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II

118TH CONGRESS
2D SESSION

S. 4801

To amend the Internal Revenue Code of 1986 to exclude discharge of coerced indebtedness from gross income.

IN THE SENATE OF THE UNITED STATES

JULY 25, 2024

Ms. SMITH (for herself and Ms. KLOBUCHAR) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to exclude discharge of coerced indebtedness from gross income.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Tax Relief for Coerced Debt Act of 2024''.

SEC. 2. EXCLUSION OF DISCHARGED OF COERCED INDEBTEDNESS.

(a) IN GENERAL.—Section 108 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(j) TREATMENT OF DISCHARGE OF COERCED INDEBTEDNESS.—

"(1) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or in part) of coerced indebtedness.

"(2) COERCED INDEBTEDNESS.—For purposes of this subsection—

"(A) IN GENERAL.—Indebtedness of an individual shall be treated as coerced indebtedness if—

"(i) the indebtedness, or any portion thereof, was incurred—

"(I) as the result of the unknowing and unauthorized use of personal identifying information of the individual, or

"(II) by reason of economic abuse, intimidation, harassment, threat of force, force, fraud, deception, coercion, undue influence, or other similar means, and

"(ii) the individual is relieved of personal liability for the debt or any obligation to the creditor or other claimants pursuant to a court judgement.

"(B) ECONOMIC ABUSE.—The term 'economic abuse' means behavior, without regard to the relationship context in which such behavior occurs, which is otherwise described in section 40002(a)(13) of the Violence Against Women Act of 1994, and includes interference with the individual's ability to work.

"(3) REPORTING AND FILING REQUIREMENTS.—The Secretary shall ensure that no additional reporting or filing requirements are imposed on the individual with respect to the exclusion under this subsection.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges of indebtedness after December 31, 2023.

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