



# House of Representatives

General Assembly

**File No. 664**

February Session, 2026

House Bill No. 5115

*House of Representatives, April 16, 2026*

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR CERTAIN LOSSES INCURRED AS A RESULT OF CRYPTOCURRENCY INVESTMENT FRAUD OR WIRE FRAUD.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of  
2 section 12-701 of the 2026 supplement to the general statutes is repealed  
3 and the following is substituted in lieu thereof (*Effective January 1, 2027,*  
4 *and applicable to taxable years commencing on or after January 1, 2027*):

5 (B) There shall be subtracted therefrom:

6 (i) To the extent properly includable in gross income for federal  
7 income tax purposes, any income with respect to which taxation by any  
8 state is prohibited by federal law;

9 (ii) To the extent allowable under section 12-718, exempt dividends  
10 paid by a regulated investment company;

11 (iii) To the extent properly includable in gross income for federal

12 income tax purposes, the amount of any refund or credit for  
13 overpayment of income taxes imposed by this state, or any other state  
14 of the United States or a political subdivision thereof, or the District of  
15 Columbia;

16 (iv) To the extent properly includable in gross income for federal  
17 income tax purposes and not otherwise subtracted from federal  
18 adjusted gross income pursuant to clause (x) of this subparagraph in  
19 computing Connecticut adjusted gross income, any tier 1 railroad  
20 retirement benefits;

21 (v) To the extent any additional allowance for depreciation under  
22 Section 168(k) of the Internal Revenue Code for property placed in  
23 service after September 27, 2017, was added to federal adjusted gross  
24 income pursuant to subparagraph (A)(ix) of this subdivision in  
25 computing Connecticut adjusted gross income, twenty-five per cent of  
26 such additional allowance for depreciation in each of the four  
27 succeeding taxable years;

28 (vi) To the extent properly includable in gross income for federal  
29 income tax purposes, any interest income from obligations issued by or  
30 on behalf of the state of Connecticut, any political subdivision thereof,  
31 or public instrumentality, state or local authority, district or similar  
32 public entity created under the laws of the state of Connecticut;

33 (vii) To the extent properly includable in determining the net gain or  
34 loss from the sale or other disposition of capital assets for federal income  
35 tax purposes, any gain from the sale or exchange of obligations issued  
36 by or on behalf of the state of Connecticut, any political subdivision  
37 thereof, or public instrumentality, state or local authority, district or  
38 similar public entity created under the laws of the state of Connecticut,  
39 in the income year such gain was recognized;

40 (viii) Any interest on indebtedness incurred or continued to purchase  
41 or carry obligations or securities the interest on which is subject to tax  
42 under this chapter but exempt from federal income tax, to the extent that  
43 such interest on indebtedness is not deductible in determining federal

44 adjusted gross income and is attributable to a trade or business carried  
45 on by such individual;

46 (ix) Ordinary and necessary expenses paid or incurred during the  
47 taxable year for the production or collection of income which is subject  
48 to taxation under this chapter but exempt from federal income tax, or  
49 the management, conservation or maintenance of property held for the  
50 production of such income, and the amortizable bond premium for the  
51 taxable year on any bond the interest on which is subject to tax under  
52 this chapter but exempt from federal income tax, to the extent that such  
53 expenses and premiums are not deductible in determining federal  
54 adjusted gross income and are attributable to a trade or business carried  
55 on by such individual;

56 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
57 person who files a return under the federal income tax as an unmarried  
58 individual whose federal adjusted gross income for such taxable year is  
59 less than fifty thousand dollars, or as a married individual filing  
60 separately whose federal adjusted gross income for such taxable year is  
61 less than fifty thousand dollars, or for a husband and wife who file a  
62 return under the federal income tax as married individuals filing jointly  
63 whose federal adjusted gross income for such taxable year is less than  
64 sixty thousand dollars or a person who files a return under the federal  
65 income tax as a head of household whose federal adjusted gross income  
66 for such taxable year is less than sixty thousand dollars, an amount  
67 equal to the Social Security benefits includable for federal income tax  
68 purposes;

