

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

SYNOPSIS: Under existing law, taxpayers are allowed a tax deduction for contributions made to a catastrophe savings account.

This bill would create the Homeowner's Insurance Catastrophic Event Planning Act.

This bill would make technical corrections to remove ambiguities and increase the amount of the tax deduction.

A BILL
TO BE ENTITLED
AN ACT

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

1 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

8 "§40-18-311.

9 "(a) An individual taxpayer is allowed a deduction
10 against income earned for state income tax purposes imposed
11 pursuant to Section 40-18-5, ~~for amounts~~ equal to two times
12 the amount contributed to a catastrophe savings account in
13 accordance with subsection (c) and all interest income earned
14 by a catastrophe savings account is exempt from the tax
15 imposed pursuant to Section 40-18-5.

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

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

21 "(1) In the case of an individual whose qualified
22 deductible is less than or equal to ~~one thousand dollars~~
23 ~~(\$1,000)~~, two thousand dollars (\$2,000), no more than four
24 thousand dollars (\$4,000) in any tax year and no more than
25 twelve thousand dollars (\$12,000) total.

26 "(2) In the case of an individual whose qualified
27 deductible is greater than ~~one thousand dollars (\$1,000)~~ two

1 ~~thousand dollars (\$2,000), the amount equal to the lesser of~~
2 ~~fifteen thousand dollars (\$15,000) or twice the amount of the~~
3 ~~taxpayer's qualified deductible.~~

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

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

14 "§40-18-312.

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

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

23 "(c) If aggregate distributions exceed the qualified
24 catastrophe expenses during the taxable year, the amount
25 otherwise included in income must be reduced by the amount of
26 the distributions for qualified catastrophe expenses.

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

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

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

9 ~~"b. The distribution is from an account conforming~~
10 ~~with subdivision (3) of subsection (c) of Section 40-18-311~~
11 ~~and is made on or after the date on which the taxpayer attains~~
12 ~~the age of 70.~~

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

16 ~~"(d) (e) If a taxpayer who owns a catastrophe~~
17 ~~savings account dies, his or her account is included in the~~
18 ~~income of the person who receives the account, unless that~~
19 ~~person is the surviving spouse of the taxpayer. Upon the death~~
20 ~~of the surviving spouse, the account is included in the income~~
21 ~~of the person who receives the account. The additional tax in~~
22 ~~subsection (d) does not apply to distribution on death of the~~
23 ~~taxpayer or the surviving spouse."~~

24 Section 3. This act shall be effective for tax years
25 beginning on or after January 1, 2014, and shall become
26 effective immediately following its passage and approval by
27 the Governor, or its otherwise becoming law.

