

118TH CONGRESS  
1ST SESSION

# H. R. 176

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2023

Mr. LAMALFA (for himself, Mr. THOMPSON of California, Mr. MCCLINTOCK, and Mr. HUFFMAN) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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 **FEEs 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 adding at the end the  
6 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 such term is defined in section  
3 165(i)(5)(A)),

4 “(ii) occurs in a disaster area (as such  
5 term is defined in section 165(i)(5)(B)),  
6 and

7 “(iii) occurs in calendar year 2015 or  
8 later.”.

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

12 **SEC. 2. EXCLUSION OF CERTAIN WILDFIRE SETTLEMENT**  
13 **PROCEEDS FROM GROSS INCOME.**

14 (a) **IN GENERAL.**—Part III of subchapter B of chap-  
15 ter 1 of the Internal Revenue Code of 1986 is amended  
16 by inserting after section 139I the following new section:  
17 **“SEC. 139J. CERTAIN WILDFIRE SETTLEMENT PROCEEDS.**

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

23 “(b) **QUALIFIED SETTLEMENT FUND.**—The term  
24 ‘qualified settlement fund’ has the meaning given such

1 term in Section 1.468B–1 of title 26, Code of Federal  
2 Regulations.”.

3 (b) CLERICAL AMENDMENT.—The table of sections  
4 for part III of subchapter B of chapter 1 of such Code  
5 is amended by inserting after the item relating to section  
6 139I the following new item:

“Sec. 139J. Certain wildfire settlement proceeds.”.

7 (c) EFFECTIVE DATE.—The amendment made by  
8 this section shall apply to amounts paid after May 31,  
9 2020.

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