

HB106 ENGROSSED



1 HB106
2 11TMTZ3-2
3 By Representative Brown
4 RFD: Insurance
5 First Read: 04-Feb-25
6 PFD: 03-Feb-25



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A BILL
TO BE ENTITLED
AN ACT

Relating to catastrophe savings accounts; to amend Sections 40-18-310, 40-18-311, and 40-18-312, Code of Alabama 1975; to provide further for the expenditures that may be paid from a catastrophe savings account; and to provide further for caps on how much can be contributed to a catastrophe savings account.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 40-18-310, 40-18-311, and 40-18-312, Code of Alabama 1975, are amended to read as follows:

"§40-18-310

As used in this article, the following terms shall have the following meanings:

(1) CATASTROPHE SAVINGS ACCOUNT. A regular savings account or money market account established by an insurance policyholder who is a state income taxpayer for residential property in this state to cover:(i) an insurance deductible under an insurance policy for the taxpayer's legal residence property that covers hurricane, rising floodwaters, or other catastrophic windstorm event damage or by an individual to



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29 cover self-insured losses for the taxpayer's legal residence
30 from a hurricane, rising floodwaters, or other catastrophic
31 windstorm event; (ii) the annual cost of a FORTIFIED
32 endorsement to supplement an insurance policy; or (iii) the
33 cost of mitigation actions that would reduce the risk of
34 hurricane, rising floodwaters, or other catastrophic windstorm
35 event damage, including, but not limited to, costs associated
36 with reroofing and obtaining evaluation services to qualify
37 for a FORTIFIED designation, collectively, "Qualified
38 Catastrophe Expenses." The account must be labeled as a
39 catastrophe savings account in order to qualify as a
40 catastrophe savings account as defined in this article. A
41 taxpayer may establish only one catastrophe savings account
42 and shall specify that the purpose of the account is to cover
43 ~~the amount of insurance deductibles and other uninsured~~
44 ~~portions of risks of loss from hurricane, rising floodwater,~~
45 ~~or other catastrophic windstorm event~~ Qualified Catastrophe
46 Expenses.

47 (2) WINDSTORM EVENT. Windstorms, cyclones, hurricanes,
48 tornadoes, high winds, and hail, and similar perils not
49 normally among those covered under most property casualty
50 insurance policies but obtainable through the purchase of
51 wind, wind and hail, storm or windstorm coverage, or all."

52 "§40-18-311

53 (a) An individual taxpayer is allowed a deduction
54 against income earned for state income tax purposes imposed
55 pursuant to Section 40-18-5, for amounts contributed to a
56 catastrophe savings account in accordance with subsection (c)



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57 and all interest income earned by a catastrophe savings
58 account is exempt from the tax imposed pursuant to Section
59 40-18-5.

60 (b) A catastrophe savings account is not subject to
61 attachment, levy, garnishment, or legal process in this state.

62 (c) The total amount that may be contributed to a
63 catastrophe savings account must not exceed any of the
64 following:

65 (1) In the case of an individual whose qualified
66 deductible is less than or equal to one thousand dollars
67 (\$1,000), two thousand dollars (\$2,000), plus amounts to cover
68 other Qualified Catastrophe Expenses not to exceed fifteen
69 thousand dollars (\$15,000).

70 (2) In the case of an individual whose qualified
71 deductible is greater than one thousand dollars (\$1,000), the
72 amount equal to the lesser of fifteen thousand dollars
73 (\$15,000) or twice the amount of the taxpayer's qualified
74 deductible plus amounts to cover other Qualified Catastrophe
75 Expenses not to exceed fifteen thousand dollars (\$15,000).

76 (3) In the case of a self-insured individual who
77 chooses not to obtain insurance on his or her legal residence,
78 two hundred fifty thousand dollars (\$250,000), but in no event
79 may the amount contributed exceed the value of the individual
80 taxpayer's legal residence.

81 (d) If a taxpayer contributes in excess of the limits
82 provided in subsection (c), the taxpayer shall withdraw the
83 amount of the excess contributions and include that amount in
84 Alabama income for purposes of Section 40-18-5 in the year of



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85 withdrawal."

86 "§40-18-312

87 (a) A distribution from a catastrophe savings account
88 must be included in the income of the taxpayer unless the
89 amount of the distribution is used to cover ~~qualified~~
90 ~~eatastrophe expenses~~Qualified Catastrophe Expenses.

91 (b) No amount is included in income, pursuant to
92 subsection (a), if the ~~qualified catastrophe expenses~~
93 Qualified Catastrophe Expenses of the taxpayer during the
94 taxable year are equal to or greater than the aggregate
95 distributions during the taxable year.

96 (c) If aggregate distributions exceed the ~~qualified~~
97 ~~eatastrophe expenses~~Qualified Catastrophe Expenses during the
98 taxable year, the amount otherwise included in income must be
99 reduced by the amount of the distributions for ~~qualified~~
100 ~~eatastrophe expenses~~Qualified Catastrophe Expenses.

101 (d) (1) The tax paid pursuant to Section 40-18-5,
102 attributable to a taxable distribution must be increased by
103 two and one-half percent of the amount which is includable in
104 income.

105 (2) This additional tax does not apply if any of the
106 following occur:

107 a. The taxpayer no longer owns a legal residence that
108 qualifies pursuant to Chapter 7.

109 b. The distribution is from an account conforming with
110 subdivision (3) of subsection (c) of Section 40-18-311 and is
111 made on or after the date on which the taxpayer attains the
112 age of 70.



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113 ~~(3) If a taxpayer receives a nontaxable distribution~~
114 ~~under this subsection, the taxpayer must not make further~~
115 ~~contributions to any catastrophe savings account.~~

116 (e) If a taxpayer who owns a catastrophe savings
117 account dies, his or her account is included in the income of
118 the person who receives the account, unless that person is the
119 surviving spouse of the taxpayer. Upon the death of the
120 surviving spouse, the account is included in the income of the
121 person who receives the account. The additional tax in
122 subsection (d) does not apply to distribution on death of the
123 taxpayer or the surviving spouse."

124 Section 2. The provisions of this act apply to tax
125 years beginning on or after January 1, 2026.

126 Section 3. This act shall become effective on October
127 1, 2025.



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130 House of Representatives

131 Read for the first time and referred04-Feb-25
132 to the House of Representatives
133 committee on Insurance
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135 Read for the second time and placed20-Feb-25
136 on the calendar:
137 2 amendments
138

139 Read for the third time and passed25-Feb-25
140 as amended

141 Yeas 101
142 Nays 0
143 Abs 0
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145 John Treadwell

146 Clerk

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