

A-Engrossed House Bill 4007

Ordered by the House March 4
Including House Amendments dated March 4

Sponsored by Representatives CATE, JAVADI, LEVY B, GOODWIN; Representatives BOICE, CONRAD, DIEHL, MANNIX, OWENS, RESCHKE, Senator KNOPP (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Exempts awards from and legal fees paid in wildfire suits from income tax. (Flesch Readability Score: 76.5).

Creates an Oregon tax subtraction for amounts received in settlement of civil actions arising from wildfire. *[Allows]* **Creates** an Oregon *[itemized deduction]* **tax subtraction** for wildfire-related legal fees paid by plaintiffs. **Allows taxpayer to amend return to claim refund for earliest tax year in which a subtraction is allowed.**

Applies to **wildfire emergency declarations and executive orders issued on or after January 1, 2018, and before January 1, 2026, and to** amounts received, **losses incurred** and legal fees paid in all tax years beginning on or after January 1, *[2020]* **2018.**

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to tax treatment of wildfire litigation; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 and 3 of this 2024 Act are added to and made a part of ORS**
5 **chapter 316.**

6 **SECTION 2. (1) There shall be subtracted from federal taxable income any amount re-**
7 **ceived in judgment or settlement of a civil action arising from a wildfire, as defined in ORS**
8 **477.089, and awarded to a plaintiff.**

9 **(2) A subtraction under this section is allowed only for resolution of civil actions arising**
10 **from a wildfire that:**

11 **(a) Is the subject of a state of emergency declared by the Governor;**

12 **(b) Occurs in an area subject to an executive order of the Governor invoking the Emer-**
13 **gency Conflagration Act under ORS 476.510 to 476.610; or**

14 **(c) Is a federally declared disaster, as defined in section 165 of the Internal Revenue Code,**
15 **whether located within Oregon or elsewhere.**

16 **(3) A subtraction under this section:**

17 **(a) Is not allowed for any amount described in subsection (1) of this section that is taken**
18 **into account as a deduction or credit on the taxpayer's federal income tax return for any tax**
19 **year; and**

20 **(b) Is allowed only to the extent that losses, expenses or other damages compensated by**
21 **the amount of the judgment or settlement are not compensated for by insurance or other-**
22 **wise.**

23 **SECTION 3. (1) As used in this section:**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 (a) "Wildfire" means a wildfire as defined in ORS 477.089, that:

2 (A) Is the subject of a state of emergency declared by the Governor;

3 (B) Occurs in an area subject to an executive order of the Governor invoking the Emer-
4 gency Conflagration Act under ORS 476.510 to 476.610; or

5 (C) Is a federally declared disaster, as defined in section 165 of the Internal Revenue
6 Code, whether located within Oregon or elsewhere.

7 (b) "Wildfire-related litigation" means litigation through which a plaintiff seeks compen-
8 sation for losses, expenses or damages found to be caused by a wildfire.

9 (2) There may be subtracted from federal taxable income the amount:

10 (a) That would be allowable under sections 63(d) and 67 of the Internal Revenue Code as
11 amended and in effect on December 21, 2017, and as applicable to tax years beginning before
12 January 1, 2018, as a deduction for legal fees incurred by a plaintiff in wildfire-related liti-
13 gation; and

14 (b) As applicable to the tax year of the taxpayer.

15 (3) A subtraction under this section is allowed regardless of whether the taxpayer elects
16 to deduct itemized deductions on the taxpayer's federal or state return.

17 **SECTION 4.** (1) Section 2 of this 2024 Act applies to declarations and executive orders
18 issued on or after January 1, 2018, and before January 1, 2026, and, notwithstanding ORS
19 315.037, to amounts received in all tax years beginning on or after January 1, 2018.

20 (2) Section 3 of this 2024 Act applies to:

21 (a) Declarations and executive orders issued on or after January 1, 2018, and before
22 January 1, 2026; and

23 (b) Notwithstanding ORS 315.037, losses incurred and legal fees paid or incurred in all tax
24 years beginning on or after January 1, 2018.

25 **SECTION 5.** (1) Any taxpayer who seeks refunds due to exemption of amounts from
26 taxation as provided in section 2 or 3 of this 2024 Act, as applicable to tax years beginning
27 on or after January 1, 2018, and before January 1, 2021, shall file an amended return for the
28 applicable tax year.

29 (2) Notwithstanding ORS 314.415 (2), a taxpayer may file a claim for a refund described
30 in subsection (1) of this section at any time prior to May 15, 2025.

31 (3) A refund described in this section does not bear interest under ORS 305.220.

32 **SECTION 6.** This 2024 Act takes effect on the 91st day after the date on which the 2024
33 regular session of the Eighty-second Legislative Assembly adjourns sine die.

34