

118TH CONGRESS  
1ST SESSION

# H. R. 4305

To amend the Internal Revenue Code of 1986 to provide a credit against tax for disaster mitigation expenditures.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 22, 2023

Ms. SALAZAR (for herself, Ms. PETERSEN, Mr. GIMENEZ, Mr. PETERS, and Mr. STEUBE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against tax for disaster mitigation expenditures.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Shelter Act”.

5 **SEC. 2. NONREFUNDABLE PERSONAL CREDIT FOR DIS-**  
6 **ASTER MITIGATION EXPENDITURES.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by inserting after section 25E the fol-  
10 lowing new section:

1 **“SEC. 25F. DISASTER MITIGATION EXPENDITURES.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
3 dividual, there shall be allowed as a credit against the tax  
4 imposed by this chapter for the taxable year an amount  
5 equal to 25 percent of the qualified disaster mitigation ex-  
6 penditures made by the taxpayer during such taxable year.

7 “(b) MAXIMUM CREDIT.—

8 “(1) IN GENERAL.—Subject to paragraphs (2)  
9 and (3), the credit allowed under subsection (a) for  
10 any taxable year shall not exceed \$2,500.

11 “(2) PHASEOUT.—

12 “(A) IN GENERAL.—The amount under  
13 paragraph (1) for the taxable year shall be re-  
14 duced (but not below zero) by an amount which  
15 bears the same ratio to the amount under such  
16 paragraph as—

17 “(i) the amount (not less than zero)  
18 equal to the adjusted gross income of the  
19 taxpayer for such taxable year minus  
20 \$100,000, bears to

21 “(ii) \$50,000.

22 “(B) INFLATION ADJUSTMENT.—In the  
23 case of any taxable year after 2024, each of the  
24 dollar amounts under subparagraph (A) shall  
25 be increased by an amount equal to—

26 “(i) such dollar amount, multiplied by

1           “(ii) the cost-of-living adjustment de-  
2           termined under section 1(f)(3) for the cal-  
3           endar year in which the taxable year be-  
4           gins, determined by substituting ‘calendar  
5           year 2023’ for ‘calendar year 2016’ in sub-  
6           paragraph (A)(ii) thereof.

7           “(C) ROUNDING.—If any reduction deter-  
8           mined under subparagraph (A) is not a multiple  
9           of \$50, or any increase under subparagraph (B)  
10          is not a multiple of \$50, such amount shall be  
11          rounded to the nearest multiple of \$50.

12          “(3) JOINT RETURN.—If a joint return is filed  
13          by the taxpayer for any taxable year—

14                 “(A) for purposes of determining the  
15                 amount of any credit allowed under subsection  
16                 (a) for such taxable year, the dollar amount  
17                 under paragraph (1) shall be doubled, and

18                 “(B) for purposes of determining the  
19                 amount of any reduction under paragraph  
20                 (2)(A) for any taxable year, the dollar amounts  
21                 under such paragraph (after application of sub-  
22                 paragraphs (B) and (C) of paragraph (2)) shall  
23                 be doubled.

24          “(c) DEFINITIONS.—For purposes of this section—

1           “(1) QUALIFIED DISASTER MITIGATION EX-  
2           PENDITURE.—

3           “(A) IN GENERAL.—The term ‘qualified  
4           disaster mitigation expenditure’ means an ex-  
5           penditure relating to a qualified dwelling unit—

6                   “(i) for property to—

7                           “(I) improve the strength of a  
8                           roof deck attachment,

9                           “(II) create a secondary water  
10                          barrier to prevent water intrusion or  
11                          mitigate against potential water intru-  
12                          sion from wind-driven rain,

13                          “(III) improve the durability, im-  
14                          pact resistance (not less than class 3  
15                          or 4 rating), or fire resistance (not  
16                          less than class A rating) of a roof cov-  
17                          ering,

18                          “(IV) brace gable-end walls,

19                          “(V) reinforce the connection be-  
20                          tween a roof and supporting wall,

