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The Honorable Mike Crapo
Senate Committee on Finance, Chairman
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The Honorable Ron Wyden,
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RE: HR 5366 (Steube) – Doug LaMalfa Federal Disaster Tax Relief Certainty Act – Strong Support

Dear Honorable Senators Crapo and Wyden and Members of the Senate Committee on Finance

On behalf of United Policyholders, I write to express strong support for HR 5366, the Doug LaMalfa Federal Disaster Tax Relief Certainty Act, a bipartisan bill that extends the federal tax deduction for qualified disaster-related personal casualty losses and the exclusion from gross income of qualified wildfire relief payments for disasters declared after 2014 and before 2027.

By amending the Internal Revenue Code to exclude qualified wildfire relief payments from taxable gross income, HR 5366 will allow victims of wildfire disasters, a majority of whom are underinsured, to make full use of those payments to replace their destroyed assets and restore their financial health and lives. Funds a wildfire victim recovers through charitable, government, and other compensation programs are not ordinary income and it makes sense to exempt them from taxation.

Through United Policyholders' work, we know that the majority of victims are underinsured and need every available dollar to get back on their feet. Funds received in compensation for disaster losses are not windfalls. They are essential aid that supplements insurance so people can rebuild and recover and communities can rebound.

United Policyholders frequently works with victims of large-scale natural disasters including wildfires, windstorms, earthquakes, hurricanes, and floods, and knows firsthand that funds received in compensation for disaster losses are not windfalls but are rather necessary repayments that allow people to rebuild their homes and move on with productive lives. People impacted by disasters are disproportionately retired, disabled, veteran, and economically disadvantaged. Taxing their settlement funds and casualty loss recoveries as regular income is counterproductive and prevents disaster victims from receiving full compensation for their tragic and catastrophic losses. HR 5366 provides certainty and continuity for these essential tax relief provisions and will greatly help individuals and the communities they live in recover from disasters.

We urge the Committee to consider the following amendments that would make this important measure even more effective:

1. Permanent Codification of the 10% AGI Floor Waiver

Currently, H.R. 5366 provides essential relief by waiving the 10% Adjusted Gross Income (AGI) threshold for casualty loss deductions through January 2027. While this is a vital step, we request that the Committee either extend these benefits through January 1, 2032, or, preferably, make this waiver permanent for all future federally declared disasters. Disaster survivors currently live in a state of "legislative limbo," often waiting years for Congress to pass retroactive tax relief. Permanent codification would provide immediate certainty, allowing survivors to file their taxes accurately in the first year following a disaster when their need for liquidity is highest.

2. Expansion to "State-Only" Disasters

Many devastating events—particularly wildfires and flash floods—receive state-level emergency declarations but may not meet the high per-capita damage thresholds required for a Federal (FEMA) Major Disaster Declaration. This need is made even more urgent by recent recommendations and policy shifts aimed at decreasing the number of federal disaster declarations to preserve the Disaster Relief Fund. As the federal government moves to shift more fiscal responsibility for smaller-scale catastrophes back to the states, the "gap" in federal aid grows wider. Expanding the definitions within the bill to include state-declared disasters ensures tax relief remains available to survivors of these localized but life-altering events, preventing them from being penalized by changes in federal disaster threshold metrics.

3. Simplified Documentation Requirements

The process of proving the "Before and After" fair market value of a destroyed home is a significant hurdle. Currently, survivors are often forced to hire expensive private appraisers to meet IRS substantiation requirements. We request the bill include language directing the IRS to accept Insurance Adjuster Reports or SBA Damage Assessments as primary proof of loss value. These documents are already standard in the recovery process; accepting them would reduce the administrative and financial burden on survivors during their most vulnerable moments.

We respectfully urge your support for HR 5366.

Sincerely,



Amy Bach, Executive Director
United Policyholders