

117TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to establish a deduction for attorney fees awarded with respect to certain wildfire damages and to exclude from gross income settlement funds received with respect to such damages.

IN THE SENATE OF THE UNITED STATES

Mrs. FEINSTEIN (for herself, Mr. PADILLA, and Mr. HICKENLOOPER) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to establish a deduction for attorney fees awarded with respect to certain wildfire damages and to exclude from gross income settlement funds received with respect to such damages.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. ABOVE THE LINE DEDUCTION FOR ATTORNEY**
2 **FEEES RELATING TO AWARDS FOR PROPERTY**
3 **DAMAGE DUE TO CERTAIN WILDFIRES.**

4 (a) IN GENERAL.—Section 62(a) of the Internal Rev-
5 enue Code of 1986 is amended by inserting after para-
6 graph (21) the following new paragraph:

7 “(22) ATTORNEY FEES AND COURT COSTS RE-
8 LATING TO AWARDS WITH RESPECT TO CERTAIN
9 WILDFIRES.—

10 “(A) IN GENERAL.—Any deduction allow-
11 able under this chapter for attorney fees and
12 court costs paid by, or on behalf of, the tax-
13 payer in connection with any award with re-
14 spect to a qualifying wildfire disaster. The pre-
15 ceding sentence shall not apply to any deduc-
16 tion in excess of the amount includible in the
17 taxpayer’s gross income for the taxable year on
18 account of a judgment or settlement (whether
19 by suit or agreement and whether as lump sum
20 or periodic payments) resulting from such
21 claim.

22 “(B) QUALIFYING WILDFIRE DISASTER.—
23 For purposes of subparagraph (A), the term
24 ‘qualifying wildfire disaster’ means any forest
25 or range fire that—

1 “(i) is a federally declared disaster (as
2 defined in section 165(i)(5)(A)),

3 “(ii) occurs in a disaster area (as de-
4 fined in section 165(i)(5)(B)), and

5 “(iii) occurs in calendar year 2015 or
6 later.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to attorney fees and court costs
9 awarded after May 31, 2020.

10 **SEC. 2. EXCLUSION OF CERTAIN WILDFIRE SETTLEMENT**
11 **PROCEEDS FROM GROSS INCOME.**

12 (a) IN GENERAL.—Part III of subchapter B of chap-
13 ter 1 of the Internal Revenue Code of 1986 is amended
14 by inserting after section 139I the following new section:

15 **“SEC. 139J. CERTAIN WILDFIRE SETTLEMENT PROCEEDS.**

16 “(a) IN GENERAL.—Gross income shall not include
17 amounts paid by a qualified settlement fund established
18 to compensate victims for losses or damages in connection
19 with a qualifying wildfire disaster (as defined in section
20 62(a)(22)(B)).

21 “(b) QUALIFIED SETTLEMENT FUND.—The term
22 ‘qualified settlement fund’ has the meaning given such
23 term in Treasury Regulation 1.468B–1.”.

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for part III of subchapter B of chapter 1 of such Code

1 is amended by inserting after the item relating to section
2 139I the following new item:

“Sec. 139J. Wildfire settlement proceeds.”.

3 (c) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to amounts paid after May 31,
5 2020.