

ALEX PADILLA

U.S. SENATOR *for* CALIFORNIA

Protect Innocent Victims Of Taxation After Fire Act

Sens. Alex Padilla (D-Calif.), Bill Cassidy (R-La.),
Jon Tester (D-Mont.), and Cynthia Lummis (R-Wyo.)

Background:

PG&E equipment was found to be responsible for the 2015 Butte, 2017 North Bay, and 2018 Camp Fires. In 2019, PG&E and victims of these wildfires reached a settlement that set up a \$13.5 billion Fire Victim Trust funded with cash considerations and 477 million shares of PG&E stock. Unfortunately, the taxability of funds received from the Trust varies based on what type of loss is being claimed, which makes it difficult for recipients to determine what amount of their claims can be used to rebuild their lives or replace their losses.

Utility-caused fires are becoming increasingly common, meaning more states now have qualifying settlements or active litigation related to such disasters. This bill would provide future wildfire survivors with the certainty that their settlement money will not be taxed so that they can focus on recovery.

Last Congress, Senators Feinstein, Padilla, and Hickenlooper along with Representatives LaMalfa and Thompson introduced a version of this legislation designed to cover the Fire Victim Trust claimants. **The updated bill broadens applicability beyond the PG&E settlement to fully exempt all other wildfire-related settlements from federal taxation.** Covered payments include compensation for losses, expenses, or damages, such as compensation for additional living expenses, lost wages, personal injury, death, or emotional distress.

What the bill would do:

Exclude from the gross income of a taxpayer, for income tax purposes, qualified wildfire relief payments, including compensation for losses, expenses, or damages (including compensation for additional living expenses, lost wages, personal injury, death, or emotional distress) paid in connection with a qualifying wildfire disaster.