

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6595
BILL NUMBER: SB 213

NOTE PREPARED: Jan 20, 2026
BILL AMENDED: Jan 20, 2026

SUBJECT: Income Tax Deduction for Theft Loss.

FIRST AUTHOR: Sen. Holdman
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill 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. The bill requires the Department of State Revenue (DOR) to first certify the theft loss deduction before a taxpayer may claim the deduction in a taxable year.

Effective Date: January 1, 2024 (retroactive).

Explanation of State Expenditures: *DOR:* The DOR will incur expenses to put the bill's changes in place. The DOR is required to certify applications for the deduction and determine the amount of the deduction for eligible taxpayers. The DOR should be able to make these changes within current resource levels.

Explanation of State Revenues: The deduction could reduce state General Fund revenue by an estimated \$1.9 M annually beginning in FY 2026.

(Revised) **Additional Information** - The estimate is based on the number and amount of claims for the federal casualty and theft loss deduction before and after federal changes to the deduction went into effect in 2018. The estimate was adjusted for Indiana's share of federal adjusted gross income.

Under the bill, Indiana taxpayers could claim the deduction under the following conditions:

- The taxpayer would have been able to claim the federal casualty and theft loss deduction as it was in effect on January 1, 2017.
- The taxpayer was not able to deduct the theft loss in determining their federal adjusted gross income.

The deduction amount would be the lesser of the following:

- The amount of the federal deduction based on the calculation in effect as of January 1, 2017—the amount of the theft minus \$100, plus any reimbursement for the loss, minus 10% of their federal adjusted gross income.
- The amount of the theft recorded in the taxpayer's Indiana adjusted gross income.

In 2024, over 30,000 Indiana residents reported \$112 M in losses due to fraud to the Federal Trade Commission.

Under the bill “theft loss” is defined as the amount that an individual would have been permitted to deduct under Section 165(c) (the theft loss deduction) reduced as provided under Section 168(h)(1) and 168(h)(2) (accelerated cost recovery system depreciation system for tax-exempt use property and tax exempt entities).

Explanation of Local Expenditures:

Explanation of Local Revenues: The deduction could reduce revenue from local income tax (LIT) by an estimated \$1 M. The estimate is based on an average LIT rate of 1.68%.

State Agencies Affected: DOR.

Local Agencies Affected: Local units that receive local income tax.

Information Sources: Congressional Research Service. (2025, July 24). The Nonbusiness Casualty Loss Deduction. Retrieved from: <https://www.congress.gov/crs-product/IF12574>; Federal Trade Commission. (2025). Fraud Report Subcategories: Indiana, 2024. Retrieved from FTC Fraud Sentinel Network: <https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/StateSubcategories>; IRS. (2013-2022). SOI Tax Stats - Individual income tax returns complete report (Publication 1304). Retrieved from: <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-complete-report-publication-1304>; IRS. (2016). Instructions for Form 4684. Casualties and Thefts. Retrieved from: <https://www.irs.gov/pub/irs-prior/i4684--2016.pdf>

Fiscal Analyst: Camille Tesch, 317-232-5293.