

Congress of the United States
Washington, DC 20515

December 8, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-222, The Capitol
Washington, D.C. 20515

The Honorable Charles E. Schumer
Majority Leader
U.S. Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
S-230, The Capitol
Washington, D.C. 20510

Dear Speaker Pelosi, Leader McCarthy, Leader Schumer, and Leader McConnell:

As you continue to negotiate end-of-year legislative packages, we urge you to include vital tax relief for wildfire survivors.

The Fire Victim Trust was established following California wildfires in 2015, 2017, and 2018. The Trust's claimants are survivors of 2018 Camp Fire (DR-4407-CA), the 2017 Northern California Wildfires (DR-4344-CA), and the 2015 Butte Fire (DR-4240-CA). These survivors, many of whom are still unable to return to a home on their property, are generally entitled to compensation from the trust for physical and emotional damages stemming from the wildfires.

The Trust began issuing payments to survivors in 2020. While the current tax code does provide some relief to wildfire survivors in the event of property loss in a disaster area, these provisions do not make sufficiently clear that survivors should not face a tax burden upon receipt of their settlement award. As the Trust continues to make payments to survivors, Congress must provide a clear exemption for settlement awards. This approach, as outlined in H.R. 7305 / S. 4666, is straightforward, comprehensible to survivors, and ensures that survivors do not need to dig up potentially seven years of tax records as they navigate what has already been a long and painful process. It would also reduce the administrative burden required of the Internal Revenue Service (IRS).

In addition, our legislation addresses a clear issue of double taxation related to attorneys' fees. Under present law, survivors who receive a settlement award must use the full amount of their award when calculating any tax implications – even though roughly one-third of their award is paid to attorneys. If enacted, H.R. 7305 / S. 4666 would ensure that lawyers hired by the Trust

pay normal income tax on their portion of the awards, while shielding wildfire survivors from paying taxes on portions of awards they never control.

Given the increasing frequency and intensity of Western wildfires, it is possible – if not highly probable – that similar circumstances will arise in the future. Passing H.R. 7305 / S. 4666 now will provide hugely helpful clarity to wildfire survivors moving forward.

No wildfire survivor should have to pay taxes on their settlement awards. These families and individuals have lost their homes. Survivors should be entitled to the full amount of their award, and should not owe taxes on payments made to lawyers they never hired. We respectfully request that you include H.R. 7305 / S. 4666 in any of the year-end legislative packages being negotiated.

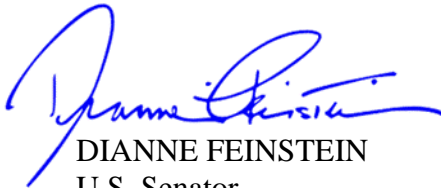
Sincerely,



MIKE THOMPSON
Member of Congress



DOUG LAMALFA
Member of Congress



DIANNE FEINSTEIN
U.S. Senator



ALEX PADILLA
U.S. Senator

/s
DORIS MATSUI
Member of Congress

/s
TOM MCCLINTOCK
Member of Congress

/s
JARED HUFFMAN
Member of Congress

/s
JIMMY PANETTA
Member of Congress

/s
BARBARA LEE
Member of Congress

/s
JACKIE SPEIER
Member of Congress

/s
J. LUIS CORREA
Member of Congress

/s
ALAN LOWENTHAL
Member of Congress

/s
SALUD CARBAJAL
Member of Congress

/s
JOHN GARAMENDI
Member of Congress

/s
MARK TAKANO
Member of Congress

/s
ANNA ESHOO
Member of Congress

/s
KATIE PORTER
Member of Congress

/s
DAVID VALADAO
Member of Congress

/s
TED LIEU
Member of Congress

/s
NORMA TORRES
Member of Congress

/s
CONNIE CONWAY
Member of Congress

/s
MARK DESAULNIER
Member of Congress

/s
JULIA BROWNLEY
Member of Congress

/s
AMI BERA, M.D.
Member of Congress

/s
JIM COSTA
Member of Congress

/s
JAY OBERNOLTE
Member of Congress