

Statement of
Representative Doug LaMalfa

House Committee on Ways and Means
Member Day
Thursday, September 14, 2023
9:30AM

Chairman Smith, Ranking Member Neal, and Members of the United States House Committee on Ways and Means, thank you for organizing this Member Day and allowing us a few moments to discuss our priorities within the Committee's jurisdiction.

This morning, I would like to bring H.R. 4970, the Protect Innocent Victims Of Taxation After Fire Act to your attention. In partnership with my California colleague, Tax Policy Subcommittee Ranking Member Mike Thompson, this bill has been drafted to halt the imminent taxation of disaster aid for wildfire victims and survivors.

Ranking Member Thompson and I have the distinct honor of representing the resilient survivors of multiple wildfires across Northern California. From 2015 to 2018, devastating fires sparked by electrical transmission lines destroyed nearly 30,000 thousand of structures in our Congressional Districts, injuring hundreds, and killing more than 130 of our constituents.

In the aftermath, survivors received disaster assistance from FEMA. As many of you on this Committee probably know, under Internal Revenue Code Section 139, this assistance is tax free.

In fact, there are a multitude of other provisions in our tax code which offer tax relief to disaster victims: Section 121 for excluding property losses, Section 165 for deducting casualty losses, Section 1033 for deferring involuntary conversions, Section 213 for deducting personal medical care costs, and several more Sections throughout the code.

However, survivors of the fires from 2015 to 2018 were also recipients of disaster aid payments from a special settlement trust created in 2020 when the power utility went bankrupt. Unlike disaster aid from FEMA, payments from this settlement will be fully taxed as income. Worse: despite court-approved lawyers receiving between 25% and 30% of each payment, recipients will pay taxes on the full amount.

This series of events is not exclusive to Northern California: it has happened again in both Colorado and Oregon. The protection offered by H.R. 4970 extends guaranteed relief and ease of mind to wildfire survivors anywhere in the United States – California, Colorado, Oregon, New Mexico, Utah, Arizona, Texas, and even Hawaii.

This legislation is simple. These payments – though not coming from FEMA – are disaster aid. Survivors don't have the resources to navigate our tax code. They deserve the simple, singular tax exemption given to all other forms of disaster aid. Notably, the bill includes a 'no double benefit' clause which will allow survivors with the resources or knowledge necessary to use existing tax benefits, to do so.

Disaster relief through changes to tax policy has been a common Congressional approach for the past two decades. In some form, Congress has passed disaster-related tax relief in 2002, 2005, 2008, 2017, 2018, 2019, 2020, and 2021.

Once again, thank you for your time this morning. I am happy to answer any questions you may have regarding this legislation.