United States – Federal Tax Disaster Relief Rules Extended

H.R. 5366, the Doug LaMalfa Federal Disaster Tax Relief Certainty Act, was signed into law on September 11, 2026.[1] It extends certain federal tax relief rules for individuals affected by U.S. federally declared disasters and specified wildfire events. The law affects personal casualty loss deductions and certain wildfire-related compensation exclusions for eligible individuals.

WHY THIS MATTERS

The new law may be relevant when assignees, transferees, or business travelers have been personally affected by a U.S. federally declared disaster or wildfire during the covered period. Wage continuation paid by an employer to a displaced employee remains taxable and subject to withholding, even though similar payments from other sources may be excluded. Because the casualty loss changes reach back to the 2025 tax year, mobility teams may also wish to consider amended return and tax equalization implications for prior-year filings.

Background

H.R. 5366 amends section 165(h) and adds section 139M to the Internal Revenue Code to extend and codify rules relating to federal disaster tax relief for certain individuals affected by major federally declared disasters and certain wildfires. Disaster-related casualty loss provisions apply to incident periods beginning after December 28, 2019, and before January 1, 2027.

The law addresses how certain personal casualty losses may be deducted and how specified wildfire-related compensation may be treated for federal income tax purposes. For employers with mobile employees in affected U.S. locations, the development may create a need for coordinated employee communications, tax support, and review of mobility policies where disaster-related impacts intersect with assignment or relocation arrangements.

Personal casualty loss relief

The law allows eligible individuals to deduct qualified disaster-related personal casualty losses without requiring itemized deductions and without regard to the 10-percent-of-adjusted-gross-income floor that otherwise applies. A $500 floor applies per disaster, and the 10 percent floor continues to apply to other personal casualty losses.

Covered disaster period

The casualty loss relief applies to disasters declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act for incident periods beginning after December 28, 2019, and before January 1, 2027.

Wildfire compensation exclusion

The law provides for the exclusion from gross income of certain compensation received for losses or damages resulting from specified wildfires, if the payments are attributable to federally declared forest or range fires. Eligibility now turns on the date of the disaster declaration rather than the date the payment is received, which is a change from prior law.

Potential employee impact

Mobile employees affected by qualifying disasters or wildfires may need to retain documentation supporting losses, compensation received, and eligibility for the relevant federal tax treatment.

Employer program considerations

Employers may wish to assess whether disaster-related payments, reimbursements, relocation support, or temporary housing assistance require coordination with payroll, tax compliance, or assignment policy teams.

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The provisions may be relevant when an employer provides relocation assistance, temporary accommodation, emergency travel support, or other disaster-related benefits.

Organizations may wish to:

- Identify mobile employees, assignees, and business travelers who may have been affected by federally declared disasters during the covered period to determine whether additional employee communications or documentation guidance is appropriate.
- Review policies to confirm how disaster-related reimbursements, temporary housing, or emergency support are handled.
- Encourage affected employees to retain records of casualty losses, insurance recoveries, compensation payments, and disaster declarations.

ENDNOTE:

1 H.R. 5366 – Doug LaMalfa Federal Disaster Tax Relief Certainty Act, 119th Congress, available at: https://www.congress.gov/bill/119th-congress/house-bill/5366.

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