

Email Questions and Answers

Do you know if there is really any definition problem with only using “settlement” in Section 2? Or should “judgment” be added in case a court orders it? **The bill should include both. In the Archie Creek fire case, we reached a “settlement” with PacifiCorp. In the Multnomah County class actions case, the plaintiffs received a “judgment” against PacifiCorp from a jury verdict.**

Can you clarify or prep a one pager for the record that shows if the bill is passed, the receiving home owner or filer pays no income taxes but if the same has to pay lawyers, processors, appraisers etc all those would have to declare that revenue for tax purposes? You recall Sen Golden raising this issue.

Scenario

- Settlement = \$1,000,000
- Net Settlement after Attorney fees & costs (35%) = \$650,000
- Current law requires payment of state and federal income taxes on **entire** settlement of \$1,000,000 so approximately \$450,000 in state and federal income taxes paid by fire victim
- Net check reduced to \$200,000 after taxes and attorney fees so fire victim only receives 20% of entire settlement.
- This unconscionable tax effect is because the federal 2017 Tax Cut and Jobs Act eliminated miscellaneous itemized deductions so the homeowners and renters cannot deduct their attorney fees and litigation expenses. Ironically, businesses that lost property in the fires CAN deduct their attorney fees and litigation expenses as necessary and ordinary business deductions. The outcome is ridiculously unfair to non-business homeowners and renters

Could “federal taxable income” be better defined by filer type without causing problems? Meaning Section 2 covers every filer it appears? Personal, partnership, corporation, etc? **I don’t know the answer to this question, but I do know that non-business homeowners and renters are being hit much harder than businesses with the current tax law as explained above.**

Our goal for passage is to rebuilding homes. Some 5000 maybe. Do we have anything from last Session that tells us how many homes were destroyed? Where? How many have been rebuild? The revenue impact? In the Archie Creek fire, we represent approximately 460 individuals and approximately 220 families. Without tax relief, many of these fire victims will not be able to rebuild. A few have begun to rebuild using their savings. Now that 90% of our fire victims have received their settlement checks from Pacific Power, they want to rebuild, but cannot do so because they have to pay approximately 69% of their net settlement or 45% of their gross settlement to the Oregon Department of Revenue and the Internal Revenue Service. The current tax code is almost as devastating to these Oregon residents as the fires themselves.

If we capped the subtraction how would we do it? As example, not to exceed the maximum assessed value of the property per the county assessor records in the year of destruction? Or the same plus 10% for personal losses? Or what might work? If you wanted to reduce the tax savings to appease certain legislators, your best bet would be to exempt attorney fees and litigation costs from Oregon income tax rather than the gross settlement. Not an outcome I support but better than nothing.

Do we need a clause that says if IRC allows a subtraction it can not be taken twice? This in anticipation of federal law changes? I'll let the tax gurus answer this question.