69 (II) For taxable years commencing prior to January 1, 2019, for a  
70 person who files a return under the federal income tax as an unmarried  
71 individual whose federal adjusted gross income for such taxable year is  
72 fifty thousand dollars or more, or as a married individual filing  
73 separately whose federal adjusted gross income for such taxable year is  
74 fifty thousand dollars or more, or for a husband and wife who file a  
75 return under the federal income tax as married individuals filing jointly  
76 whose federal adjusted gross income from such taxable year is sixty

77 thousand dollars or more or for a person who files a return under the  
78 federal income tax as a head of household whose federal adjusted gross  
79 income for such taxable year is sixty thousand dollars or more, an  
80 amount equal to the difference between the amount of Social Security  
81 benefits includable for federal income tax purposes and the lesser of  
82 twenty-five per cent of the Social Security benefits received during the  
83 taxable year, or twenty-five per cent of the excess described in Section  
84 86(b)(1) of the Internal Revenue Code;

85 (III) For the taxable year commencing January 1, 2019, and each  
86 taxable year thereafter, for a person who files a return under the federal  
87 income tax as an unmarried individual whose federal adjusted gross  
88 income for such taxable year is less than seventy-five thousand dollars,  
89 or as a married individual filing separately whose federal adjusted gross  
90 income for such taxable year is less than seventy-five thousand dollars,  
91 or for a husband and wife who file a return under the federal income tax  
92 as married individuals filing jointly whose federal adjusted gross  
93 income for such taxable year is less than one hundred thousand dollars  
94 or a person who files a return under the federal income tax as a head of  
95 household whose federal adjusted gross income for such taxable year is  
96 less than one hundred thousand dollars, an amount equal to the Social  
97 Security benefits includable for federal income tax purposes; and

98 (IV) For the taxable year commencing January 1, 2019, and each  
99 taxable year thereafter, for a person who files a return under the federal  
100 income tax as an unmarried individual whose federal adjusted gross  
101 income for such taxable year is seventy-five thousand dollars or more,  
102 or as a married individual filing separately whose federal adjusted gross  
103 income for such taxable year is seventy-five thousand dollars or more,  
104 or for a husband and wife who file a return under the federal income tax  
105 as married individuals filing jointly whose federal adjusted gross  
106 income from such taxable year is one hundred thousand dollars or more  
107 or for a person who files a return under the federal income tax as a head  
108 of household whose federal adjusted gross income for such taxable year  
109 is one hundred thousand dollars or more, an amount equal to the  
110 difference between the amount of Social Security benefits includable for

111 federal income tax purposes and the lesser of twenty-five per cent of the  
112 Social Security benefits received during the taxable year, or twenty-five  
113 per cent of the excess described in Section 86(b)(1) of the Internal  
114 Revenue Code;

115 (xi) To the extent properly includable in gross income for federal  
116 income tax purposes, any amount rebated to a taxpayer pursuant to  
117 section 12-746;

118 (xii) To the extent properly includable in the gross income for federal  
119 income tax purposes of a designated beneficiary, any distribution to  
120 such beneficiary from any qualified state tuition program, as defined in  
121 Section 529(b) of the Internal Revenue Code, established and  
122 maintained by this state or any official, agency or instrumentality of the  
123 state;

124 (xiii) To the extent allowable under section 12-701a, contributions to  
125 accounts established pursuant to any qualified state tuition program, as  
126 defined in Section 529(b) of the Internal Revenue Code, established and  
127 maintained by this state or any official, agency or instrumentality of the  
128 state;

129 (xiv) To the extent properly includable in gross income for federal  
130 income tax purposes, the amount of any Holocaust victims' settlement  
131 payment received in the taxable year by a Holocaust victim;

