

**REVENUE IMPACT OF
PROPOSED LEGISLATION
82nd Oregon Legislative Assembly
2024 Regular Session
Legislative Revenue Office**

Bill Number: SB 1520 - B
Revenue Area: Personal Income Tax
Economist: Kyle Easton
Date: 3/4/2024

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description:

Creates Oregon personal income tax subtraction for any amount received in judgment or settlement of a civil action arising from wildfire. Requires wildfire to be subject of a state of emergency declared by the Governor, occur in an area subject to executive order of the Governor invoking the Emergency Conflagration Act, or be a federally declared disaster located within Oregon or elsewhere. Creates Oregon personal income tax subtraction for legal fees incurred by a plaintiff seeking compensation for losses, expenses, or damages through wildfire-related litigation. Disallows subtraction if amount is otherwise claimed as a credit or deduction on a taxpayer's federal income tax return, or amount is compensated by insurance or otherwise. Applies to losses incurred, amounts received, and legal fees subtracted in tax years beginning on or after January 1, 2018, from wildfires that were declared in years 2018 through 2025. Allows tax returns from years 2018 through 2020 to be amended and filed prior to May 15, 2025, for purposes of claiming the wildfire judgment/settlement or legal fees subtractions.

Revenue Impact:

Under current law, amounts received from a judgment or settlement may be subject to income taxation depending on the particulars of the judgment or settlement. The Oregon income tax subtraction created by the measure would eliminate Oregon income tax liability on qualified amounts that would otherwise be subject to taxation. Subtraction of legal fees effectively reinstates as an Oregon subtraction, the miscellaneous itemized deduction but specific only to legal fees incurred by a plaintiff seeking compensation through wildfire-related litigation.

Since 2018, Oregon and neighboring states have experienced multiple wildfires that would meet measure's applicable wildfire designation. Of particular importance in terms of potential revenue impact are a subset of the 2020 wildfires that are subject to ongoing litigation and/or recent settlement with PacifiCorp (Archie Creek, Santiam Canyon, Echo Mountain, South Obenchain, and Two-Four-Two fires). In 2023, a settlement of \$299 million was reached between PacifiCorp and nearly 500 southern Oregon residents relating to the Archie Creek Complex fire. Settlement specifics are not publicly available, but a portion of the settlement may no longer be subject to Oregon income taxation following use of the proposed tax subtraction. Litigation in Multnomah County between nearly 2,500 affected owners or residents and PacifiCorp is ongoing. Initial judgments for 26 of the 2,500 plaintiffs awarded about \$175 million in total damages, most of which are categorized as non-economic damages (such damages are more likely to be subject to taxation under current law). Amounts of the two initial judgments, financial filings, and amount of damages being sought suggest final damage award for all represented plaintiffs could be hundreds of millions of dollars or more, which would lead to sizeable amounts being subtracted under measure's proposed income tax subtraction. Potential judgment payments are considered prospective as litigation is ongoing and are not presently included in Oregon's baseline revenue forecast.

Creates, Extends, or Expands Tax Expenditure: Yes No

State Capitol Building
900 Court St NE
Salem, Oregon 97301-1347

Phone (503) 986-1266
Fax (503) 986-1770
<https://www.oregonlegislature.gov/lro>

The policy purpose of this measure is to assist taxpayers in rebuilding and recovering following the impact of a catastrophic wildfire.