21                          “(VI) protect openings from pen-  
22                          etration by wind-borne debris,

23                          “(VII) protect exterior doors and  
24                          garages from natural hazards,

1           “(VIII) complete measures con-  
2           tained in the publication of the Fed-  
3           eral Emergency Management Agency  
4           entitled ‘Wind Retrofit Guide for Res-  
5           idential Buildings’ (P-804),

6           “(IX) elevate the qualified dwell-  
7           ing unit, as well as utilities, machin-  
8           ery, or equipment, above the base  
9           flood elevation or other applicable  
10          minimum elevation requirement,

11          “(X) seal walls in the basement  
12          of the qualified dwelling unit using  
13          waterproofing compounds, or

14          “(XI) protect propane tanks or  
15          other external fuel sources,

16          “(ii) to install—

17               “(I) check valves to prevent flood  
18               water from backing up into drains,

19               “(II) flood vents, breakaway  
20               walls or open lattice for homes located  
21               in V zones,

22               “(III) a stormwater drainage sys-  
23               tem or improve an existing system,

1           “(IV) natural or nature-based  
2 features for flood control, including  
3 living shorelines,

4           “(V) roof coverings, sheathing,  
5 flashing, roof and attic vents, eaves,  
6 or gutters that conform to ignition-re-  
7 sistant construction standards,

8           “(VI) wall components for wall  
9 assemblies that conform to ignition-re-  
10 sistant construction standards,

11           “(VII) a wall-to-foundation an-  
12 chor or connector, or a shear transfer  
13 anchor or connector,

14           “(VIII) wood structural panel  
15 sheathing for strengthening cripple  
16 walls,

17           “(IX) anchorage of the masonry  
18 chimney to the framing,

19           “(X) prefabricated lateral resist-  
20 ing systems,

21           “(XI) a standby generator sys-  
22 tem consisting of a standby generator  
23 and an automatic transfer switch,

24           “(XII) a storm shelter that meets  
25 the design and construction standards

1 established by the International Code  
2 Council and the National Storm Shel-  
3 ter Association (ICC-500), or a safe  
4 room that satisfies the criteria con-  
5 tained in—

6 “(aa) the publication of the  
7 Federal Emergency Management  
8 Agency entitled ‘Safe Rooms for  
9 Tornadoes and Hurricanes’ (P-  
10 361), or

11 “(bb) the publication of the  
12 Federal Emergency Management  
13 Agency entitled ‘Taking Shelter  
14 from the Storm’ (P-320),

15 “(XIII) a lightning protection  
16 system,

17 “(XIV) exterior walls, doors, win-  
18 dows, or other exterior dwelling unit  
19 elements that conform to ignition-re-  
20 sistant construction standards,

21 “(XV) exterior deck or fence  
22 components that conform to ignition-  
23 resistant construction standards,

24 “(XVI) structure-specific water  
25 hydration systems, including fire miti-

1 gation systems such as interior and  
2 exterior sprinkler systems,

3 “(XVII) water capture and deliv-  
4 ery systems to accommodate drought  
5 events or to decrease water use, in-  
6 cluding the design of such systems,

7 “(XVIII) flood openings for fully  
8 enclosed areas below the lowest floor  
9 of the dwelling unit,

10 “(XIX) lateral bracing for wall  
11 elements, foundation elements, and  
12 garage doors or other large openings  
13 to resist seismic loads, or

14 “(XX) automatic shutoff valves  
15 for water and gas lines, or

16 “(iii) for services or equipment to—

17 “(I) create buffers around the  
18 qualified dwelling unit through the re-  
19 moval or reduction of flammable vege-  
20 tation, including vertical clearance of  
21 tree branches,