132 (xv) To the extent properly includable in the gross income for federal  
133 income tax purposes of a designated beneficiary, as defined in section  
134 3-123aa, interest, dividends or capital gains earned on contributions to  
135 accounts established for the designated beneficiary pursuant to the  
136 Connecticut Homecare Option Program for the Elderly established by  
137 sections 3-123aa to 3-123ff, inclusive;

138 (xvi) To the extent properly includable in gross income for federal  
139 income tax purposes, any income received from the United States  
140 government as retirement pay for a retired member of (I) the Armed  
141 Forces of the United States, as defined in Section 101 of Title 10 of the

142 United States Code, or (II) the National Guard, as defined in Section 101  
143 of Title 10 of the United States Code;

144 (xvii) To the extent properly includable in gross income for federal  
145 income tax purposes for the taxable year, any income from the discharge  
146 of indebtedness in connection with any reacquisition, after December  
147 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
148 instruments, as those terms are defined in Section 108 of the Internal  
149 Revenue Code, as amended by Section 1231 of the American Recovery  
150 and Reinvestment Act of 2009, to the extent any such income was added  
151 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
152 this subdivision in computing Connecticut adjusted gross income for a  
153 preceding taxable year;

154 (xviii) To the extent not deductible in determining federal adjusted  
155 gross income, the amount of any contribution to a manufacturing  
156 reinvestment account established pursuant to section 32-9zz in the  
157 taxable year that such contribution is made;

158 (xix) To the extent properly includable in gross income for federal  
159 income tax purposes, (I) for the taxable year commencing January 1,  
160 2015, ten per cent of the income received from the state teachers'  
161 retirement system, (II) for the taxable years commencing January 1,  
162 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
163 received from the state teachers' retirement system, and (III) for the  
164 taxable year commencing January 1, 2021, and each taxable year  
165 thereafter, fifty per cent of the income received from the state teachers'  
166 retirement system or, for a taxpayer whose federal adjusted gross  
167 income does not exceed the applicable threshold under clause (xx) of  
168 this subparagraph, the percentage pursuant to said clause of the income  
169 received from the state teachers' retirement system, whichever  
170 deduction is greater;

171 (xx) To the extent properly includable in gross income for federal  
172 income tax purposes, except for retirement benefits under clause (iv) of  
173 this subparagraph and retirement pay under clause (xvi) of this  
174 subparagraph, for a person who files a return under the federal income

175 tax as an unmarried individual whose federal adjusted gross income for  
 176 such taxable year is less than seventy-five thousand dollars, or as a  
 177 married individual filing separately whose federal adjusted gross  
 178 income for such taxable year is less than seventy-five thousand dollars,  
 179 or as a head of household whose federal adjusted gross income for such  
 180 taxable year is less than seventy-five thousand dollars, or for a husband  
 181 and wife who file a return under the federal income tax as married  
 182 individuals filing jointly whose federal adjusted gross income for such  
 183 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 184 year commencing January 1, 2019, fourteen per cent of any pension or  
 185 annuity income, (II) for the taxable year commencing January 1, 2020,  
 186 twenty-eight per cent of any pension or annuity income, (III) for the  
 187 taxable year commencing January 1, 2021, forty-two per cent of any  
 188 pension or annuity income, and (IV) for the taxable years commencing  
 189 January 1, 2022, and January 1, 2023, one hundred per cent of any  
 190 pension or annuity income;

191 (xxi) To the extent properly includable in gross income for federal  
 192 income tax purposes, except for retirement benefits under clause (iv) of  
 193 this subparagraph and retirement pay under clause (xvi) of this  
 194 subparagraph, any pension or annuity income for the taxable year  
 195 commencing on or after January 1, 2024, and each taxable year  
 196 thereafter, in accordance with the following schedule, for a person who  
 197 files a return under the federal income tax as an unmarried individual  
 198 whose federal adjusted gross income for such taxable year is less than  
 199 one hundred thousand dollars, or as a married individual filing  
 200 separately whose federal adjusted gross income for such taxable year is  
 201 less than one hundred thousand dollars, or as a head of household  
 202 whose federal adjusted gross income for such taxable year is less than  
 203 one hundred thousand dollars:

