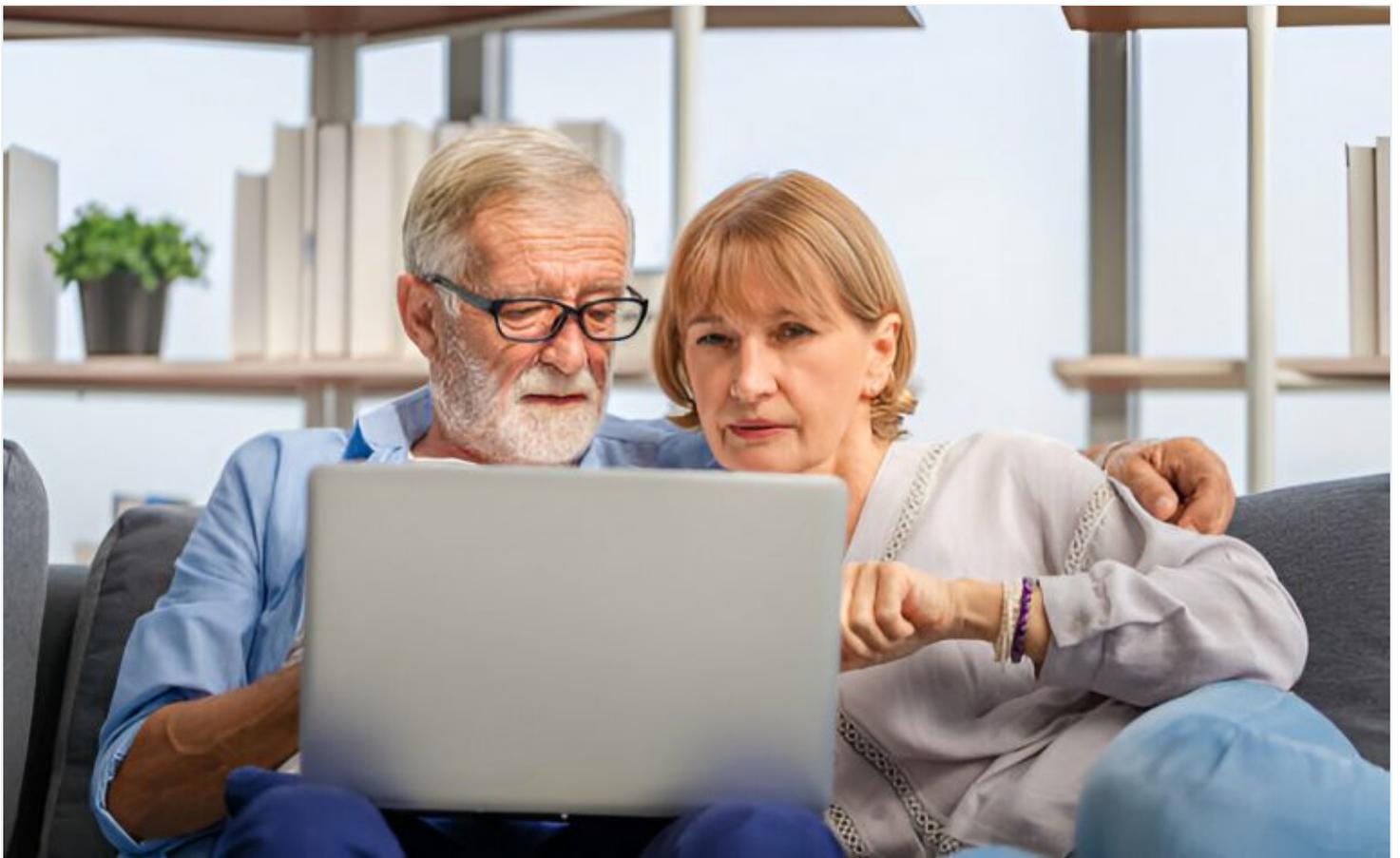


Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

with big tax bills and lost retirement savings.

Apr. 16, 2024



By Kelley R. Taylor, Kiplinger Consumer News Service (TNS)

Retirees are being targeted by scams that not only bring financial devastation but also significant IRS tax bills. A recent report spearheaded by U.S. Senate Special Committee on Aging chair Bob Casey (D-PA) sheds light on the issue. The report paints a stark picture of how older adults in Pennsylvania, Ohio, Florida, Utah, California, and other states have fallen victim to fraud—only to be burdened by taxes on their lost retirement savings.

Sen. Casey believes that theft loss tax deduction limitations have contributed to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Here is more of what you need to know.

Scams target retirement savings

Several taxpayers who fell victim to fraudsters, resulting in significant tax bills, are profiled in the report. One such victim is Larry, a Pennsylvania retiree scammed by an individual posing as a Social Security Administration official.

- Over a month, the scammer persuaded Larry to withdraw his retirement funds, claiming his Social Security number had been compromised and his funds were under immediate threat.
- Unfortunately, Larry was tricked into transferring the money into a cryptocurrency investment, which resulted in a loss of \$765,000.
- The FBI later informed Larry that he had been a victim of fraud.
- Larry later faced an IRS tax bill of over \$220,000.

Larry is quoted in the report. “After over 50 years in the workforce, my retirement dreams and any legacy to pass on to my children have been stolen. ... I think almost daily about what I should have done to prevent this from happening. I will probably continue to replay this event in my mind for the rest of my life.”

The report highlights similar stories involving other retirees. For instance, according to the [Washington Post](#), a former White House scientist was scammed, losing \$655,000 and paying more than \$100,000 in taxes on those funds.

Are theft losses still deductible?

The [casualty and theft loss deduction](#), which had been in place for decades, allowed taxpayers to offset losses from theft by deducting them from income. However, as of 2018, the deduction was narrowed, for individuals, as part of the TCJA. (Note: On

several occasions, Congress has expanded the deduction for qualified disaster losses

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Sen. Casey emphasizes the importance of protecting fraud victims and suggests that current IRS programs like [Offer in Compromise](#) can be complex and not an option for everyone. Proposals to restore theft deductions, like one led by Sen. Tammy Baldwin (D-WI), would give retroactive tax relief to scam victims. However, this year, legislative change involving taxes is unlikely due to political divisions and the upcoming election.

Meanwhile, scams remain a considerable problem. Last year, according to Federal Trade Commission data, people in the U.S. lost about \$10 billion to 2.6 million fraud incidents. Older adults (age 60 and over) reported [higher median losses](#) than other age groups.

Retirement savings scams: What you can do

Being aware of common schemes can help reduce the likelihood of being scammed.

- For instance, scammers often possess personal information, such as where you bank and how much money you have in your accounts, to make themselves appear legitimate.
- Tech scams may involve pop-ups on your computer claiming a security breach in your retirement savings or bank account.
- Scammers often pose as government officials and may persuade you to transfer money to other accounts or invest money.

Beware of text or email messages claiming to be from the IRS, other federal agencies, or state tax agencies that request sensitive information or threaten legal or other consequences. The IRS never requests personal information via email, text, or social media. Avoid responding to such communications or clicking on embedded links, which could contain malware as part of phishing and smishing scams.

If you fall prey to a scam involving retirement savings withdrawals, you may need to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved