

111TH CONGRESS  
1ST SESSION

# H. R. 1389

To amend the Internal Revenue Code of 1986 to allow a refundable credit for taxes paid on earnings reinvested and lost in a fraudulent investment scheme.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 2009

Mr. ACKERMAN introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a refundable credit for taxes paid on earnings reinvested and lost in a fraudulent investment scheme.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Fraudulent Tax Relief  
5 Act of 2009”.

1 **SEC. 2. REFUNDABLE CREDIT FOR INCOME TAXES PAID ON**  
2 **EARNINGS REINVESTED AND LOST IN A**  
3 **FRAUDULENT INVESTMENT SCHEME.**

4 (a) IN GENERAL.—Subpart C of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to refundable credits) is amended by insert-  
7 ing after section 36A the following new section:

8 **“SEC. 36B. CREDIT FOR INCOME TAXES PAID ON EARNINGS**  
9 **REINVESTED AND LOST IN A FRAUDULENT**  
10 **INVESTMENT SCHEME.**

11 “(a) IN GENERAL.—There shall be allowed as a cred-  
12 it against the tax imposed by this subtitle for the tax-  
13 payer’s 1st taxable year beginning after the date of the  
14 enactment of this section an amount equal to the tax im-  
15 posed by this chapter for all prior taxable years beginning  
16 after December 31, 1994, which was paid on earnings—

17 “(1) from an investment which the taxpayer did  
18 not know, and reasonably should not have known,  
19 was fraudulent,

20 “(2) which were reinvested in such investment,  
21 and

22 “(3) which remained so reinvested until the  
23 fraud was discovered.

24 “(b) CREDIT LIMITED TO LOSS SUSTAINED.—The  
25 credit allowed by subsection (a) shall not exceed the aggre-

1 gate loss sustained on such investment as of the close of  
2 such 1st taxable year.

3 “(c) APPLICATION OF SECTION.—This section shall  
4 apply to frauds discovered during 2008.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Paragraph (2) of section 1324(b) of title  
7 31, United States Code, is amended by inserting  
8 “36B,” after “36A,”.

9 (2) The table of sections for such subpart C is  
10 amended by adding at the end the following new  
11 item:

“Sec. 36B. Credit for income taxes paid on earnings reinvested and lost in a  
fraudulent investment scheme.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 the date of the enactment of this Act.

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