FEDERAL DISASTER RELIEF ACT OF 2023: NEW LAW DELIVERS CRUCIAL AID FOR DISASTER VICTIMS

The **Federal Disaster Relief Act of 2023 (H.R. 5863)** was signed into law on December 12, 2024. This long-awaited bill provides critical tax relief to individuals and businesses affected by federally declared disasters, including Hurricane Ian and Hurricane Helene. Key provisions include:

Qualified Disaster Relief Payments

- Exclusion from Income
  - The Act excludes Qualified Wildfire Relief Payments and East Palestine disaster relief payments from gross income.
  - Qualified Disaster Relief Payments are amounts paid by a federal, state, or local government in connection with a federal declared disaster.
  - These payments are not included in an individual's income, provided they are not otherwise compensated by insurance or other reimbursement.

Postponement of Tax Deadlines

- California Wildfire Victims
  - Individuals and businesses residing in Los Angeles County have until **October 15, 2025**, to file and pay their taxes.
  - This relief applies to various deadlines, including:
    - **Income tax returns and payments** originally due April 15, 2025.
    - **Quarterly estimate taxes**:
      - 2024 Q4 estimate due January 15, 2025.
      - 2025 quarterly estimated taxes due April 15, June 15, and September 15, 2025.
    - **Quarterly payroll and excise tax returns** due January 31, April 30, and July 31, 2025.
    - **Other tax filings:**
      - Partnership and S Corp returns due March 17, 2025
      - Corporation and Fiduciary returns due April 15, 2025
      - Tax-Exempt organization returns due May 15, 2025
      - Estate, gift, and generation-skipping transfer tax returns with original or extended due date between January 7 and October 15, 2025.
    - The State of California has aligned with federal relief, extending the filing and payment deadline for 2024 California income tax returns to October 15, 2025.

Abatement of Interest

- Interest accrued on tax liabilities during extension periods due to disaster declarations can be abated for affected taxpayers.

Casualty Loss Deductions

- Personal casualty losses are not deductible unless attributable to a federally declared disaster area for tax years 2018 through 2025. These provisions

apply to disasters declared by the President between January 1, 2020 and February 10, 2025. For a list of qualifying disasters, visit the FEMA Website. Taxpayers can claim a deduction for **unreimbursed losses** from federal declared disasters. Key provisions include:

- Losses are generally deductible in the year incurred, but taxpayers may elect to claim them for the prior tax year.
- The legislation eliminates the requirement that casualty losses exceed 10% of an individual's adjusted gross income (AGI) to be deductible.
- Casualty losses will qualify as an "above the line" deduction, simplifying the deduction for taxpayers.

This legislation aims to alleviate the financial burden on individuals and business impacted by disaster, providing flexibility, tax benefits, and relief during recovery periods.

If any questions related to this article, please reach out to your BMF Tax Advisor.