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AB 376 – Personal Income Tax Law: exclusions: insurance proceeds: wildfires.

Summary:

AB 376 provides financial relief to wildfire survivors by excluding insurance proceeds received for fire-related damages or expenses from state taxable income. This ensures that qualified taxpayers who have incurred losses and received insurance payouts can fully utilize their benefits for rebuilding and recovery without additional financial burden.

Existing Law:

Under California's Personal Income Tax Law, most income is considered taxable unless specifically excluded. Federal and state laws provide certain exclusions to prevent additional financial burdens on taxpayers, particularly in times of crisis. However, insurance proceeds received for wildfire-related damages are currently subject to state income tax, reducing the financial assistance available to disaster survivors. There has been previous legislation, allowing for insurance settlements for specific fires to be tax exempt. AB 376 would allow for all fire payouts to be tax exempt instead of requiring victims to come back to the legislature each time a large fire breaks out and damages their homes

Problem:

Wildfires continue to devastate communities across California, destroying homes, personal property, and critical infrastructure. Homeowners and renters rely on insurance payouts to cover rebuilding costs and temporary living expenses. However, taxing these insurance proceeds reduces the funds available for recovery, placing additional financial strain on wildfire victims who are already facing significant hardship.

Solution:

AB 376 will provide an exclusion from gross income for any insurance proceeds received by a qualified taxpayer for damages or expenses resulting from a fire in a Governor-proclaimed state of emergency area. By preventing taxation on critical recovery funds, this bill ensures that wildfire survivors can maximize their insurance benefits and focus on rebuilding their lives without unnecessary financial burdens

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