

House Bill 4007

Sponsored by Representatives CATE, JAVADI, LEVY B, GOODWIN; Representatives BOICE, CONRAD, DIEHL, OWENS, Senator KNOPP (Pre-session 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 **as introduced**. 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 an Oregon itemized deduction for wildfire-related legal fees paid by plaintiffs.

Applies to amounts received and legal fees paid in all tax years beginning on or after January 1, 2020.

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

A BILL FOR AN ACT

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

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

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

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

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

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

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

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

15 **(3) A subtraction may not be allowed under this section for any amount described in**
16 **subsection (1) of this section that is:**

17 **(a) Taken into account as a deduction on the taxpayer's federal income tax return for**
18 **the tax year; or**

19 **(b) Allowed as a subtraction on a return filed with a taxing authority in another state.**

20 **SECTION 3. If, in computing federal income tax for the tax year, the taxpayer deducted**
21 **itemized deductions, as defined in section 63(d) of the Internal Revenue Code, there may be**
22 **subtracted from federal taxable income the amount:**

23 **(1) That would be allowable under section 67 of the Internal Revenue Code as amended**
24 **and in effect on December 21, 2017, and as applicable to tax years beginning before January**
25 **1, 2018, as a deduction for legal fees incurred by a plaintiff seeking compensation for losses,**
26 **expenses or damages through wildfire-related litigation; and**
27

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 **(2) As applicable to the tax year of the taxpayer.**

2 **SECTION 4.** **(1) Notwithstanding ORS 315.037, section 2 of this 2024 Act applies to losses**
3 **incurred and amounts received in all tax years beginning on or after January 1, 2020.**

4 **(2) Notwithstanding ORS 315.037, section 3 of this 2024 Act applies to losses incurred and**
5 **to legal fees paid or incurred in all tax years beginning on or after January 1, 2020.**

6 **SECTION 5.** **This 2024 Act takes effect on the 91st day after the date on which the 2024**
7 **regular session of the Eighty-second Legislative Assembly adjourns sine die.**

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