22 “(II) create buffers around the  
23 dwelling unit through—



1                   “(aa) the removal of exterior  
2                   deck or fence components or igni-  
3                   tion-prone landscape features, or  
4                   “(bb) replacement of the  
5                   components or features described  
6                   in item (aa) with components or  
7                   features that conform to ignition-  
8                   resistant construction standards,  
9                   “(III) perform fire maintenance  
10                  procedures identified by the Federal  
11                  Emergency Management Agency or  
12                  the United States Forest Service, in-  
13                  cluding fuel management techniques  
14                  such as creating fuel and fire breaks,  
15                  “(IV) gather and analyze water  
16                  and weather data to better under-  
17                  stand the local climate and drought  
18                  history,  
19                  “(V) replace flammable vegeta-  
20                  tion with less flammable species,  
21                  “(VI) determine the risk of nat-  
22                  ural disasters which may occur in the  
23                  area in which the qualified dwelling  
24                  unit is located, or

1                   “(VII) prevent smoke inhalation,  
2                   such as air filters or other equipment  
3                   designed to prevent smoke from enter-  
4                   ing the dwelling unit,

5                   “(iv) for property relating to satis-  
6                   fying the standards required for receipt of  
7                   a FORTIFIED designation from the In-  
8                   surance Institute for Business and Home  
9                   Safety, provided that the qualified dwelling  
10                  unit receives such designation following in-  
11                  stallation of such property, or

12                  “(v) for any other hazard mitigation  
13                  activity which has been identified by the  
14                  Secretary, in consultation with the Admin-  
15                  istrator of the Federal Emergency Man-  
16                  agement Agency, for mitigation of a nat-  
17                  ural hazard.

18                  “(B) EXCEPTION.—The term ‘qualified  
19                  disaster mitigation expenditure’ shall not in-  
20                  clude any expenditure or portion thereof which  
21                  is paid, funded, or reimbursed by a Federal,  
22                  State, or local government entity, or any polit-  
23                  ical subdivision, agency, or instrumentality  
24                  thereof.

1           “(2) QUALIFIED DWELLING UNIT.—The term  
2           ‘qualified dwelling unit’ means a dwelling unit which  
3           is—

4                   “(A) located—

5                           “(i) in the United States or in a terri-  
6                           tory of the United States, and

7                           “(ii) in an area—

8                                   “(I) in which a Federal natural  
9                                   disaster declaration has been made  
10                                  within the preceding 5-year period,

11                                   “(II) which is adjacent to an  
12                                  area described in subclause (I),

13                                   “(III) which, during the taxable  
14                                  year or the period of the 5 taxable  
15                                  years preceding such taxable year, has  
16                                  received hazard mitigation assistance  
17                                  through the Federal Emergency Man-  
18                                  agement Agency in regard to any nat-  
19                                  ural disaster which, with respect to  
20                                  the expenditure described in para-  
21                                  graph (1) which is made by the tax-  
22                                  payer, is applicable to such expendi-  
23                                  ture, or

24                                   “(IV) which, with respect to any  
25                                  taxable year, has been designated as a

1 community disaster resilience zone (as  
2 defined in section 206(a) of the Rob-  
3 ert T. Stafford Disaster Relief and  
4 Emergency Assistance Act (42 U.S.C.  
5 5136(a))), and

6 “(B) used as a residence by the taxpayer.

7 “(d) LIMITATION.—

8 “(1) IN GENERAL.—In the case of an expendi-  
9 ture described in clause (i) or (ii) of subsection  
10 (c)(1)(A), such expenditure shall be taken into ac-  
11 count in determining the qualified disaster mitiga-  
12 tion expenditures made by the taxpayer during the  
13 taxable year only if the onsite preparation, assembly,  
14 or original installation of the property with respect  
15 to which such expenditure is made has been com-  
16 pleted in a manner that is deemed to be in compli-  
17 ance with the latest published editions of relevant  
18 consensus-based codes, specifications, and standards  
19 or any more restrictive Federal, State, or local flood-  
20 plain management standards and consistent with  
21 floodplain management regulations for the local ju-  
22 risdiction in which the qualified dwelling unit is lo-  
23 cated.

