SENATE BILL No. 213

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2-30.

Synopsis: Income tax deduction for theft loss. Provides an income tax deduction for theft losses that result from certain financial transactions induced by third parties and that cause the individual to incur federal gross income as a result of the theft. Requires the department of state revenue to first certify the theft loss deduction before a taxpayer may claim the deduction in a taxable year.

Effective: January 1, 2024 (retroactive).

Holdman

January 8, 2026, read first time and referred to Committee on Tax and Fiscal Policy.

Second Regular Session of the 124th General Assembly (2026)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

SENATE BILL No. 213

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-3-2-30 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2024 (RETROACTIVE)]: **Sec. 30. (a) For purposes of this section, "qualifying account" means any of the following owned directly by an individual, either as a sole owner or jointly with one (1) or more individuals:**

(1) A retirement plan described in 4 U.S.C. 114(b)(1).

(2) A securities or commodities account.

(3) A savings or checking account.

(4) Any account substantially similar to an account described in subdivision (2) or (3).

If an account listed in subdivisions (1) through (4) is owned in whole or in part by a person or entity other than an individual, the account is a qualifying account only to the extent it is owned directly by an individual.

(b) For purposes of this section, "taxpayer" means an individual subject to taxation under this article.

(c) For purposes of this section, "theft" means:

(1) an event for which a taxpayer would have been permitted a deduction as a theft loss under Section 165(c) of the Internal Revenue Code (as in effect on January 1, 2017); and

(2) the event was either:

(A) a distribution from the taxpayer's qualifying account; or

(B) a sale, exchange, or liquidation of the taxpayer's stocks, bonds, certificates of deposit, or similar instruments, regardless of whether these were held in a qualifying account;

followed by a payment to another individual or entity within sixty (60) days of the distribution, sale, exchange, or liquidation, and for which the distribution, sale, exchange, or liquidation was induced by the individual or entity.

(d) For purposes of this section, "theft loss" means the amount that an individual would have been permitted to deduct under Section 165(c) of the Internal Revenue Code (as in effect on January 1, 2017) as the result of a theft and that the individual was not permitted to deduct in determining the individual's federal adjusted gross income under Section 62 of the Internal Revenue Code. For an individual who is not a resident of Indiana, the theft loss amount shall only be the portion of the loss derived from Indiana sources and only if the distribution would have been included in the taxpayer's Indiana adjusted gross income.

(e) For taxable years beginning after December 31, 2023, a taxpayer is entitled to a deduction from the taxpayer's adjusted gross income for a taxable year if the taxpayer:

(1) incurred a loss as the result of a theft during the taxable year; and

(2) as a result of the theft, had federal gross income for the taxable year that would not have been included in the taxpayer's federal adjusted gross income for the taxable year under Section 62 of the Internal Revenue Code if the theft had not occurred or been induced.

(f) The amount of the deduction for a taxable year is the lesser of:

(1) the amount of the theft loss; or

(2) the amount reported in the taxpayer's adjusted gross income under IC 6-3-1-3.5(a) for the taxable year that resulted from the theft or inducement of theft.

(g) A taxpayer wishing to claim a deduction under this section

must first apply to the department for certification of the deduction and provide all information requested by the department relating to the theft to the department prior to claiming the deduction under this section. The following apply:

(1) Upon receipt of a taxpayer's application, the department shall determine the amount of the deduction for theft losses that are allowable, if any, under this section and provide notice of the determination and certification to the taxpayer.

(2) A taxpayer may claim the deduction on the taxpayer's state tax return or returns only after the department's determination and only up to the amount certified by the department as an allowable deduction.

(3) If a taxpayer disagrees with the department's determination of a theft loss deduction, the taxpayer may protest the determination of the loss in the same manner and under the same time periods as a refund denial under IC 6-8.1-9-1.

(h) For purposes of this section:

(1) any amounts that an individual received as insurance payments, reimbursement, or other similar payments in recovery for a theft loss during the taxable year are not deductible under this section; and

(2) to the extent that amounts in subdivision (1) are received in a subsequent taxable year, the individual shall report the amount received as an addition in determining adjusted gross income under IC 6-3-1-3.5(a) for purposes of adjusted gross income tax in the year in which the amount is received, but only to the extent that the deduction under this section would have been reduced in the taxable year of the theft had the recovery amount been received in the taxable year of the theft. Any recovery required to be included in Indiana adjusted gross income as a result of this section shall not be an addback for purposes of section 2.5 or 2.6 of this chapter.

(i) If a taxpayer claims a deduction under this section for a taxable year beginning before January 1, 2026, the taxpayer claims a refund as a result of the deduction, and interest is due on the refund under IC 6-8.1-9-2(d), then the amount of interest due on the refund shall be computed from the latest of:

(1) April 15, 2026;

(2) the date the department issues the determination under subsection (g); or

(3) the date determined under IC 6-8.1-9-2(d).

SECTION 2. **An emergency is declared for this act.**