

### At a Glance

## H.R. 5863, Federal Disaster Tax Relief Act of 2023

As ordered reported by the House Committee on Ways and Means on November 2, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	0	0
Revenues	-3,268	-4,921	-4,927
Increase or Decrease (-) in the Deficit	3,268	4,921	4,927
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		<b>Mandate Effects</b>	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

\* = between zero and \$500,000.

#### The bill would

- Allow losses from federally declared disasters that occur from January 1, 2020, through the date of enactment to be deducted from income taxes without itemizing and without a reduction based on adjusted gross income
- Exclude compensation for losses from some wildfire disasters and the East Palestine, Ohio, train derailment from gross income

#### Estimated budgetary effects would mainly stem from

- A reduction in revenues from an increase in income tax deductions
- A reduction in revenues from taxpayers' excluding certain compensation from gross income

#### Areas of significant uncertainty include

- How many people would take tax deductions, and in what amounts, for losses related to federally declared disasters

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the revenue provisions of H.R. 5863 were provided by JCT.

**Detailed estimate begins on the next page.**

See also

[CBO's Cost Estimates Explained](#), [CBO Describes Its Cost-Estimating Process](#), [Glossary](#)

## Bill Summary

H.R. 5863 would amend the Internal Revenue Code to provide tax relief to people affected by certain federally declared disasters. The bill would allow affected taxpayers to deduct losses arising from federally declared disasters without itemizing deductions on their tax returns and would exclude from gross income some compensation received for losses from wildfires or the February 2023 train derailment in East Palestine, Ohio.

## Estimated Federal Cost

The estimated budgetary effect of H.R. 5863 is shown in Table 1. The costs of the legislation fall within budget function 800 (general government).

<b>Table 1. Estimated Budgetary Effects of H.R. 5863</b>												
<b>By Fiscal Year, Millions of Dollars</b>												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024- 2028	2024- 2033
	<b>Decreases in Revenues</b>											
Estimated Revenues	-3,268	-961	-458	-201	-33	-1	-1	-1	-1	-1	-4,921	-4,927

Sources: Congressional Budget Office; Staff of the Joint Committee on Taxation.

CBO estimates that implementing H.R. 5863 would increase the Internal Revenue Service's administrative costs by less than \$500,000 over the 2024-2033 period; any spending would be subject to appropriation.

## Basis of Estimate

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. JCT provided the revenue estimates presented here for H.R. 5863.<sup>1</sup>

For this estimate, CBO and JCT assume that the bill will be enacted in fiscal year 2024.

## Revenues

H.R. 5863 would provide tax relief to some individual taxpayers affected by federally declared disasters. Section 2 would allow casualty loss deductions for disasters occurring from January 1, 2020, through the date of enactment of the bill to be taken on tax returns

1. See Joint Committee on Taxation, *Estimated Revenue Effects of the Chairman's Amendment in the Nature of a Substitute of H.R. 5863, the "Federal Disaster Tax Relief Act of 2023,"* JCX-50-23 (November 1, 2023), [www.jct.gov/publications/2023/jcx-50-23](http://www.jct.gov/publications/2023/jcx-50-23). For more about the provisions, see Joint Committee on Taxation, *Description of H.R. 5863, the "Federal Disaster Tax Relief Act of 2023,"* JCX-45-23 (October 4, 2023), [www.jct.gov/publications/2023/jcx-45-23](http://www.jct.gov/publications/2023/jcx-45-23).



without itemizing deductions and without the typical reduction of \$100 per casualty loss and 10 percent of adjusted gross income. Instead, the deduction would be reduced by \$500 per casualty loss. This is an extension of the special rules for casualty losses in the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Section 3 would exclude from gross income compensation for expenses or losses resulting from certain wildfires, thus excluding that compensation from taxable income. This would apply to qualified wildfire relief payments received between December 31, 2019, and January 1, 2026. Section 4 would exclude from gross income any disaster relief payments received after February 3, 2023, by people affected by the February 2023 train derailment in East Palestine, Ohio.

JCT estimates that enacting the bill would decrease revenues by \$4.9 billion over the 2024-2033 period.

### **Spending Subject to Appropriation**

CBO estimates that implementing H.R. 5863 would increase the Internal Revenue Service's administrative costs by less than \$500,000 over the 2024-2028 period; any spending would be subject to the availability of appropriated funds.

### **Uncertainty**

JCT's estimates of the budgetary effects of H.R. 5863 are subject to uncertainty because they are made on the basis of underlying projections and other factors that could change significantly. In particular, the estimates rely in part on CBO's economic projections for the next decade under current law and on expectations of the way taxpayers might respond to changes in tax law. In this case, the uncertainty also involves how many people would take deductions, and in what amounts, for losses related to federally declared disasters and how many would exclude disaster-related compensation from their taxable income. The amount of disaster-related compensation that will be paid through January 1, 2026, also depends on the number of federally declared disasters resulting from wildfires during that time.



## Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in Table 2.

**Table 2.**  
**CBO’s Estimate of the Statutory Pay-As-You-Go Effects of H.R. 5863, the Federal Disaster Tax Relief Act of 2023, as Ordered Reported by the House Committee on Ways and Means on November 2, 2023**

	By Fiscal Year, Millions of Dollars										2024-2028	2024-2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033		
	<b>Net Increase in the Deficit</b>											
Pay-As-You-Go Effect	3,268	961	458	201	33	1	1	1	1	1	4,921	4,927

## Increase in Long-Term Net Direct Spending and Deficits

JCT estimates that enacting H.R. 5863 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2034.

## Mandates

JCT has determined that H.R. 5863 would not impose intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

## Estimate Prepared By

Revenues:

Kathleen Burke  
Staff of the Joint Committee on Taxation

Federal Costs: Matthew Pickford

Mandates:

Andrew Laughlin  
Staff of the Joint Committee on Taxation



**Estimate Reviewed By**

Robert Reese  
Chief, Natural and Physical Resources Cost Estimates Unit

Joshua Shakin  
Chief, Revenue Estimating Unit

Kathleen FitzGerald  
Chief, Public and Private Mandates Unit

H. Samuel Papenfuss  
Deputy Director of Budget Analysis

John McClelland  
Director of Tax Analysis

**Estimate Approved By**

A handwritten signature in black ink, appearing to read "Phillip L. Swagel". The signature is fluid and cursive, with a long, sweeping tail.

Phillip L. Swagel  
Director, Congressional Budget Office