

118TH CONGRESS
2D SESSION

S. 5296

To amend the Internal Revenue Code of 1986 to provide for Residential
Emergency Asset-accumulation Deferred Taxation Yield (READY) accounts.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 12, 2024

Mr. SCOTT of Florida introduced the following bill; which was read twice and
referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide
for Residential Emergency Asset-accumulation Deferred
Taxation Yield (READY) accounts.

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 “READY Accounts
5 Act”.

6 **SEC. 2. READY ACCOUNTS.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 is amended
9 by redesignating section 224 as section 225 and by insert-
10 ing after section 223 the following new section:

1 **“SEC. 224. RESIDENTIAL EMERGENCY ASSET-ACCUMULA-**
 2 **TION DEFERRED TAXATION YIELD (READY)**
 3 **ACCOUNTS.**

4 “(a) DEDUCTION ALLOWED.—In the case of an indi-
 5 vidual, there shall be allowed as a deduction for the tax-
 6 able year an amount equal to the aggregate amount paid
 7 in cash during such taxable year by or on behalf of such
 8 individual to a Residential Emergency Asset-accumulation
 9 Deferred Taxation Yield (READY) account such indi-
 10 vidual.

11 “(b) LIMITATION.—

12 “(1) IN GENERAL.—The amount allowable as a
 13 deduction under subsection (a) to an individual for
 14 the taxable year shall not exceed \$4,500.

15 “(2) INFLATION ADJUSTMENT.—

16 “(A) IN GENERAL.—In the case of any
 17 taxable year beginning in a calendar year after
 18 2025, the \$4,500 dollar amount under para-
 19 graph (1) shall be increased by an amount
 20 equal to—

21 “(i) such dollar amount, multiplied by

22 “(ii) the cost-of-living adjustment de-
 23 termined under section 1(f)(3) for the cal-
 24 endar year in which the taxable year be-
 25 gins, determined by substituting in sub-

1 paragraph (A)(ii) thereof ‘calendar year
2 2024’ for ‘calendar year 2016’.

3 “(B) ROUNDING.—If any amount as ad-
4 justed under paragraph (1) is not a multiple of
5 \$50, such dollar amount shall be rounded to the
6 next lowest multiple of \$50.

7 “(c) RESIDENTIAL EMERGENCY ASSET-ACCUMULA-
8 TION DEFERRED TAXATION YIELD (READY) AC-
9 COUNT.—For purposes of this section—

10 “(1) IN GENERAL.—The term ‘Residential
11 Emergency Asset-accumulation Deferred Taxation
12 Yield (READY) account’ means a trust created or
13 organized in the United States as a Residential
14 Emergency Asset-accumulation Deferred Taxation
15 Yield (READY) account exclusively for the purpose
16 of paying the qualified home disaster mitigation and
17 recovery expenses of the account beneficiary, but
18 only if the written governing instrument creating the
19 trust meets the following requirements:

20 “(A) Except in the case of a rollover con-
21 tribution described in subsection (e)(5), no con-
22 tribution will be accepted—

23 “(i) unless it is in cash, or

24 “(ii) to the extent such contribution,
25 when added to previous contributions to

1 the trust for the calendar year, exceeds the
2 dollar amount in effect under subsection
3 (b)(1).

4 “(B) The trustee is a bank (as defined in
5 section 408(n)) or another person who dem-
6 onstrates to the satisfaction of the Secretary
7 that the manner in which such person will ad-
8 minister the trust will be consistent with the re-
9 quirements of this section.

10 “(C) No part of the trust assets will be in-
11 vested in life insurance contracts.

12 “(D) The assets of the trust will not be
13 commingled with other property except in a
14 common trust fund or common investment
15 fund.

16 “(E) The interest of an individual in the
17 balance in his account is nonforfeitable.

18 “(2) QUALIFIED HOME DISASTER MITIGATION
19 AND RECOVERY EXPENSES.—

20 “(A) IN GENERAL.—The term ‘qualified
21 home disaster mitigation and recovery expenses’
22 means, with respect to an account beneficiary,
23 amounts paid by such beneficiary for—

24 “(i) qualified disaster mitigation
25 measures, or

1 “(ii) qualified disaster recovery costs,
2 with respect to a qualified home of the tax-
3 payer.

4 “(B) QUALIFIED DISASTER MITIGATION
5 MEASURES.—For purposes of subparagraph
6 (A)—

7 “(i) IN GENERAL.—The term ‘quali-
8 fied disaster mitigation measures’ means
9 any measure described in clause (ii) with
10 respect to a qualified home of the taxpayer
11 if—

12 “(I) such measure meets such
13 criteria as the Secretary, in consulta-
14 tion with the Administrator of the
15 Federal Emergency Management
16 Agency, considers appropriate to miti-
17 gate damage from a natural or other
18 disaster, and

19 “(II) is certified by a qualified
20 industry professional as meeting such
21 criteria.

