



STATE OF CALIFORNIA  
**Franchise Tax Board**

# Gross Income Exclusion for Disbursements from Fire Victim's Trust

Economic and Statistical Research Bureau

## **Purpose**

This report is intended to fulfill the Franchise Tax Board's obligation under Assembly Bill 1249(Chapter 749, Statutes of 2022) which added Revenue & Taxation Code sections 17138.5 and 24309.3 and included language requiring the Franchise Tax Board to report by April 1, 2023, to the Legislature, the number of taxpayers who received a payment and the aggregate amount the payments made by the Fire Victim's Trust.

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

Members of the Board:  
Malia M. Cohen, Chair  
Antonio Vazquez, Member  
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## Background

Under Chapter 749, of the Statutes of 2022 (AB 1249), for taxable years beginning before, on, or after the effective date of the act, allows an exclusion from gross income for amounts received in the settlement under the order of the United States Bankruptcy Court for the Northern District of California dated June 20, 2020, case number 19-30088, docket number 8053 and allows for refunds of tax previously paid on those amounts.

In 2018, Pacific Gas and Electric (PG&E) was sued by multiple victims of the Camp Fire. Soon after it was found that the company's equipment caused several wildfires, and this led to PG&E declaring bankruptcy. In June of 2020, the United States Bankruptcy Court for the Northern District of California approved PG&E's bankruptcy plan, which established the Fire Victim's Trust and authorized \$13.5 billion in compensation to victims of the 2015 Butte Fire, the 2017 North Bay Fires (including the Tubbs and Nuns fires), and the 2018 Camp Fire. The impact of the 2015, 2017, and 2018 fires related to this act were spread across Amador, Butte, Calaveras, Lake, Mendocino, Napa, Solano, and Sonoma counties. The Fire Victim Trust is responsible for administering, processing, and resolving eligible claims arising from these fires.

Generally, federal and state law allow an exclusion from gross income for settlement amounts, except for punitive damages, which result from personal physical injuries or physical sickness. However, amounts awarded for emotional distress must be included in gross income. In addition, in some cases federal and state law require the settlement recipient to include attorney's fees in their gross income. This act specified that any amount received in settlement claims including payments made from the PG&E trust to fire victims related to the 2015 Butte fire, 2017 North Bay fire, and 2018 Camp fire can be excluded from gross income, for state purposes, for both Personal Income and Corporation taxpayers. As of the writing of this report the federal government does not offer a similar benefit.

## Franchise Tax Board Statutory Reporting Requirements

In accordance with Section 41 of the Revenue and Taxation Code, the Franchise Tax Board (FTB) is required to provide a report, to the Legislature, that includes:

- The number of qualified taxpayers who received a payment from the Fire Victims Trust.
- The aggregate amount of those payments.

The FTB is required to produce this report on or before April 1, 2023. This report is intended to fulfill that requirement.

## Data

The [Fire Victim's Trust](#) provided FTB with the following data on payments made through, January 13, 2023.

- 52,033 fire victim payments have been made by the Fire Victim's Trust.
- The total aggregate amount of these payments is \$6.03 billion.

Unfortunately, exclusions of income are generally not reported on a tax return and therefore, FTB was unable to use tax return data to report the number of qualified taxpayers. In addition, the April 1, 2023, due date of this report, is before the due date for any returns that might have reported an exclusion for these payments.