

HB27 INTRODUCED



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



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8 SYNOPSIS:

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

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

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20 A BILL
21 TO BE ENTITLED
22 AN ACT

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24 Relating to catastrophe savings accounts; to amend
25 Sections 40-18-310, 40-18-311, and 40-18-312, Code of Alabama
26 1975; to provide further for the expenditures that may be paid
27 from a catastrophe savings account; and to provide further for
28 caps on how much may be contributed to a catastrophe savings



29 account.

30 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

31 Section 1. Sections 40-18-310, 40-18-311, and
32 40-18-312, Code of Alabama 1975, are amended to read as
33 follows:

34 "§40-18-310

35 As used in this article, the following terms shall have
36 the following meanings:

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



57 article. A taxpayer may establish only one catastrophe savings
58 account and shall specify that the purpose of the account is
59 to cover the ~~amount of insurance deductibles and other~~
60 ~~uninsured portions of risks of loss from hurricane, rising~~
61 ~~floodwater, or other catastrophic windstorm event~~Qualified
62 Catastrophe Expenses.

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

68 "§40-18-311

69 (a) An individual taxpayer is allowed a deduction
70 against income earned for state income tax purposes imposed
71 pursuant to Section 40-18-5, for amounts contributed to a
72 catastrophe savings account in accordance with subsection (c)
73 and all interest income earned by a catastrophe savings
74 account is exempt from the tax imposed pursuant to Section
75 40-18-5.

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

78 (c) The total amount that may be contributed to a
79 catastrophe savings account must not exceed any of the
80 following:

81 (1) In the case of an individual whose qualified
82 deductible is less than or equal to one thousand dollars
83 (\$1,000), two thousand dollars (\$2,000), plus amounts to cover
84 other Qualified Catastrophe Expenses not to exceed fifteen



85 thousand dollars (\$15,000).

86 (2) In the case of an individual whose qualified
87 deductible is greater than one thousand dollars (\$1,000), the
88 amount equal to the lesser of fifteen thousand dollars
89 (\$15,000) or twice the amount of the taxpayer's qualified
90 deductible, plus amounts to cover other Qualified Catastrophe
91 Expenses not to exceed fifteen thousand dollars (\$15,000).

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

98 (d) If a taxpayer contributes in excess of the limits
99 provided in subsection (c), the taxpayer shall withdraw the
100 amount of the excess contributions and include that amount in
101 Alabama income for purposes of Section 40-18-5 in the year of
102 withdrawal."

103 "§40-18-312

104 (a) A distribution from a catastrophe savings account
105 must be included in the income of the taxpayer unless the
106 amount of the distribution is used to cover ~~qualified~~
107 ~~catastrophe expenses~~Qualified Catastrophe Expenses.

108 (b) No amount is included in income, pursuant to
109 subsection (a), if the ~~qualified catastrophe expenses~~
110 Qualified Catastrophe Expenses of the taxpayer during the
111 taxable year are equal to or greater than the aggregate
112 distributions during the taxable year.



113 (c) If aggregate distributions exceed the ~~qualified~~
114 ~~catastrophe expenses~~Qualified Catastrophe Expenses during the
115 taxable year, the amount otherwise included in income must be
116 reduced by the amount of the distributions for ~~qualified~~
117 ~~catastrophe expenses~~Qualified Catastrophe Expenses.

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

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

124 a. The taxpayer no longer owns a ~~legal~~
125 ~~residence~~residential property that qualifies pursuant to
126 Chapter 7.

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

131 (3) If a taxpayer receives a nontaxable distribution
132 under this subsection, the taxpayer must not make further
133 contributions to any catastrophe savings account

134 (e) If a taxpayer who owns a catastrophe savings
135 account dies, his or her account is included in the income of
136 the person who receives the account, unless that person is the
137 surviving spouse of the taxpayer. Upon the death of the
138 surviving spouse, the account is included in the income of the
139 person who receives the account. The additional tax in
140 subsection (d) does not apply to distribution on death of the



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141 taxpayer or the surviving spouse."

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

144 Section 3. This act shall become effective on October
145 1, 2026.