| T1 | Federal Adjusted Gross Income  | Deduction |
|----|--------------------------------|-----------|
| T2 | Less than \$75,000             | 100.0%    |
| T3 | \$75,000 but not over \$77,499 | 85.0%     |
| T4 | \$77,500 but not over \$79,999 | 70.0%     |

|     |                                |       |
|-----|--------------------------------|-------|
| T5  | \$80,000 but not over \$82,499 | 55.0% |
| T6  | \$82,500 but not over \$84,999 | 40.0% |
| T7  | \$85,000 but not over \$87,499 | 25.0% |
| T8  | \$87,500 but not over \$89,999 | 10.0% |
| T9  | \$90,000 but not over \$94,999 | 5.0%  |
| T10 | \$95,000 but not over \$99,999 | 2.5%  |
| T11 | \$100,000 and over             | 0.0%  |

204 (xxii) To the extent properly includable in gross income for federal  
 205 income tax purposes, except for retirement benefits under clause (iv) of  
 206 this subparagraph and retirement pay under clause (xvi) of this  
 207 subparagraph, any pension or annuity income for the taxable year  
 208 commencing on or after January 1, 2024, and each taxable year  
 209 thereafter, in accordance with the following schedule for married  
 210 individuals who file a return under the federal income tax as married  
 211 individuals filing jointly whose federal adjusted gross income for such  
 212 taxable year is less than one hundred fifty thousand dollars:

| T12 | Federal Adjusted Gross Income    | Deduction |
|-----|----------------------------------|-----------|
| T13 | Less than \$100,000              | 100.0%    |
| T14 | \$100,000 but not over \$104,999 | 85.0%     |
| T15 | \$105,000 but not over \$109,999 | 70.0%     |
| T16 | \$110,000 but not over \$114,999 | 55.0%     |
| T17 | \$115,000 but not over \$119,999 | 40.0%     |
| T18 | \$120,000 but not over \$124,999 | 25.0%     |
| T19 | \$125,000 but not over \$129,999 | 10.0%     |
| T20 | \$130,000 but not over \$139,999 | 5.0%      |
| T21 | \$140,000 but not over \$149,999 | 2.5%      |
| T22 | \$150,000 and over               | 0.0%      |

213 (xxiii) The amount of lost wages and medical, travel and housing  
 214 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
 215 by a taxpayer during the taxable year in connection with the donation  
 216 to another person of an organ for organ transplantation occurring on or  
 217 after January 1, 2017;

218 (xxiv) To the extent properly includable in gross income for federal  
219 income tax purposes, the amount of any financial assistance received  
220 from the Crumbling Foundations Assistance Fund or paid to or on  
221 behalf of the owner of a residential building pursuant to sections 8-442  
222 and 8-443;

223 (xxv) To the extent properly includable in gross income for federal  
224 income tax purposes, the amount calculated pursuant to subsection (b)  
225 of section 12-704g for income received by a general partner of a venture  
226 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to  
227 time;

228 (xxvi) To the extent any portion of a deduction under Section 179 of  
229 the Internal Revenue Code was added to federal adjusted gross income  
230 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
231 Connecticut adjusted gross income, twenty-five per cent of such  
232 disallowed portion of the deduction in each of the four succeeding  
233 taxable years;

234 (xxvii) To the extent properly includable in gross income for federal  
235 income tax purposes, for a person who files a return under the federal  
236 income tax as an unmarried individual whose federal adjusted gross  
237 income for such taxable year is less than seventy-five thousand dollars,  
238 or as a married individual filing separately whose federal adjusted gross  
239 income for such taxable year is less than seventy-five thousand dollars,  
240 or as a head of household whose federal adjusted gross income for such  
241 taxable year is less than seventy-five thousand dollars, or for a husband  
242 and wife who file a return under the federal income tax as married  
243 individuals filing jointly whose federal adjusted gross income for such  
244 taxable year is less than one hundred thousand dollars, for the taxable  
245 year commencing January 1, 2023, twenty-five per cent of any  
246 distribution from an individual retirement account other than a Roth  
247 individual retirement account;

