They Lost Their Homes. Why Is Washington Considering Taking a Cut?

April 20, 2026 - When a family loses a home to wildfire, flood, tornado, hurricane or earthquake, the disaster does not end when the flames go out or the storm passes. It continues in hotel rooms, rental apartments, insurance paperwork, construction delays, missing keepsakes, rising prices and sleepless nights. Parents worry about where their children will live. Seniors wonder if they will ever get home again. Families who spent years building a life suddenly find themselves starting over.

That is why it is so troubling that Congress is once again debating whether some disaster victims deserve tax relief while others may not. Lawmakers are currently considering legislation known as the Protect Innocent Victims of Taxation After Fire Extension Act, a bipartisan proposal that would continue federal tax relief for certain wildfire settlement payments. Supporters say wildfire survivors should not have to pay federal income taxes on money meant to help them rebuild after catastrophic losses. They are right. But they are also not going far enough.

Right now, wildfire victims in places like Altadena are being forced to make financial decisions with a cloud hanging over them. Thousands of survivors from the 2025 fires have accepted settlement offers so they can rebuild or relocate more quickly, only to learn that those payments could now be treated as taxable income because the previous federal relief expired at the end of 2025. That means the government could take a significant portion of money meant to replace what they lost, and in some cases, the added income could even push families out of eligibility for other forms of assistance. Congress is considering a fix, and a House committee has already advanced a bill, but there is no clear timeline for passage. In the meantime, families who have already lost everything are left in financial limbo, waiting to see how much of their recovery funds they will actually be allowed to keep.

The bigger question is simple: why only wildfire victims?

America is a nation of disasters. Families in California lose homes to fires. Families in Florida and Louisiana lose homes to hurricanes. Families in Texas and Kentucky watch floodwater swallow neighborhoods. Families in Oklahoma and Kansas see tornadoes tear houses apart in minutes. Families in California and other western states know earthquakes can destroy a lifetime of work in seconds. The pain is different in detail, but the result is often the same: a shattered home and a family trying to recover.

No one whose house has been destroyed feels lucky because they received an insurance check or a legal settlement. That money is not a jackpot. It is not a bonus. It is not a reward. It is supposed to help replace what was lost. In many cases, it does not even fully cover the true cost of rebuilding after inflation, labor shortages and higher material prices.

Yet victims can still face confusing tax rules depending on how the money is classified, when it is paid, and whether Congress decided their particular disaster was important enough to address that year. That is backward.

Congress should stop creating one disaster carveout at a time and pass a permanent Natural Disaster Recovery Tax Relief Act. The rule should be straightforward and easy for ordinary Americans to understand: if your primary home was damaged or destroyed in a federally declared disaster, money paid to help restore your loss should not be treated like ordinary taxable income. It should not matter whether the damage came from fire, flood, wind or earth.

Such a law should cover insurance proceeds used for rebuilding, settlement payments tied to property loss, temporary living expenses and reasonable recovery costs. It should also protect survivors from mountains of paperwork and years of uncertainty while they are trying to rebuild their lives.

Even California lawmakers recognized the unfairness of taxing wildfire settlements and moved to provide state-level relief for certain victims. If states can see the problem, Congress should be able to see it too.

There is something deeply wrong about a government looking at a family standing in the ashes of their former home and asking whether the tax code should take a cut. Americans do not need politicians arguing over whether fire victims deserve help more than flood victims, or whether tornado survivors should wait their turn.

When disaster strikes, the cause of the destruction should not determine the fairness of the recovery. Congress should stop debating categories and start doing what common sense and decency demands: treat all natural disaster victims with the same dignity, the same compassion, and the same tax relief.
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