

HB106 INTRODUCED



1 HB106
2 3Y9PVVE-1
3 By Representative Brown
4 RFD: Insurance
5 First Read: 04-Feb-25
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SYNOPSIS:

Under current law, catastrophe savings accounts cover insurance deductibles and other uninsured portions of risks of loss to owners of residential property from windstorm events.

This bill provides further for other expenses covered by catastrophe savings accounts and caps the amounts contributed to catastrophe savings accounts to cover expenses.

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



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29 follows:

30 "§40-18-310

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

33 (1) CATASTROPHE SAVINGS ACCOUNT. A regular savings
34 account or money market account established by an insurance
35 policyholder who is a state income taxpayer for residential
36 property in this state to cover: (i) an insurance deductible
37 under an insurance policy for the taxpayer's legal residence
38 property that covers hurricane, rising floodwaters, or other
39 catastrophic windstorm event damage or by an individual to
40 cover self-insured losses for the taxpayer's legal residence
41 from a hurricane, rising floodwaters, or other catastrophic
42 windstorm event; (ii) the annual cost of a FORTIFIED
43 endorsement to supplement an insurance policy; or (iii) the
44 cost of mitigation actions that would reduce the risk of
45 hurricane, rising floodwaters, or other catastrophic windstorm
46 event damage, including, but not limited to, costs associated
47 with reroofing and obtaining evaluation services to qualify
48 for a FORTIFIED designation, collectively, "Qualified
49 Catastrophe Expenses." The account must be labeled as a
50 catastrophe savings account in order to qualify as a
51 catastrophe savings account as defined in this article. A
52 taxpayer may establish only one catastrophe savings account
53 and shall specify that the purpose of the account is to cover
54 the ~~amount of insurance deductibles and other uninsured~~
55 ~~portions of risks of loss from hurricane, rising floodwater,~~
56 ~~or other catastrophic windstorm event~~ Qualified Catastrophe



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57 Expenses.

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

63 "§40-18-311

64 (a) An individual taxpayer is allowed a deduction
65 against income earned for state income tax purposes imposed
66 pursuant to Section 40-18-5, for amounts contributed to a
67 catastrophe savings account in accordance with subsection (c)
68 and all interest income earned by a catastrophe savings
69 account is exempt from the tax imposed pursuant to Section
70 40-18-5.

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

73 (c) The total amount that may be contributed to a
74 catastrophe savings account must not exceed any of the
75 following:

76 (1) In the case of an individual whose qualified
77 deductible is less than or equal to one thousand dollars
78 (\$1,000), two thousand dollars (\$2,000), plus amounts to cover
79 other Qualified Catastrophe Expenses not to exceed fifteen
80 thousand dollars (\$15,000).

81 (2) In the case of an individual whose qualified



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82 deductible is greater than one thousand dollars (\$1,000), the
83 amount equal to the lesser of fifteen thousand dollars
84 (\$15,000) or twice the amount of the taxpayer's qualified
85 deductible plus amounts to cover other Qualified Catastrophe
86 Expenses not to exceed fifteen thousand dollars (\$15,000).

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

92 (d) If a taxpayer contributes in excess of the limits
93 provided in subsection (c), the taxpayer shall withdraw the
94 amount of the excess contributions and include that amount in
95 Alabama income for purposes of Section 40-18-5 in the year of
96 withdrawal."

97 "§40-18-312

98 (a) A distribution from a catastrophe savings account
99 must be included in the income of the taxpayer unless the
100 amount of the distribution is used to cover ~~qualified~~
101 ~~catastrophe expenses~~ Qualified Catastrophe Expenses.

102 (b) No amount is included in income, pursuant to
103 subsection (a), if the ~~qualified catastrophe expenses~~
104 Qualified Catastrophe Expenses of the taxpayer during the
105 taxable year are equal to or greater than the aggregate
106 distributions during the taxable year.

107 (c) If aggregate distributions exceed the ~~qualified~~
108 ~~catastrophe expenses~~ Qualified Catastrophe Expenses during the



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109 taxable year, the amount otherwise included in income must be
110 reduced by the amount of the distributions for ~~qualified~~
111 ~~catastrophe expenses~~Qualified Catastrophe Expenses.

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

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

118 a. The taxpayer no longer owns a legal residence that
119 qualifies pursuant to Chapter 7.

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

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

127 (e) If a taxpayer who owns a catastrophe savings
128 account dies, his or her account is included in the income of
129 the person who receives the account, unless that person is the
130 surviving spouse of the taxpayer. Upon the death of the
131 surviving spouse, the account is included in the income of the
132 person who receives the account. The additional tax in
133 subsection (d) does not apply to distribution on death of the
134 taxpayer or the surviving spouse."

135 Section 2. This act shall become effective on October
136 1, 2025.