248 (xxviii) To the extent properly includable in gross income for federal  
249 income tax purposes, for a person who files a return under the federal  
250 income tax as an unmarried individual whose federal adjusted gross

251 income for such taxable year is less than one hundred thousand dollars,  
 252 or as a married individual filing separately whose federal adjusted gross  
 253 income for such taxable year is less than one hundred thousand dollars,  
 254 or as a head of household whose federal adjusted gross income for such  
 255 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 256 year commencing January 1, 2024, fifty per cent of any distribution from  
 257 an individual retirement account other than a Roth individual  
 258 retirement account, (II) for the taxable year commencing January 1, 2025,  
 259 seventy-five per cent of any distribution from an individual retirement  
 260 account other than a Roth individual retirement account, and (III) for  
 261 the taxable year commencing January 1, 2026, and each taxable year  
 262 thereafter, any distribution from an individual retirement account other  
 263 than a Roth individual retirement account. The subtraction under this  
 264 clause shall be made in accordance with the following schedule:

| T23 | Federal Adjusted Gross Income  | Deduction |
|-----|--------------------------------|-----------|
| T24 | Less than \$75,000             | 100.0%    |
| T25 | \$75,000 but not over \$77,499 | 85.0%     |
| T26 | \$77,500 but not over \$79,999 | 70.0%     |
| T27 | \$80,000 but not over \$82,499 | 55.0%     |
| T28 | \$82,500 but not over \$84,999 | 40.0%     |
| T29 | \$85,000 but not over \$87,499 | 25.0%     |
| T30 | \$87,500 but not over \$89,999 | 10.0%     |
| T31 | \$90,000 but not over \$94,999 | 5.0%      |
| T32 | \$95,000 but not over \$99,999 | 2.5%      |
| T33 | \$100,000 and over             | 0.0%      |

265 (xxix) To the extent properly includable in gross income for federal  
 266 income tax purposes, for married individuals who file a return under  
 267 the federal income tax as married individuals filing jointly whose  
 268 federal adjusted gross income for such taxable year is less than one  
 269 hundred fifty thousand dollars, (I) for the taxable year commencing  
 270 January 1, 2024, fifty per cent of any distribution from an individual  
 271 retirement account other than a Roth individual retirement account, (II)  
 272 for the taxable year commencing January 1, 2025, seventy-five per cent

273 of any distribution from an individual retirement account other than a  
 274 Roth individual retirement account, and (III) for the taxable year  
 275 commencing January 1, 2026, and each taxable year thereafter, any  
 276 distribution from an individual retirement account other than a Roth  
 277 individual retirement account. The subtraction under this clause shall  
 278 be made in accordance with the following schedule:

| T34 | Federal Adjusted Gross Income    | Deduction |
|-----|----------------------------------|-----------|
| T35 | Less than \$100,000              | 100.0%    |
| T36 | \$100,000 but not over \$104,999 | 85.0%     |
| T37 | \$105,000 but not over \$109,999 | 70.0%     |
| T38 | \$110,000 but not over \$114,999 | 55.0%     |
| T39 | \$115,000 but not over \$119,999 | 40.0%     |
| T40 | \$120,000 but not over \$124,999 | 25.0%     |
| T41 | \$125,000 but not over \$129,999 | 10.0%     |
| T42 | \$130,000 but not over \$139,999 | 5.0%      |
| T43 | \$140,000 but not over \$149,999 | 2.5%      |
| T44 | \$150,000 and over               | 0.0%      |

