

**HB27 ENROLLED**



1 HB27  
2 W1F6HE5-2  
3 By Representative Brown  
4 RFD: Insurance  
5 First Read: 13-Jan-26  
6 PFD: 11-Aug-25



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1 Enrolled, An Act,

2  
3 Relating to catastrophe savings accounts; to amend  
4 Sections 40-18-310, 40-18-311, and 40-18-312, Code of Alabama  
5 1975; to provide further for the expenditures that may be paid  
6 from a catastrophe savings account; and to provide further for  
7 caps on how much may be contributed to a catastrophe savings  
8 account.

9 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

10 Section 1. Sections 40-18-310, 40-18-311, and  
11 40-18-312, Code of Alabama 1975, are amended to read as  
12 follows:

13 "§40-18-310

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

16 (1) CATASTROPHE SAVINGS ACCOUNT. A regular savings  
17 account or money market account established by an insurance  
18 policyholder who is a state income taxpayer for residential  
19 property in this state to cover: (i) an insurance deductible  
20 under an insurance policy for ~~the taxpayer's legal residence~~  
21 ~~property~~ one residential property owned by a taxpayer that  
22 covers hurricane, rising floodwaters, or other catastrophic  
23 windstorm event damage or by an individual to cover  
24 self-insured losses for the taxpayer's ~~legal~~  
25 ~~residence~~ residential property from a hurricane, rising  
26 floodwaters, or other catastrophic windstorm event; (ii) the  
27 annual cost of a FORTIFIED endorsement to supplement an  
28 insurance policy; or (iii) the cost of mitigation actions that



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29 would reduce the risk of hurricane, rising floodwaters, or  
30 other catastrophic windstorm event damage, including, but not  
31 limited to, costs associated with reroofing and obtaining  
32 evaluation services to qualify for a FORTIFIED designation,  
33 collectively, "Qualified Catastrophe Expenses." The account  
34 must be labeled as a catastrophe savings account in order to  
35 qualify as a catastrophe savings account as defined in this  
36 article. A taxpayer may establish only one catastrophe savings  
37 account and shall specify that the purpose of the account is  
38 to cover the ~~amount of insurance deductibles and other~~  
39 ~~uninsured portions of risks of loss from hurricane, rising~~  
40 ~~floodwater, or other catastrophic windstorm event~~ Qualified  
41 Catastrophe Expenses.

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

47 "§40-18-311

48 (a) An individual taxpayer is allowed a deduction  
49 against income earned for state income tax purposes imposed  
50 pursuant to Section 40-18-5, for amounts contributed to a  
51 catastrophe savings account in accordance with subsection (c)  
52 and all interest income earned by a catastrophe savings  
53 account is exempt from the tax imposed pursuant to Section  
54 40-18-5.

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



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57 (c) The total amount that may be contributed to a  
58 catastrophe savings account must not exceed any of the  
59 following:

60 (1) In the case of an individual whose qualified  
61 deductible is less than or equal to one thousand dollars  
62 (\$1,000), two thousand dollars (\$2,000), plus amounts to cover  
63 other Qualified Catastrophe Expenses not to exceed fifteen  
64 thousand dollars (\$15,000).

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

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

77 (d) If a taxpayer contributes in excess of the limits  
78 provided in subsection (c), the taxpayer shall withdraw the  
79 amount of the excess contributions and include that amount in  
80 Alabama income for purposes of Section 40-18-5 in the year of  
81 withdrawal."

82 "§40-18-312

83 (a) A distribution from a catastrophe savings account  
84 must be included in the income of the taxpayer unless the



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85 amount of the distribution is used to cover ~~qualified~~  
86 ~~eatastrophe expenses~~Qualified Catastrophe Expenses.

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

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

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

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

103 a. The taxpayer no longer owns a ~~legal~~  
104 ~~residence~~residential property that qualifies pursuant to  
105 Chapter 7.

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

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



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

121           Section 2. The provisions of this act apply to tax  
122 years beginning on or after January 1, 2027.

123           Section 3. This act shall become effective on October  
124 1, 2026.

