

1 SB117  
2 157401-2  
3 By Senators Hightower, Glover and Albritton  
4 RFD: Banking and Insurance  
5 First Read: 03-MAR-15

1 SB117

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

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11 To amend Sections 40-18-311 and 40-18-312, Code of  
12 Alabama 1975, relating to the state tax deduction granted to  
13 taxpayers for contributions made to a catastrophe savings  
14 account; to provide an increase in the state tax deduction  
15 awarded to taxpayers who made contributions to a catastrophe  
16 savings account; and to make technical corrections to remove  
17 ambiguities.

18 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

19 Section 1. Sections 40-18-311 and 40-18-312, Code of  
20 Alabama 1975, as amended by this act, shall be known and may  
21 be cited as the Homeowner's Insurance Catastrophic Event  
22 Planning Act.

23 Section 2. Sections 40-18-311 and 40-18-312 of the  
24 Code of Alabama 1975, are amended to read as follows:

25 "§40-18-311.

26 "(a) An individual taxpayer is allowed a deduction  
27 against income earned for state income tax purposes imposed

1 pursuant to Section 40-18-5, ~~for amounts~~ equal to two times  
2 the amount contributed to a catastrophe savings account in  
3 accordance with subsection (c) and all interest income earned  
4 by a catastrophe savings account is exempt from the tax  
5 imposed pursuant to Section 40-18-5.

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

8 "(c) The total amount that may be contributed to a  
9 catastrophe savings account must not exceed any of the  
10 following:

11 "(1) In the case of an individual whose qualified  
12 deductible is less than or equal to ~~one thousand dollars~~  
13 ~~(\$1,000),~~ two thousand dollars (\$2,000), no more than four  
14 thousand dollars (\$4,000) in any tax year and no more than  
15 twelve thousand dollars (\$12,000) total.

16 "(2) In the case of an individual whose qualified  
17 deductible is greater than ~~one thousand dollars (\$1,000)~~ two  
18 thousand dollars (\$2,000), the amount equal to the lesser of  
19 fifteen thousand dollars (\$15,000) or twice the amount of the  
20 taxpayer's qualified deductible.

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

26 "(d) If a taxpayer contributes in excess of the  
27 limits provided in subsection (c), the taxpayer shall withdraw

1 the amount of the excess contributions and include that amount  
2 in Alabama income for purposes of Section 40-18-5 in the year  
3 of withdrawal.

4 "§40-18-312.

5 "(a) A distribution from a catastrophe savings  
6 account must be included in the income of the taxpayer unless  
7 the amount of the distribution is used to cover qualified  
8 catastrophe expenses.

9 "(b) No amount is included in income, pursuant to  
10 subsection (a), if the qualified catastrophe expenses of the  
11 taxpayer during the taxable year are equal to or greater than  
12 the aggregate distributions during the taxable year.

13 "(c) If aggregate distributions exceed the qualified  
14 catastrophe expenses during the taxable year, the amount  
15 otherwise included in income must be reduced by the amount of  
16 the distributions for qualified catastrophe expenses.

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

21 ~~"(2) This additional tax does not apply if any of~~  
22 ~~the following occur:~~

23 ~~"a. The taxpayer no longer owns a legal residence~~  
24 ~~that qualifies pursuant to Chapter 7.~~

25 ~~"b. The distribution is from an account conforming~~  
26 ~~with subdivision (3) of subsection (c) of Section 40-18-311~~

1 ~~and is made on or after the date on which the taxpayer attains~~  
2 ~~the age of 70.~~

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

6 ~~"(d) (e) If a taxpayer who owns a catastrophe~~  
7 ~~savings account dies, his or her account is included in the~~  
8 ~~income of the person who receives the account, unless that~~  
9 ~~person is the surviving spouse of the taxpayer. Upon the death~~  
10 ~~of the surviving spouse, the account is included in the income~~  
11 ~~of the person who receives the account. The additional tax in~~  
12 ~~subsection (d) does not apply to distribution on death of the~~  
13 ~~taxpayer or the surviving spouse."~~

14 Section 3. This act shall be effective for tax years  
15 beginning on or after January 1, 2015, and shall become  
16 effective immediately following its passage and approval by  
17 the Governor, or its otherwise becoming law.

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3 Senate  
  
4 Read for the first time and referred to the Senate  
5 committee on Banking and Insurance..... 03-MAR-15  
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7 Read for the second time and placed on the calen-  
8 dar 1 amendment..... 02-APR-15  
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10 Read for the third time and passed as amended .... 07-APR-15

11 Yeas 33  
12 Nays 0

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15 Patrick Harris  
16 Secretary  
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