22 “(ii) MITIGATION MEASURES.—The
23 following measures are measures described
24 in this clause:

- 1 “(I) Installing a roofing
2 underlayment to sheathing.
- 3 “(II) Replacing a roof covering.
- 4 “(III) Applying a foam adhesive
5 to reinforce the roof structure.
- 6 “(IV) Strengthening connection
7 of roof deck to roof framing.
- 8 “(V) Strengthening roof-to-wall
9 connections.
- 10 “(VI) Strengthening soffits.
- 11 “(VII) Strengthening attic ven-
12 tilation openings.
- 13 “(VIII) Installing impact-resist-
14 ant windows.
- 15 “(IX) Installing impact-resistant
16 entry doors.
- 17 “(X) Elevating the residential
18 home.
- 19 “(XI) Installing ground anchors.
- 20 “(XII) If the qualified home was
21 built according to a building code
22 from a prior year, achieving the cur-
23 rent building code standard in the ap-
24 plicable State or locality.

1 “(XIII) Such other measures de-
2 termined by the Secretary, in con-
3 sultation with the Administrator of
4 the Federal Emergency Management
5 Agency, to be consistent with the pur-
6 poses of this section.

7 “(iii) QUALIFIED INDUSTRY PROFES-
8 SIONAL.—The term ‘qualified industry pro-
9 fessional’ means an individual who meets
10 such rules and standards as determined
11 appropriate by the Secretary, in consulta-
12 tion with the Administrator of the Federal
13 Emergency Management Agency.

14 “(C) QUALIFIED DISASTER RECOVERY
15 COSTS.—For purposes of subparagraph (A), the
16 term ‘qualified disaster recovery costs’ means
17 costs for repairing damage to the qualified
18 home of the taxpayer if such damage arises
19 from fire, storm, or other casualty and such
20 costs are not compensated for by insurance or
21 otherwise.

22 “(D) QUALIFIED HOME.—For purposes of
23 this section, the term ‘qualified home’ means,
24 with respect to any taxable year, any structure
25 which is—

1 “(i) owned by the taxpayer, and

2 “(ii) used by the taxpayer as the tax-
3 payer’s principal residence (within the
4 meaning of section 121) for the taxable
5 year.

6 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
7 count beneficiary’ means the individual on whose be-
8 half the Residential Emergency Asset-accumulation
9 Deferred Taxation Yield (READY) account was es-
10 tablished.

11 “(4) CERTAIN RULES TO APPLY.—Rules similar
12 to the following rules shall apply for purposes of this
13 section:

14 “(A) Section 219(d)(2) (relating to no de-
15 duction for rollovers).

16 “(B) Section 219(f)(3) (relating to time
17 when contributions deemed made).

18 “(C) Section 219(f)(5) (relating to em-
19 ployer payments).

20 “(D) Section 408(g) (relating to commu-
21 nity property laws).

22 “(E) Section 408(h) (relating to custodial
23 accounts).

24 “(d) TAX TREATMENT OF ACCOUNTS.—

1 “(1) IN GENERAL.—A Residential Emergency
2 Asset-accumulation Deferred Taxation Yield
3 (READY) account is exempt from taxation under
4 this subtitle unless such account has ceased to be a
5 Residential Emergency Asset-accumulation Deferred
6 Taxation Yield (READY) account. Notwithstanding
7 the preceding sentence, any such account is subject
8 to the taxes imposed by section 511 (relating to im-
9 position of tax on unrelated business income of char-
10 itable, etc. organizations).

11 “(2) ACCOUNT TERMINATIONS.—Rules similar
12 to the rules of paragraphs (2) and (4) of section
13 408(e) shall apply to Residential Emergency Asset-
14 accumulation Deferred Taxation Yield (READY) ac-
15 counts, and any amount treated as distributed under
16 such rules shall be treated as not used to pay quali-
17 fied home disaster mitigation and recovery expenses.

18 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

19 “(1) AMOUNTS USED FOR QUALIFIED HOME
20 DISASTER MITIGATION AND RECOVERY EXPENSES.—
21 Any amount paid or distributed out of a Residential
22 Emergency Asset-accumulation Deferred Taxation
23 Yield (READY) account which is used exclusively to
24 pay qualified home disaster mitigation and recovery

1 expenses of the account beneficiary shall not be in-
2 cludible in gross income.

