

1 SB227
2 125365-3
3 By Senators Brooks, Pittman, Glover, Keahey and Figures
4 RFD: Banking and Insurance
5 First Read: 07-FEB-12

1 SB227

2
3
4 ENROLLED, An Act,

5 Establishing a catastrophe savings account to
6 provide reimbursement for deductible amounts and other
7 uninsured portions of risks of loss to owners of residential
8 property from a windstorm event and allowing a tax deduction
9 for deposits made into the account.

10 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

11 Section 1. As used in this act, the following terms
12 shall have the following meanings:

13 (1) CATASTROPHE SAVINGS ACCOUNT. A regular savings
14 account or money market account established by an insurance
15 policyholder who is a state income taxpayer for residential
16 property in this state to cover an insurance deductible under
17 an insurance policy for the taxpayer's legal residence
18 property that covers hurricane, rising floodwaters, or other
19 catastrophic windstorm event damage or by an individual to
20 cover self-insured losses for the taxpayer's legal residence
21 from a hurricane, rising floodwaters, or other catastrophic
22 windstorm event. The account must be labeled as a catastrophe
23 savings account in order to qualify as a catastrophe savings
24 account as defined in this act. A taxpayer may establish only
25 one catastrophe savings account and shall specify that the

1 purpose of the account is to cover the amount of insurance
2 deductibles and other uninsured portions of risks of loss from
3 hurricane, rising floodwater, or other catastrophic windstorm
4 event.

5 (2) WINDSTORM EVENT. Windstorms, cyclones,
6 hurricanes, tornadoes, high winds, and hail, and similar
7 perils not normally among those covered under most property
8 casualty insurance policies but obtainable through the
9 purchase of wind, wind and hail, storm or windstorm coverage,
10 or all.

11 Section 2. (a) An individual taxpayer is allowed a
12 deduction against income earned for state income tax purposes
13 imposed pursuant to Section 40-18-5, Code of Alabama 1975, for
14 amounts contributed to a catastrophe savings account in
15 accordance with subsection (c) and all interest income earned
16 by a catastrophe savings account is exempt from the tax
17 imposed pursuant to Section 40-18-5, Code of Alabama 1975.

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

20 (c) The total amount that may be contributed to a
21 catastrophe savings account must not exceed any of the
22 following:

23 (1) In the case of an individual whose qualified
24 deductible is less than or equal to one thousand dollars
25 (\$1,000), two thousand dollars (\$2,000).

1 (2) In the case of an individual whose qualified
2 deductible is greater than one thousand dollars (\$1,000), the
3 amount equal to the lesser of fifteen thousand dollars
4 (\$15,000) or twice the amount of the taxpayer's qualified
5 deductible.

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

11 (d) If a taxpayer contributes in excess of the
12 limits provided in subsection (c), the taxpayer shall withdraw
13 the amount of the excess contributions and include that amount
14 in Alabama income for purposes of Section 40-18-5, Code of
15 Alabama 1975, in the year of withdrawal.

16 Section 3. (a) A distribution from a catastrophe
17 savings account must be included in the income of the taxpayer
18 unless the amount of the distribution is used to cover
19 qualified catastrophe expenses.

20 (b) No amount is included in income, pursuant to
21 subsection (a), if the qualified catastrophe expenses of the
22 taxpayer during the taxable year are equal to or greater than
23 the aggregate distributions during the taxable year.

24 (c) If aggregate distributions exceed the qualified
25 catastrophe expenses during the taxable year, the amount

1 otherwise included in income must be reduced by the amount of
2 the distributions for qualified catastrophe expenses.

3 (d) (1) The tax paid pursuant to Section 40-18-5,
4 Code of Alabama 1975, attributable to a taxable distribution
5 must be increased by two and one-half percent of the amount
6 which is includable in income.

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

9 a. The taxpayer no longer owns a legal residence
10 that qualifies pursuant to Chapter 7 of Title 40, Code of
11 Alabama 1975.

12 b. The distribution is from an account conforming
13 with subdivision (3) of subsection (c) of Section 2 and is
14 made on or after the date on which the taxpayer attains the
15 age of 70.

16 (2) If a taxpayer receives a nontaxable distribution
17 under this subsection, the taxpayer must not make further
18 contributions to any catastrophe savings account.

19 (e) If a taxpayer who owns a catastrophe savings
20 account dies, his or her account is included in the income of
21 the person who receives the account, unless that person is the
22 surviving spouse of the taxpayer. Upon the death of the
23 surviving spouse, the account is included in the income of the
24 person who receives the account. The additional tax in

1 subsection (d) does not apply to distribution on death of the
2 taxpayer or the surviving spouse.

3 Section 4. The Department of Revenue may promulgate
4 rules necessary to implement and administer this act.

5 Section 5. This act shall become effective
6 immediately following its passage and approval by the
7 Governor, or its otherwise becoming law.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB227
Senate 24-APR-12
I hereby certify that the within Act originated in and passed
the Senate.

Patrick Harris
Secretary

House of Representatives
Amended and passed 08-MAY-12

Senate concurred in House amendment 08-MAY-12

By: Senator Brooks