
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2192 Session of
2024

INTRODUCED BY KHAN, FLICK, DALEY, ORTITAY, GIRAL, PROKOPIAK,
SANCHEZ, SIEGEL, HILL-EVANS, DONAHUE, CURRY, WAXMAN, PROBST,
KENYATTA, BOROWSKI, RADER, GAYDOS, CERRATO, NEILSON AND
SCHLOSSBERG, APRIL 8, 2024

REFERRED TO COMMITTEE ON COMMERCE, APRIL 8, 2024

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing for business catastrophe savings
11 accounts.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971, is amended by adding an article to
16 read:

17 ARTICLE XXIX-I

18 BUSINESS CATASTROPHE SAVINGS ACCOUNTS

19 Section 2901-I. Scope of article.

20 This article relates to business catastrophe savings
21 accounts.

1 Section 2902-I. Definitions.

2 The following words and phrases when used in this article
3 shall have the meanings given to them in this section unless the
4 context clearly indicates otherwise:

5 "Account holder." A qualified business that holds a business
6 catastrophe savings account.

7 "Business catastrophe savings account." A business
8 catastrophe savings account opened under section 2903-I(a).

9 "Catastrophic event." A natural disaster involving a
10 windstorm, earthquake, hurricane, ice storm, tornado, high
11 winds, flood, forest fire, hail, force majeure or similar
12 natural disaster, whether covered by insurance or not. The term
13 includes an event or occurrence for which a presidential
14 disaster declaration is declared or declaration of disaster
15 emergency is declared by the Governor under 35 Pa.C.S. § 7301(c)
16 (relating to general authority of Governor).

17 "Department." The Department of Revenue of the Commonwealth.

18 "Financial institution." A bank, trust company, savings
19 institution, credit union, broker-dealer, insurance company,
20 mutual fund or similar entity authorized to do business in this
21 Commonwealth.

22 "Qualified business." A business that is independently owned
23 and meets all of the following criteria:

24 (1) Is headquartered in this Commonwealth.

25 (2) Employs 100 or fewer employees.

26 (3) Has annual revenues of less than \$10,000,000 in each
27 of the last three tax years.

28 (4) Is not dominant in its field.

29 "Qualifying catastrophe expense." A business expenditure
30 that covers the costs remaining after an insurance claim is

1 settled as a result of a catastrophic event. The term includes
2 new construction, rebuilding or renovations to an existing
3 building, the construction of measures to mitigate future
4 catastrophic events, improvements to accessibility, safety
5 improvements to a building, the payment of employee wages or
6 reimbursing employees for expenses relating to a catastrophic
7 event.

8 Section 2903-I. Authorization of business catastrophe savings
9 accounts.

10 (a) Designation of account.--Beginning six months after the
11 effective date of this subsection, a qualified business may open
12 a business catastrophe savings account with a financial
13 institution.

14 (b) Use of account.--An account holder may only use money
15 contributed to a business catastrophe savings account to pay or
16 reimburse the account holder's qualifying catastrophe expense
17 for recovery and repair after a catastrophic event.

18 (c) Expenses.--An account holder may not use money
19 contributed to a business catastrophe savings account to pay the
20 expenses of the account, except that the financial institution
21 holding the account may deduct a service fee from the account.

22 (d) Contributions to account.--

23 (1) An account holder may contribute no more than
24 \$50,000 in each taxable year to a business catastrophe
25 savings account.

26 (2) The maximum balance of a business catastrophe
27 savings account at one time may not exceed \$750,000.

28 (e) Transfer of money.--An account holder may withdraw money
29 from a business catastrophe savings account and transfer money
30 into a new business catastrophe savings account held by a

1 financial institution.

2 Section 2904-I. Deduction and exclusion from taxable income.

3 (a) Deduction of contributions.--Except as otherwise
4 provided under subsection (c), the amount contributed to a
5 business catastrophe savings account by an account holder shall
6 be deductible, up to the contribution limit under section 2903-
7 I(d) (1), from the taxable income of the account holder under
8 Articles III, IV, V and VI during the taxable year when the
9 contribution was made.

10 (b) Exclusion of earnings.--Except as otherwise provided
11 under subsection (c), the amount of earnings on a business
12 catastrophe savings account during a taxable year may be
13 excluded from the taxable income of an account holder under
14 Article III.

15 (c) Limitations on deductions and exclusions.--An account
16 holder may claim a deduction or exclusion under this section:

17 (1) for a period of no more than 10 years;

18 (2) for an aggregate amount of principal and earnings
19 not to exceed \$750,000 within 10 years; and

20 (3) except as otherwise provided in section 2903-I(e),
21 only if the principal and earnings of the business
22 catastrophe savings account remain in the account until a
23 withdrawal is made for a qualifying catastrophe expense by
24 the account holder.

25 (d) Unqualified expenses.--If an amount is withdrawn from a
26 business catastrophe savings account by an account holder and is
27 not used for a qualifying catastrophe expense, the department
28 shall consider the amount of the withdrawal as taxable income of
29 the account holder under Articles III, IV, V and VI.