24 “(2) LATEST PUBLISHED EDITIONS.—The term  
25 ‘latest published editions’ means, with respect to rel-

1       evant consensus-based codes, specifications, and  
2       standards, either of the 2 most recently published  
3       editions.

4       “(e) LABOR COSTS.—For purposes of this section,  
5       expenditures for labor costs properly allocable to the onsite  
6       preparation, assembly, or original installation of the prop-  
7       erty described in clause (i) or (ii) of subsection (c)(1)(A)  
8       shall be taken into account in determining the qualified  
9       disaster mitigation expenditures made by the taxpayer  
10      during the taxable year.

11      “(f) INSPECTION COSTS.—For purposes of this sec-  
12      tion, expenditures for the cost of any inspection required  
13      under subsection (d) which is properly allocable to the in-  
14      spection of the preparation, assembly, or installation of  
15      the property described in clause (i) or (ii) of subsection  
16      (c)(1)(A) shall be taken into account in determining the  
17      qualified disaster mitigation expenditures made by the  
18      taxpayer during the taxable year.

19      “(g) CARRYFORWARD OF UNUSED CREDIT.—

20              “(1) IN GENERAL.—If the credit allowable  
21      under subsection (a) for any taxable year exceeds  
22      the applicable tax limit for such taxable year, such  
23      excess shall be a carryover to each of the 5 suc-  
24      ceeding taxable years and, subject to the limitations  
25      of paragraph (2), shall be added to the credit allow-

1 able by subsection (a) for such succeeding taxable  
2 year.

3 “(2) LIMITATION.—The amount of the unused  
4 credit which may be taken into account under para-  
5 graph (1) for any taxable year shall not exceed the  
6 amount (if any) by which the applicable tax limit for  
7 such taxable year exceeds the sum of—

8 “(A) the credit allowable under subsection  
9 (a) for such taxable year determined without re-  
10 gard to this subsection, and

11 “(B) the amounts which, by reason of this  
12 subsection, are carried to such taxable year and  
13 are attributable to taxable years before the un-  
14 used credit year.

15 “(3) APPLICABLE TAX LIMIT.—For purposes of  
16 this subsection, the term ‘applicable tax limit’ means  
17 the limitation imposed by section 26(a) for the tax-  
18 able year reduced by the sum of the credits allowable  
19 under this subpart (other than this section).

20 “(h) DOCUMENTATION.—Any taxpayer claiming the  
21 credit under this section shall provide the Secretary with  
22 adequate documentation regarding the specific qualified  
23 disaster mitigation expenditures made by the taxpayer  
24 during the taxable year, as well as such other information  
25 or documentation as the Secretary may require.”.

1 (b) CONFORMING AMENDMENT.—The table of sec-  
2 tions for subpart A of part IV of subchapter A of chapter  
3 1 of such Code is amended by inserting after the item  
4 relating to section 25E the following new item:

“Sec. 25F. Disaster mitigation expenditures.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2023.

8 **SEC. 3. BUSINESS-RELATED CREDIT FOR DISASTER MITIGA-**  
9 **TION.**

10 (a) IN GENERAL.—Subpart D of part IV of sub-  
11 chapter A of chapter 1 of the Internal Revenue Code of  
12 1986 is amended by inserting after section 45AA the fol-  
13 lowing new section:

14 **“SEC. 45BB. DISASTER MITIGATION CREDIT.**

15 “(a) GENERAL RULE.—For purposes of section 38,  
16 the disaster mitigation credit determined under this sec-  
17 tion for any taxable year is an amount equal to 25 percent  
18 of the qualified disaster mitigation expenditures made by  
19 the taxpayer during the taxable year.

20 “(b) MAXIMUM CREDIT.—

21 “(1) IN GENERAL.—Subject to paragraph (2),  
22 the amount of the credit determined under sub-  
23 section (a) for any taxable year shall not exceed  
24 \$5,000.