3 “(2) INCLUSION OF AMOUNTS NOT USED FOR
4 QUALIFIED HOME DISASTER MITIGATION AND RE-
5 COVERY EXPENSES.—Any amount paid or distrib-
6 uted out of a Residential Emergency Asset-accumu-
7 lation Deferred Taxation Yield (READY) account
8 which is not used exclusively to pay the qualified
9 home disaster mitigation and recovery expenses of
10 the account beneficiary shall be included in the gross
11 income of such beneficiary.

12 “(3) EXCESS CONTRIBUTIONS RETURNED BE-
13 FORE DUE DATE OF RETURN.—

14 “(A) IN GENERAL.—If any excess con-
15 tribution is contributed for a taxable year to
16 any Residential Emergency Asset-accumulation
17 Deferred Taxation Yield (READY) account of
18 an individual, paragraph (2) shall not apply to
19 distributions from the Residential Emergency
20 Asset-accumulation Deferred Taxation Yield
21 (READY) accounts of such individual (to the
22 extent such distributions do not exceed the ag-
23 gregate excess contributions to all such ac-
24 counts of such individual for such year) if—

1 “(i) such distribution is received by
2 the individual on or before the last day
3 prescribed by law (including extensions of
4 time) for filing such individual’s return for
5 such taxable year, and

6 “(ii) such distribution is accompanied
7 by the amount of net income attributable
8 to such excess contribution.

9 Any net income described in clause (ii) shall be
10 included in the gross income of the individual
11 for the taxable year in which it is received.

12 “(B) EXCESS CONTRIBUTION.—For pur-
13 poses of subparagraph (A), the term ‘excess
14 contribution’ means any contribution (other
15 than a rollover contribution described in para-
16 graph (5)) which is not deductible under this
17 section.

18 “(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT
19 USED FOR QUALIFIED HOME DISASTER MITIGATION
20 AND RECOVERY EXPENSES.—The tax imposed by
21 this chapter on the account beneficiary for any tax-
22 able year in which there is a payment or distribution
23 from a Residential Emergency Asset-accumulation
24 Deferred Taxation Yield (READY) account of such
25 beneficiary which is includible in gross income under

1 paragraph (2) shall be increased by 20 percent of
2 the amount which is so includible.

3 “(5) ROLLOVER CONTRIBUTION.—An amount is
4 described in this paragraph as a rollover contribu-
5 tion if it meets the requirements of subparagraphs
6 (A) and (B).

7 “(A) IN GENERAL.—Paragraph (2) shall
8 not apply to any amount paid or distributed
9 from a Residential Emergency Asset-accumula-
10 tion Deferred Taxation Yield (READY) account
11 to the account beneficiary to the extent the
12 amount received is paid into a Residential
13 Emergency Asset-accumulation Deferred Tax-
14 ation Yield (READY) account for the benefit of
15 such beneficiary not later than the 60th day
16 after the day on which the beneficiary receives
17 the payment or distribution.

18 “(B) LIMITATION.—This paragraph shall
19 not apply to any amount described in subpara-
20 graph (A) received by an individual from a Res-
21 idential Emergency Asset-accumulation De-
22 ferred Taxation Yield (READY) account if, at
23 any time during the 1-year period ending on the
24 day of such receipt, such individual received any
25 other amount described in subparagraph (A)

1 from a Residential Emergency Asset-accumula-
2 tion Deferred Taxation Yield (READY) account
3 which was not includible in the individual's
4 gross income because of the application of this
5 paragraph.

6 “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-
7 VORCE.—The transfer of an individual's interest in
8 a Residential Emergency Asset-accumulation De-
9 ferred Taxation Yield (READY) account to an indi-
10 vidual's spouse or former spouse under a divorce or
11 separation instrument described in clause (i) of sec-
12 tion 121(d)(3)(C) shall not be considered a taxable
13 transfer made by such individual notwithstanding
14 any other provision of this subtitle, and such interest
15 shall, after such transfer, be treated as a Residential
16 Emergency Asset-accumulation Deferred Taxation
17 Yield (READY) account with respect to which such
18 spouse is the account beneficiary.

19 “(7) TREATMENT AFTER DEATH OF ACCOUNT
20 BENEFICIARY.—

21 “(A) TREATMENT IF DESIGNATED BENE-
22 FICIARY IS SPOUSE.—If the account bene-
23 ficiary's surviving spouse acquires such bene-
24 ficiary's interest in a Residential Emergency
25 Asset-accumulation Deferred Taxation Yield

1 (READY) account by reason of being the des-
2 ignated beneficiary of such account at the death
3 of the account beneficiary, such Residential
4 Emergency Asset-accumulation Deferred Tax-
5 ation Yield (READY) account shall be treated
6 as if the spouse were the account beneficiary.

