City of Santa Rosa

May 25, 2023

The Honorable Mike Thompson
U.S. House of Representatives
268 Cannon Office Building
Washington, D.C. 20515

Dear Rep. Thompson:

On behalf of the City of Santa Rosa, I write to express our strong support for your bill, H.R. 176, which would ensure that fire survivors have the tax relief they need to fully recover and rebuild their lives.

As you may recall, the October 2017 Sonoma Complex Fires claimed 24 lives, destroyed 3,043 residential units in Santa Rosa, and caused more than $70 million in damages to critical water and transportation infrastructure, community facilities, local businesses, parks and open spaces.

NATALIE ROGERS
Mayor

DIANNA MACDONALD
Vice Mayor

EDDIE ALVAREZ
VICTORIA FLEMING
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Currently, the I.R.S. tax code considers funds received for Emotional Distress (aka Pain & Suffering) and other categories of restitution as taxable income. To rebuild their lives, fire survivors need 100% of their claims. Unfair taxation of Pain & Suffering adds pain and suffering to what has already been unimaginable loss. Adding to this unfair taxation, disaster victims are required to pay federal income taxes on attorney fees.

As a result, fire victims in our community are only going to receive approximately 75% of their claims from the PG&E Fire Victims Trust. This taxation will cause many fire victims to be unable to rebuild and recover. Additionally, considering claims as income and taxable, has the unfortunate effect of pushing claimants into higher tax brackets and this can put public assistance and VA benefits at risk for what is a one-time event.

Monetary compensation received after losing one's home should not be regarded as income. H.R. 176 will amend the Internal Revenue Code of 1986 to establish a deduction for attorney fees awarded with respect to certain wildfire damages and exclude from gross income settlement funds received with respect to such damages.

We thank you for your ongoing support for our community and continuing to help fire survivors recover and rebuild their lives.

Sincerely,

Natalie Rogers, Mayor

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