

119TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to codify and extend the rules for personal casualty losses arising from major disasters and the rules for the exclusion from gross income of compensation for losses or damages resulting from certain wildfires.

IN THE SENATE OF THE UNITED STATES

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to codify and extend the rules for personal casualty losses arising from major disasters and the rules for the exclusion from gross income of compensation for losses or damages resulting from certain wildfires.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Disaster Tax
5 Relief Act of 2025”.

1 **SEC. 2. CODIFICATION AND EXTENSION OF RULES FOR**
2 **CASUALTY LOSSES ARISING FROM MAJOR**
3 **DISASTERS.**

4 (a) TREATMENT OF LOSSES.—

5 (1) IN GENERAL.—Section 165(h) of the Inter-
6 nal Revenue Code of 1986 is amended by adding at
7 the end the following new paragraph:

8 “(6) SPECIAL RULE FOR QUALIFIED DISASTER
9 LOSSES.—

10 “(A) IN GENERAL.—If an individual has a
11 qualified net disaster loss for any taxable year,
12 the amount determined under paragraph
13 (2)(A)(ii) shall be the sum of—

14 “(i) such net disaster loss, and

15 “(ii) so much of the excess referred to
16 in the matter preceding clause (i) of para-
17 graph (2)(A) (reduced by the amount in
18 clause (i) of this subparagraph) as exceeds
19 10 percent of the adjusted gross income of
20 the individual.

21 “(B) QUALIFIED NET DISASTER LOSS.—

22 For purposes of subparagraph (A), the term
23 ‘qualified net disaster loss’ means the excess of
24 qualified disaster-related personal casualty
25 losses over personal casualty gains.

1 “(C) QUALIFIED DISASTER-RELATED PER-
2 SONAL CASUALTY LOSSES.—

3 “(i) IN GENERAL.—For purposes of
4 this subsection, the term ‘qualified dis-
5 aster-related personal casualty losses’
6 means losses described in subsection (c)(3)
7 (determined after application of paragraph
8 (1)) which arise in a qualified disaster area
9 on or after the first day of the incident pe-
10 riod of the qualified disaster to which such
11 area relates, and which are attributable to
12 such disaster.

13 “(ii) QUALIFIED DISASTER AREA.—
14 The term ‘qualified disaster area’ means
15 any area with respect to which a major
16 disaster has been declared by the President
17 under section 401 of the Robert T. Staf-
18 ford Disaster Relief and Emergency Assist-
19 ance Act if the incident period of the dis-
20 aster with respect to which such declara-
21 tion is made begins after July 4, 2025,
22 and before January 1, 2027.

23 “(iii) QUALIFIED DISASTER.—The
24 term ‘qualified disaster’ means, with re-
25 spect to any qualified disaster area, the

1 disaster by reason of which a major dis-
2 aster was declared with respect to such
3 area.

4 “(iv) INCIDENT PERIOD.—For pur-
5 poses of this paragraph, the term ‘incident
6 period’ means, with respect to any quali-
7 fied disaster, the period specified by the
8 Federal Emergency Management Agency
9 as the period during which such disaster
10 occurred.”.

11 (2) CONFORMING AMENDMENT.—Section
12 165(h)(5)(B)(ii) of such Code is amended by insert-
13 ing “or (6)” after “paragraph (2)(A)”.

14 (b) DOLLAR LIMITATION.—Section 165(h)(1) of the
15 Internal Revenue Code of 1986 is amended by striking
16 “\$500 (\$100 for taxable years beginning after December
17 31, 2009)” and inserting “\$100 (\$500 in the case of any
18 net disaster loss to which paragraph (3) applies)”.

19 (c) STANDARD DEDUCTION.—

20 (1) IN GENERAL.—Section 63(c)(1) of the In-
21 ternal Revenue Code of 1986 is amended by striking
22 “and” at the end of subparagraph (A), by striking
23 the period at the end of subparagraph (B) and in-
24 serting “and”, and by adding at the end the fol-
25 lowing new subparagraph:

1 “(C) the disaster loss deduction.”.

2 (2) DISASTER LOSS DEDUCTION.—Section 63(c)
3 of such Code is amended by adding at the end the
4 following new paragraph:

5 “(8) DISASTER LOSS DEDUCTION.—For the
6 purposes of paragraph (1), the term ‘disaster loss
7 deduction’ means the excess of qualified net disaster
8 losses (as defined in section 165(h)(6)(B)) over the
9 amount of personal casualty gains (as defined in sec-
10 tion 165(h)(3)(A)) reduced by any portion of such
11 gains taken into account under section
12 165(h)(5)(B)(i).”.

13 (d) TREATMENT UNDER ALTERNATIVE MINIMUM
14 TAX.—Section 56(b)(1)(D) of the Internal Revenue Code
15 of 1986 is amended by inserting “(other than the disaster
16 loss deduction)” after “section 63(c)”.

17 (e) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to losses incurred in taxable years
19 beginning after December 31, 2024.

1 **SEC. 3. CODIFICATION AND EXTENSION OF EXCLUSION**
2 **FROM GROSS INCOME OF COMPENSATION**
3 **FOR LOSSES OR DAMAGES RESULTING FROM**
4 **CERTAIN WILDFIRES.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by inserting before section 140 the following new section:

8 **“SEC. 139M. COMPENSATION FOR LOSSES OR DAMAGES RE-**
9 **SULTING FROM CERTAIN WILDFIRES.**

10 “(a) IN GENERAL.—Gross income shall not include
11 any amount received by an individual as a qualified wild-
12 fire relief payment.

13 “(b) DEFINITIONS; QUALIFIED WILDFIRE RELIEF
14 PAYMENT.—For purposes of this section—

15 “(1) IN GENERAL.—The term ‘qualified wildfire
16 relief payment’ means any amount received by or on
17 behalf of an individual as compensation for losses,
18 expenses, or damages (including compensation for
19 additional living expenses, lost wages (other than
20 compensation for lost wages paid by the employer
21 which would have otherwise paid such wages), per-
22 sonal injury, death, or emotional distress) incurred
23 as a result of a qualified wildfire disaster, but only
24 to the extent the losses, expenses, or damages com-
25 pensated by such payment are not compensated for
26 by insurance or otherwise.

1 “(2) QUALIFIED WILDFIRE DISASTER.—The
2 term ‘qualified wildfire disaster’ means any Feder-
3 ally declared disaster (as defined in section
4 165(i)(5)(A)) after December 31, 2014, as a result
5 of any forest or range fire.

6 “(c) DENIAL OF DOUBLE BENEFIT.—Notwith-
7 standing any other provision of this title—

8 “(1) no deduction or credit shall be allowed (to
9 the person for whose benefit a qualified wildfire re-
10 lief payment is made) for, or by reason of, any ex-
11 penditure to the extent of the amount excluded
12 under this section with respect to such expenditure,
13 and

14 “(2) no increase in the basis or adjusted basis
15 of any property shall result from any amount ex-
16 cluded under this section with respect to such prop-
17 erty.

18 “(d) LIMITATION ON APPLICATION.—This section
19 shall only apply to qualified wildfire relief payments re-
20 ceived by the individual during taxable years beginning
21 after December 31, 2025, and before January 1, 2031.”.

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for part III of subchapter B of chapter 1 of such Code
24 is amended by inserting before the item related to section
25 140 the following new item:

“Sec. 139M. Compensation for losses or damages resulting from certain wildfires.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to payments received in taxable
3 years beginning after December 31, 2025.