25 “(2) PHASEOUT.—

1           “(A) IN GENERAL.—The amount under  
2 paragraph (1) for the taxable year shall be re-  
3 duced (but not below zero) by an amount which  
4 bears the same ratio to the amount under such  
5 paragraph as—

6                   “(i) the amount (not less than zero)  
7                   equal to the average gross receipts of the  
8                   taxpayer over the 3 preceding taxable  
9                   years minus \$5,000,000, bears to

10                   “(ii) \$5,000,000.

11           “(B) INFLATION ADJUSTMENT.—In the  
12 case of any taxable year after 2024, each of the  
13 dollar amounts under subparagraph (A) shall  
14 be increased by an amount equal to—

15                   “(i) such dollar amount, multiplied by

16                   “(ii) the cost-of-living adjustment de-  
17                   termined under section 1(f)(3) for the cal-  
18                   endar year in which the taxable year be-  
19                   gins, determined by substituting ‘calendar  
20                   year 2023’ for ‘calendar year 2016’ in sub-  
21                   paragraph (A)(ii) thereof.

22           “(C) ROUNDING.—If any reduction deter-  
23           mined under subparagraph (A) is not a multiple  
24           of \$50, or any increase under subparagraph (B)



1 is not a multiple of \$50, such amount shall be  
2 rounded to the nearest multiple of \$50.

3 “(c) QUALIFIED DISASTER MITIGATION EXPENDI-  
4 TURE.—

5 “(1) IN GENERAL.—For purposes of this sec-  
6 tion, the term ‘qualified disaster mitigation expendi-  
7 ture’ has the same meaning given such term under  
8 paragraph (1) of section 25F(c), except that ‘place  
9 of business’ shall be substituted for ‘qualified dwell-  
10 ing unit’ each place it appears in such paragraph.

11 “(2) PLACE OF BUSINESS.—For purposes of  
12 this section, an expenditure shall not be treated as  
13 a qualified disaster mitigation expenditure (as de-  
14 fined in paragraph (1)) unless the taxpayer’s place  
15 of business is located—

16 “(A) in the United States or in a territory  
17 of the United States, and

18 “(B) in an area—

19 “(i) in which a Federal natural dis-  
20 aster declaration has been made within the  
21 preceding 5-year period,

22 “(ii) which is adjacent to an area de-  
23 scribed in clause (i),

24 “(iii) which, during the taxable year  
25 or the period of the 5 taxable years pre-

1 ceding such taxable year, has received haz-  
2 ard mitigation assistance through the Fed-  
3 eral Emergency Management Agency in re-  
4 gard to any natural disaster which, with  
5 respect to the expenditure described in sec-  
6 tion 25F(e)(1) which is made by the tax-  
7 payer, is applicable to such expenditure, or

8 “(iv) which, with respect to any tax-  
9 able year, has been designated as a com-  
10 munity disaster resilience zone (as defined  
11 in section 206(a) of the Robert T. Stafford  
12 Disaster Relief and Emergency Assistance  
13 Act (42 U.S.C. 5136(a))).

14 “(d) SPECIAL RULES.—Rules similar to the rules of  
15 subsections (d) through (g) of section 25F shall apply for  
16 purposes of this section.

17 “(e) NO DOUBLE BENEFIT.—No credit shall be de-  
18 termined under this section with respect to any expendi-  
19 tures for which a credit was allowed under section 25F.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Section 38(b) of such Code is amended by  
22 striking “plus” at the end of paragraph (40), by  
23 striking the period at the end of paragraph (41) and  
24 inserting “, plus”, and by adding at the end the fol-  
25 lowing new paragraph:

1           “(42) the disaster mitigation credit determined  
2           under section 45BB(a).”.

3           (2) The table of sections for subpart D of part  
4           IV of subchapter A of chapter 1 of such Code is  
5           amended by inserting after the item relating to sec-  
6           tion 45AA the following new item:

“Sec. 45BB. Disaster mitigation credit.”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years beginning after  
9           December 31, 2023.

○