

House Bill 4078

Sponsored by Representative DIEHL, Senators GIROD, MEEK, Representative GOMBERG; Representatives BOICE, BREESE-IVERSON, BUNCH, EDWARDS, HELFRICH, LEVY B, LEWIS, MANNIX, MCINTIRE, NOSSE, OSBORNE, OWENS, PHAM H, SCHAFER, SKARLATOS, YUNKER, Senators FREDERICK, SMITH DB, THATCHER, WEBER (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 **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 corporate excise and income tax. (Flesch Readability Score: 76.5).

Creates Oregon corporate excise and income tax subtractions for amounts received in resolution of a civil action arising from wildfire. Creates Oregon corporate excise and income tax subtractions for wildfire-related legal fees paid by plaintiffs. Allows a taxpayer to amend a return to claim a refund for the earliest tax year in which a subtraction is allowed.

Applies to declarations and executive orders issued on or after January 1, 2018, and before January 1, 2027, and to amounts received, losses incurred and legal fees paid in tax years beginning on or after January 1, 2018.

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

1 A BILL FOR AN ACT

2 Relating to an income tax subtraction allowed for plaintiffs in wildfire litigation; and prescribing
3 an effective date.

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

5 **SECTION 1. Sections 2 and 3 of this 2026 Act are added to and made a part of ORS**
6 **chapter 317.**

7 **SECTION 2. (1) There shall be subtracted from federal taxable income any amount re-**
8 **ceived in judgment or settlement of a civil action arising from a wildfire, as defined in ORS**
9 **477.089, and awarded to a plaintiff.**

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

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

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

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

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

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

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

24 **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 any amount of legal fees in-
10 curred by a plaintiff in wildfire-related litigation that is not otherwise allowed as a deduction
11 to the taxpayer, as incurred in the tax year by the taxpayer.

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

14 **SECTION 4.** Sections 5 and 6 of this 2026 Act are added to and made a part of ORS
15 chapter 318.

16 **SECTION 5.** (1) There shall be subtracted from federal taxable income any amount re-
17 ceived in judgment or settlement of a civil action arising from a wildfire, as defined in ORS
18 477.089, and awarded to a plaintiff.

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

21 (a) Is the subject of a state of emergency declared by the Governor;
22 (b) Occurs in an area subject to an executive order of the Governor invoking the Emer-
23 gency Conflagration Act under ORS 476.510 to 476.610; or
24 (c) Is a federally declared disaster, as defined in section 165 of the Internal Revenue Code,
25 whether located within Oregon or elsewhere.

26 (3) A subtraction under this section:

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

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

33 **SECTION 6.** (1) As used in this section:

34 (a) **“Wildfire”** means a wildfire, as defined in ORS 477.089, that:
35 (A) Is the subject of a state of emergency declared by the Governor;
36 (B) Occurs in an area subject to an executive order of the Governor invoking the Emer-
37 gency Conflagration Act under ORS 476.510 to 476.610; or
38 (C) Is a federally declared disaster, as defined in section 165 of the Internal Revenue
39 Code, whether located within Oregon or elsewhere.

40 (b) **“Wildfire-related litigation”** means litigation through which a plaintiff seeks compen-
41 sation for losses, expenses or damages found to be caused by a wildfire.

42 (2) There may be subtracted from federal taxable income any amount of legal fees in-
43 curred by a plaintiff in wildfire-related litigation that is not otherwise allowed as a deduction
44 to the taxpayer, as incurred in the tax year by the taxpayer.

45 (3) A subtraction under this section is allowed regardless of whether the taxpayer elects

1 to deduct itemized deductions on the taxpayer's federal or state return.

2 **SECTION 7.** (1) Sections 2 and 5 of this 2026 Act apply to declarations and executive or-
3 ders issued on or after January 1, 2018, and before January 1, 2027, and, notwithstanding ORS
4 315.037, to amounts received in all tax years beginning on or after January 1, 2018.

5 (2) Sections 3 and 6 of this 2026 Act apply to:

6 (a) Declarations and executive orders issued on or after January 1, 2018, and before
7 January 1, 2027; and

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

10 **SECTION 8.** (1) Any taxpayer who seeks refunds due to exemption of amounts from
11 taxation as provided in section 2 or 3 of this 2026 Act, as applicable to tax years beginning
12 on or after January 1, 2018, and before January 1, 2024, shall file an amended return for the
13 applicable tax year.

14 (2) Notwithstanding ORS 314.415 (2), a taxpayer may file a claim for a refund described
15 in subsection (1) of this section at any time prior to May 15, 2029.

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

17 **SECTION 9.** This 2026 Act takes effect on the 91st day after the date on which the 2026
18 regular session of the Eighty-third Legislative Assembly adjourns sine die.

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