

NIESAR & VESTAL LLP

Law Alert

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Relief Measures for Those Impacted by the Los Angeles County Wildfires

The devastating 2025 wildfires in southern California prompted Governor Newsom to declare a state of emergency on January 7, 2025 for Los Angeles and Ventura counties.

Several new relief measures have been announced for those impacted by the wildfires. Below is a non-exhaustive list of the measures which are destined to help those affected by the wildfires begin to recover and rebuild.

Tax Relief

The Internal Revenue Service (IRS) and the State of California have introduced substantial tax relief measures for individuals and businesses in areas that the Federal Emergency Management Agency has designated as federally declared disaster zones. Additionally, it was announced that eligible property owners may qualify for property tax relief.

Extended Deadlines

The IRS and the California Franchise Tax Board (FTB) extended certain filing and payment deadlines falling on or after January 7, 2025 and before October 15, 2025, to October 15, 2025.

This means, for example, that the October 15, 2025 deadline applies to:

- Individual income tax returns and payments normally due on April 15, 2025 (federal and state);
- 2024 contributions to IRAs and health savings accounts for eligible taxpayers;
- Quarterly payroll and excise tax returns normally due on January 31, April 30, and July 31, 2025;
- Calendar-year partnership and S corporation returns normally due on March 17, 2025 (federal) and PTE tax returns and elective tax payments normally due on March 15 and June 15, 2025 (state);
- Calendar-year corporation and fiduciary returns and payments normally due on April 15, 2025 (federal and state);
- Calendar-year tax-exempt organization returns normally due on May 15, 2025 (federal and state);
- A 2024 estimated tax payment normally due on January 15, 2025, and estimated tax payments normally due on April 15, June 16, and September 15, 2025 (federal and state).

The relief also includes an extension for impacted taxpayers that are in the process of completing a 1031 exchange and offers additional time for both the 45-day identification period

and the 180-day completion period. This means any 45-day identification period and any 180-day completion period that falls between January 7, 2025 and October 15, 2025 are now extended to the later of October 15, 2025 or the actual period.

According to the IRS, affected taxpayers claiming the disaster loss on their return should put FEMA disaster declaration number 4856-DR on any return. According to the FTB, taxpayers should write the name of the disaster (for example, Los Angeles County Fire) in blue or black ink at the top of their tax return to alert the FTB. If taxpayers are filing electronically, they should follow the software instructions to enter disaster information.

The federal and California relief does not apply to the following filings and payments:

- Information returns, such as W-2s, Forms 1094-1099 and Forms 1042-S, 3921, 3922 or 8027;
- Employment and excise tax deposits.

Property Tax Relief

Property owners who have been impacted by the wildfires in Los Angeles County may be eligible for various property tax disaster relief.

Affected properties in Governor-proclaimed disaster areas or properties that have experienced a misfortune or calamity may qualify for property tax relief so long as the loss estimate is at least \$10,000 of the current market value of the property. The damaged or destroyed property will be eligible for a temporary reduction in property taxes, with some taxes refunded to the property owner if already paid. Once rebuilt, the property's pre-damaged value will be restored. To qualify for property tax relief, property owners must file a claim with their County Assessor's Office within 12 months from the date of damage or destruction or the time specified in their county's ordinance, whichever is later. Eligible property owners may also apply for a deferral of their next property tax installment without penalties or interest.

Insurance Proceeds and Casualty Gain

Certain insurance proceeds resulting from federally declared disasters can be received tax-free. However, other insurance proceeds may be treated as sales proceeds, resulting first in a reduction in basis of one's property and beyond that, taxable gain (a "casualty gain"). For the loss of a principal residence, to the extent a taxpayer has casualty gain, up to \$250,000 for single taxpayers and \$500,000 for married taxpayers can be excluded from income.

Pricing Considerations

The California Penal Code prohibits selling, or offering for sale, covered products at a price more than 10% greater than the price offered for that good in the 30 days prior to the declaration of an emergency.

The statute covers a wide range of products, such as rental housing, building materials, gasoline, goods or services used for emergency cleanup, consumer food items, and medical supplies. The statute does not apply to California-based businesses only. It applies to all sellers, including manufacturers, wholesalers, individuals, distributors, and retailers, and to all kinds of sales.

The price restrictions went into effect on January 7, 2025. The price limitations typically stay in effect for 30 days after the emergency declaration date, subject to extensions. For repair or reconstruction services or any services used in emergency cleanup, these typically stay in effect for an initial period of 180 days. Specifically for Los Angeles County, Governor Newsom has already extended certain categories of pricing restrictions by executive order to remain in effect until January 7, 2026.

California Department of Justice interprets the statute to provide that the pricing restrictions are not restricted to the city or county where the emergency is declared, and that the statute is intended to prevent price gouging elsewhere in the state where there is increased consumer demand as a result of the emergency.

Violations are criminally punishable by up to one year in jail and a fine up to \$10,000 or civil penalties up to \$2,500 per violation, injunctive relief, or mandatory restitution.

Executive Order to Fast-track More Relief for LA Fire Survivors

On February 4, 2024, Governor Gavin Newsom signed a new executive order removing bureaucratic barriers, extending deadlines, and providing critical regulatory relief to help families rebuild, access essential services, and recover more quickly by waiving regulations that could make it more difficult for survivors to access important services, such as child care, education, rental housing, health care, and obtaining tax relief. Among other items, the executive order extends deadlines for families to submit documentation for state-funded preschool and child care programs, adds three new ZIP codes to prior executive orders providing tax relief and prohibiting real estate speculation, and exempts housing in zip codes with high fair market values, which has not previously been on the rental market, from statutory rent caps to help ensure that they are available for rental during recovery efforts.

If you have any questions regarding the measures mentioned hereinabove, please feel free to contact Alan Seher (aseher@nvlawllp.com) or Carolina Aricu (caricu@nvlawllp.com).

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