279 (xxx) To the extent properly includable in gross income for federal  
 280 income tax purposes, for the taxable year commencing January 1, 2022,  
 281 the amount or amounts paid or otherwise credited to any eligible  
 282 resident of this state under (I) the 2020 Earned Income Tax Credit  
 283 enhancement program from funding allocated to the state through the  
 284 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,  
 285 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned  
 286 Income Tax Credit enhancement program from funding allocated to the  
 287 state pursuant to Section 9901 of Subtitle M of Title IX of the American  
 288 Rescue Plan Act of 2021, P.L. 117-2;

289 (xxxi) For the taxable year commencing January 1, 2023, and each  
 290 taxable year thereafter, for a taxpayer licensed under the provisions of  
 291 chapter 420f or 420h, the amount of ordinary and necessary expenses  
 292 that would be eligible to be claimed as a deduction for federal income  
 293 tax purposes under Section 162(a) of the Internal Revenue Code but that  
 294 are disallowed under Section 280E of the Internal Revenue Code

295 because marijuana is a controlled substance under the federal  
296 Controlled Substance Act;

297 (xxxii) To the extent properly includable in gross income for federal  
298 income tax purposes, for the taxable year commencing on or after  
299 January 1, 2025, and each taxable year thereafter, any common stock  
300 received by the taxpayer during the taxable year under a share plan, as  
301 defined in section 12-217ss;

302 (xxxiii) To the extent properly includable in gross income for federal  
303 income tax purposes, the amount of any student loan reimbursement  
304 payment received by a taxpayer pursuant to section 10a-19m;

305 (xxxiv) Contributions to an ABLE account established pursuant to  
306 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for  
307 each individual taxpayer or ten thousand dollars for taxpayers filing a  
308 joint return;

309 (xxxv) To the extent properly includable in gross income for federal  
310 income tax purposes, the amount of any payment received pursuant to  
311 subsection (c) of section 3-122a;

312 (xxxvi) For an account holder, as defined in section 12-724b, who files  
313 a return under the federal income tax as an unmarried individual, a  
314 married individual filing separately or a head of household, whose  
315 federal adjusted gross income for the taxable year is less than one  
316 hundred twenty-five thousand dollars or who files a return under the  
317 federal income tax as married individuals filing jointly whose federal  
318 adjusted gross income for the taxable year is less than two hundred fifty  
319 thousand dollars:

320 (I) To the extent not deductible in determining federal adjusted gross  
321 income, for the taxable year commencing January 1, 2027, an amount  
322 equal to the contributions deposited during the taxable years  
323 commencing January 1, 2026, and January 1, 2027, in a first-time  
324 homebuyer savings account established pursuant to subsection (c) of  
325 section 12-724b, less any amounts withdrawn during said taxable years

326 by the account holder from such account under subparagraph (D) of  
327 subdivision (2) of subsection (f) of section 12-724b. The amount claimed  
328 under this subclause shall not exceed two thousand five hundred  
329 dollars for each such taxable year for an unmarried individual, a  
330 married individual filing separately or a head of household and five  
331 thousand dollars for each such taxable year for married individuals  
332 filing jointly;

333 (II) To the extent not deductible in determining federal adjusted gross  
334 income, for the taxable year commencing January 1, 2028, and each  
335 taxable year thereafter, an amount equal to the contributions deposited  
336 during the taxable year in a first-time homebuyer savings account  
337 established pursuant to subsection (c) of section 12-724b, less any  
338 amounts withdrawn during the taxable year by the account holder from  
339 such account pursuant to subparagraph (D) of subdivision (2) of  
340 subsection (f) of section 12-724b. The amount allowed to be claimed  
341 under this subclause for the taxable year shall not exceed two thousand  
342 five hundred dollars for an unmarried individual, a married individual  
343 filing separately or a head of household and five thousand dollars for  
344 married individuals filing jointly; and

345 (III) To the extent properly includable in gross income for federal  
346 income tax purposes, for the taxable year commencing January 1, 2027,  
347 and each taxable year thereafter, an amount equal to the sum of all  
348 interest accrued on a first-time homebuyer savings account, established  
349 pursuant to subsection (c) of section 12-724b, during the taxable year;  
350 [and]