30 (e) Bankruptcy declaration.--If an account holder declares

1 bankruptcy under 11 U.S.C. (relating to bankruptcy), the
2 financial institution holding the account holder's business
3 catastrophe savings account may distribute the money in the
4 account and close the account. The department shall consider the
5 amount distributed from a business catastrophe savings account
6 under this subsection as taxable income of the account holder
7 under Articles III, IV, V and VI.

8 (f) Business closures.--If the qualified business closes
9 permanently, the financial institution holding the account
10 holder's business catastrophe savings account may distribute the
11 money in the account and close the account. The department shall
12 consider the amount distributed from a business catastrophe
13 savings account under this subsection as taxable income of the
14 account holder under Articles III, IV, V and VI.

15 (g) Business sale or transfer of ownership.--If the
16 qualified business is sold or transferred to new ownership, the
17 new account holder shall submit proof to the department that the
18 new account holder is a qualified business. If the new account
19 holder does not submit proof to the department that the new
20 account holder is a qualified business within 60 days of the
21 sale or transfer of ownership, the department shall deem the
22 business to be unqualified under this article and the financial
23 institution holding the new account holder's business
24 catastrophe savings account may distribute the money in the
25 account and close the account. The department shall consider the
26 amount distributed from a business catastrophe savings account
27 under this subsection as taxable income of the account holder
28 under Articles III, IV, V and VI.

29 (h) Disqualification.--If a business employs 101 or greater
30 employees, has a revenue of \$10,000,001 or greater within the

1 last three tax years, becomes dominant in its field or moves its
2 headquarters outside this Commonwealth, the business shall cease
3 to be a qualified business under this article and the financial
4 institution holding the account holder's business catastrophe
5 savings account may distribute the money in the account and
6 close the account. The department shall consider the amount
7 distributed from a business catastrophe savings account under
8 this subsection as taxable income of the account holder under
9 Articles III, IV, V and VI.

10 Section 2905-I. Reports.

11 An account holder shall submit a report to the department of
12 all of the following:

13 (1) Upon a withdrawal of money from a business
14 catastrophe savings account, a detailed record of each
15 qualifying catastrophe expense for which the money was
16 applied and a statement of the amount of money remaining in
17 the account.

18 (2) On the account holder's personal income tax return:

19 (i) information regarding the business catastrophe
20 savings account, including a list of deposits,
21 withdrawals and any other transactions for the account
22 during the taxable year;

23 (ii) the form 1099-MISC or 1099-NEC issued by the
24 financial institution holding the account; and

25 (iii) any other information required by the
26 department.

27 (3) During each taxable year, a detailed record of the
28 business' qualifications for the business catastrophe savings
29 account, including all of the following:

30 (i) Annual revenue for the last three taxable years.

- 1 (ii) The number of full-time, part-time and seasonal
2 employees.
- 3 (iii) Proof of the business being headquartered in
4 this Commonwealth.
- 5 (iv) Any other information required by the
6 department.

7 Section 2906-I. Duties of financial institutions.

8 (a) Designation.--A financial institution shall designate an
9 account as a business catastrophe savings account.

10 (b) Limitations.--A financial institution may not be
11 required or be held liable to do any of the following:

12 (1) Track the use of money withdrawn from a business
13 catastrophe savings account.

14 (2) Allocate money in a business catastrophe savings
15 account among joint account holders or multiple qualified
16 beneficiaries.

17 (3) Report any information to the department or any
18 other governmental agency that is not otherwise required by
19 Federal or State law.

20 (4) Determine if an account satisfies the requirements
21 to be a business catastrophe savings account.

22 (5) Ensure that money in a business catastrophe savings
23 account is used for a qualifying catastrophe expense.

24 (6) Report or remit taxes or penalties relating to the
25 use of a business catastrophe savings account.

26 (c) Imposition of fees.--A financial institution may impose
27 reasonable fees on a business catastrophe savings account in the
28 same manner as the financial institution imposes reasonable fees
29 on other savings accounts.

30 (d) Distribution of money.--Upon proof of the closure or

1 bankruptcy of a qualified business, the financial institution
2 holding the account holder's business catastrophe savings
3 account may distribute the money in the account and close the
4 account in accordance with the contract terms governing the
5 account.

6 Section 2907-I. Withdrawal for purposes other than qualifying
7 catastrophe expenses.

8 Except as permitted under section 2903-I(e), if an account
9 holder withdraws money from a business catastrophe savings
10 account and uses the withdrawal for a purpose other than a
11 qualifying catastrophe expense, the department shall consider
12 the entire amount withdrawn as interest income under Articles
13 III, IV, V and VI for the taxable year when the withdrawal was
14 made.

15 Section 2908-I. Duties of department.

16 (a) Forms.--The department shall prepare forms for the
17 following purposes:

18 (1) Designating an account with a financial institution
19 as a business catastrophe savings account.

20 (2) Allowing an account holder to annually submit to the
21 department detailed information regarding the account
22 holder's business catastrophe savings account, including a
23 list of transactions for the account during a taxable year
24 and identifying any supporting documentation that is required
25 to be maintained by the account holder.

26 (b) Regulations.--The department may promulgate regulations
27 as necessary to implement this article.

28 Section 2. This act shall take effect in 60 days.