

1 SB1  
2 125365-1  
3 By Senators Brooks, Glover and Pittman  
4 RFD: Banking and Insurance  
5 First Read: 01-MAR-11  
6 PFD: 01/18/2011

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8 SYNOPSIS: This bill would provide further for  
9 insurance for residential property and damage  
10 caused from a catastrophic windstorm event.

11 This bill would establish a catastrophe  
12 savings account to cover an insurance deductible  
13 and other uninsured portions of risk of loss for  
14 residential property from a catastrophic windstorm  
15 event.

16 This bill would allow taxpayers to claim a  
17 credit against their state income tax for deposits  
18 made into the catastrophe savings account.

19  
20 A BILL

21 TO BE ENTITLED

22 AN ACT

23  
24 Establishing a catastrophe savings account to  
25 provide reimbursement for deductible amounts and other  
26 uninsured portions of risks of loss to owners of residential

1 property from a windstorm event and allowing a tax credit for  
2 deposits made into the account.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

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

23 (2) WINDSTORM EVENT. Windstorms, cyclones,  
24 hurricanes, tornadoes, high winds, and hail, and similar  
25 perils not normally among those covered under most property  
26 casualty insurance policies but obtainable through the

1 purchase of wind, wind and hail, storm or windstorm coverage,  
2 or all.

3 Section 2. (a) An individual taxpayer is allowed a  
4 deduction from the income tax imposed pursuant to Section  
5 40-18-5, Code of Alabama 1975, for amounts contributed to a  
6 catastrophe savings account in accordance with subsection (c)  
7 and all interest income earned by a catastrophe savings  
8 account is exempt from the tax imposed pursuant to Section  
9 40-18-5, Code of Alabama 1975.

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

12 (c) The total amount that may be contributed to a  
13 catastrophe savings account must not exceed any of the  
14 following:

15 (1) In the case of an individual whose qualified  
16 deductible is less than or equal to one thousand dollars  
17 (\$1,000), two thousand dollars (\$2,000).

18 (2) In the case of an individual whose qualified  
19 deductible is greater than one thousand dollars (\$1,000), the  
20 amount equal to the lesser of fifteen thousand dollars  
21 (\$15,000) or twice the amount of the taxpayer's qualified  
22 deductible.

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

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

6 Section 3. (a) A distribution from a catastrophe  
7 savings account must be included in the income of the taxpayer  
8 unless the amount of the distribution is used to cover  
9 qualified catastrophe expenses.

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

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

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

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

24 a. The taxpayer no longer owns a legal residence  
25 that qualifies pursuant to Chapter 7 of Title 40, Code of  
26 Alabama 1975.

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

5           (e) (1) No amount is includable in taxable income,  
6 pursuant to subsection (a), if the distribution is from an  
7 account conforming with subdivision (3) of subsection (a) or  
8 (b) of Section 2.

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

12           (f) If a taxpayer who owns a catastrophe savings  
13 account dies, his or her account is included in the income of  
14 the person who receives the account, unless that person is the  
15 surviving spouse of the taxpayer. Upon the death of the  
16 surviving spouse, the account is included in the income of the  
17 person who receives the account. The additional tax in  
18 subsection (d) does not apply to distribution on death of the  
19 taxpayer or the surviving spouse.

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

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