



STATE OF CALIFORNIA
Franchise Tax Board

Disaster Loss Deduction

Economic and Statistical Research Bureau

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Purpose

This report is intended to fulfill the Franchise Tax Board's (FTB) obligation under [Senate Bill 264](#) (Chapter 285, Statutes of 2023), which amended Revenue and Taxation Code (RTC) sections 17207.14 and 24347.14, and included language requiring the FTB to report to the Legislature by May 1, 2025 and annually thereafter the number of taxpayers allowed a disaster loss deduction.

Prepared by the Staff of the
Franchise Tax Board
STATE OF CALIFORNIA

Members of the Board:
Malia M. Cohen, Chair
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Background

The Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), in conformity or modified conformity with federal income tax laws, allow various deductions in computing the income that is subject to the taxes imposed by those laws. Under Chapter 230 of the Statutes of 2015 (SB 35), individuals and businesses are allowed a deduction for disaster losses sustained in Governor-declared disaster areas. The law provides assistance to those who suffered financial losses due to natural or man-made disasters such as wildfires, earthquakes, floods, or other catastrophic events for taxable years beginning on or after January 1, 2014, and before January 1, 2024, in any city, county, or city and county that is proclaimed by the Governor to be in a state of emergency. Existing law additionally provides that any subsequent legislation that suspends, defers, reduces, or otherwise diminishes the deduction of a net operating loss, shall not apply to taxpayers with a net operating loss (NOL) attributable to specified disaster losses. This report applies only to the NOL disaster loss and does not incorporate other disaster relief available to taxpayers.

Chapter 285 of the Statutes of 2023 (SB 264) extends the deductions operative date to taxable years beginning before January 1, 2029. This bill also requires the Franchise Tax Board (FTB) to annually submit the number of taxpayers allowed the deduction by May 1, 2025.

Franchise Tax Board Statutory Reporting Requirements

By May 1, 2025, and annually thereafter, the Franchise Tax Board shall submit a report to the Legislature, in accordance with Section 9795 of the Government Code, detailing the number of taxpayers allowed a deduction pursuant to this section and Section 24347.14.

This section shall remain in effect only until December 1, 2029, and as of that date is repealed.

Data

The FTB is intending to report on this new expenditure for tax year 2024 but due to the timing of this report, tax year 2024 data is not yet available.

The table below shows the average number of taxpayers per year allowed a disaster loss deduction for the previous seven tax years.

Table 1: Taxpayers Allowed a Disaster Loss Deduction

Tax Year	Number of Taxpayers
Previous Tax Year Average (2017-2023)	1,545