351 (xxxvii) To the extent properly includable in gross income for federal  
352 income tax purposes, for the taxable year commencing January 1, 2027,  
353 and each taxable year thereafter, for an account holder who is a qualified  
354 beneficiary of a first-time homebuyer savings account, as those terms  
355 are defined in section 12-724b, and who files a return under the federal  
356 income tax as an unmarried individual, a married individual filing  
357 separately or a head of household, whose federal adjusted gross income  
358 for the taxable year is less than one hundred twenty-five thousand

359 dollars or who files a return under the federal income tax as married  
 360 individuals filing jointly whose federal adjusted gross income for the  
 361 taxable year is less than two hundred fifty thousand dollars, an amount  
 362 equal to any withdrawal from such account that is used to pay or  
 363 reimburse such qualified beneficiary for eligible costs, as defined in  
 364 section 12-724b, incurred by the qualified beneficiary; and

365 (xxxviii) The amount properly deductible for federal income tax  
 366 purposes under Section 165 of the Internal Revenue Code as a theft loss  
 367 from cryptocurrency investment fraud or wire fraud.

|   |  |                  |
|---|--|------------------|
| This act shall take effect as follows and shall amend the following sections: |  |                  |
| Section 1   | <i>January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027</i> | 12-701(a)(20)(B) |

**FIN**      *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

**OFA Fiscal Note**

**State Impact:**

| Agency Affected                | Fund-Effect                 | FY 27 \$ | FY 28 \$          |
|--------------------------------|-----------------------------|----------|-------------------|
| Department of Revenue Services | GF - Potential Revenue Loss | None     | Up to 3.8 million |

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which establishes a personal income tax deduction for the amount of a theft loss from cryptocurrency investment fraud or wire fraud that is deductible for federal income tax purposes, results in a potential General Fund revenue loss of up to \$3.8 million annually beginning as early as FY 28. The precise revenue loss is dependent upon the volume and magnitude of losses that would be deductible annually under the bill.<sup>1</sup>

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future.

*Sources: Federal Bureau of Investigation Internet Crime Report 2025  
Internal Revenue Service Topic no. 515, Casualty, disaster, and theft losses*

<sup>1</sup> To claim a theft loss, the Internal Revenue Service instructs victims to do so as itemized deductions. As of the 2022 tax year (the most recent data available), approximately 11% of Connecticut filers claimed itemized deductions on their federal personal income taxes.

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**OLR Bill Analysis****HB 5115*****AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR CERTAIN LOSSES INCURRED AS A RESULT OF CRYPTOCURRENCY INVESTMENT FRAUD OR WIRE FRAUD.*****SUMMARY**

This bill creates a personal income tax deduction for the amount of a theft loss from cryptocurrency investment fraud or wire fraud that is deductible for federal income tax purposes.

Federal law allows an income tax deduction for certain losses sustained during a taxable year that are uncompensated, such as by insurance. Specifically, for individuals with losses that are not connected with a trade or business, it allows a deduction for:

1. losses incurred in a transaction entered into for profit (26 U.S.C. § 165(c)(2)) and
2. certain other losses not connected to a transaction entered into for profit that are referred to as personal casualty losses (26 U.S.C. §§ 165(c)(3) & (h)(3)(B)).

These two types of losses include losses from theft. By law, “theft” includes larceny, embezzlement, and robbery. The amount of a loss is generally the fair market value of the property when it was stolen (26 C.F.R. §§ 1.165-7 & 1.165-8).

There are several requirements to sustain a theft loss claim. Generally, to do so, a taxpayer must establish that the loss was from an illegal taking of property done with criminal intent that was illegal under the law of the jurisdiction in which it occurred (Internal Revenue Service Revenue Ruling 2009-9).

EFFECTIVE DATE: January 1, 2027, and applicable to tax years beginning on or after that date.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 34 Nay 20 (03/30/2026)