7 “(B) OTHER CASES.—If, by reason of the
8 death of the account beneficiary, any person ac-
9 quires the account beneficiary’s interest in a
10 Residential Emergency Asset-accumulation De-
11 ferred Taxation Yield (READY) account in a
12 case to which subparagraph (A) does not
13 apply—

14 “(i) such account shall cease to be a
15 Residential Emergency Asset-accumulation
16 Deferred Taxation Yield (READY) ac-
17 count as of the date of death, and

18 “(ii) an amount equal to the fair mar-
19 ket value of the assets in such account on
20 such date shall be includible if such person
21 is not the estate of such beneficiary, in
22 such person’s gross income for the taxable
23 year which includes such date, or if such
24 person is the estate of such beneficiary, in

1 such beneficiary’s gross income for the last
2 taxable year of such beneficiary.

3 “(f) REPORTS.—

4 “(1) IN GENERAL.—The Secretary may require
5 the trustee of a Residential Emergency Asset-accu-
6 mulation Deferred Taxation Yield (READY) account
7 to make such reports regarding such account to the
8 Secretary and to the account beneficiary with re-
9 spect to contributions, distributions, the return of
10 excess contributions, and such other matters as the
11 Secretary determines appropriate.

12 “(2) TIME AND MANNER OF REPORTS.—The re-
13 ports required by this subsection shall be filed at
14 such time and in such manner and furnished to such
15 individuals at such time and in such manner as may
16 be required by the Secretary.

17 “(g) REGULATIONS.— The Secretary shall prescribe
18 such regulations as may be necessary or appropriate to
19 carry out the purposes of this section and to prevent the
20 abuse of such purposes.”.

21 (b) EXCESS CONTRIBUTIONS.—

22 “(1) IN GENERAL.—Section 4973(a) of the In-
23 ternal Revenue Code of 1986 is amended by striking
24 “or” at the end of paragraph (5), by inserting “or”

1 at the end of paragraph (6), and by inserting after
2 paragraph (6) the following new paragraph:

3 “(7) a Residential Emergency Asset-accumula-
4 tion Deferred Taxation Yield (READY) account
5 (within the meaning of section 224),”.

6 (2) EXCESS CONTRIBUTIONS.—Section 4973 of
7 such Code is amended by adding at the end the fol-
8 lowing new subsection:

9 “(i) EXCESS CONTRIBUTIONS TO READY AC-
10 COUNTS.—

11 “(1) IN GENERAL.—For purposes of this sec-
12 tion, in the case of a Residential Emergency Asset-
13 accumulation Deferred Taxation Yield (READY) ac-
14 count (within the meaning of section 224), the term
15 ‘excess contributions’ means the sum of—

16 “(A) the aggregate amount contributed for
17 the taxable year to such accounts (other than
18 rollover contributions described in section
19 224(e)(5)) which is not allowed as a deduction
20 under section 224 fo such year, and, and

21 “(B) the amount determined under this
22 subsection for the preceding taxable year, re-
23 duced by the sum of—

1 “(i) the distributions out of the ac-
 2 counts which were included in gross in-
 3 come under section 224(e)(2), and

4 “(ii) the excess (if any) of the max-
 5 imum amount allowed as a deduction
 6 under section 224(b) for the taxable year
 7 over the amount contributed to the ac-
 8 counts for the taxable year.

9 “(2) SPECIAL RULES.—For purposes of this
 10 subsection, any contribution which is distributed out
 11 of the Residential Emergency Asset-accumulation
 12 Deferred Taxation Yield (READY) account in a dis-
 13 tribution to which section 223(e)(3) applies shall be
 14 treated as an amount not contributed.”.

15 (c) APPLICATION OF PROHIBITED TRANSACTION
 16 RULES.—

17 (1) IN GENERAL.—Section 4975(e)(1) of the
 18 Internal Revenue Code of 1986 is amended by strik-
 19 ing “or” at the end of subparagraph (F), by redesign-
 20 ating subparagraph (G) as subparagraph (H), and
 21 by inserting after subparagraph (F) the following
 22 new subparagraph:

23 “(G) a Residential Emergency Asset-accu-
 24 mulation Deferred Taxation Yield (READY) ac-
 25 count described in section 224, or”.

1 (2) SPECIAL RULE.—Section 4975(e) of such
2 Code is amended by adding at the end the following
3 new paragraph:

4 “(8) SPECIAL RULE FOR RESIDENTIAL EMER-
5 GENCY ASSET-ACCUMULATION DEFERRED TAXATION
6 YIELD (READY) ACCOUNTS.—An individual for whose
7 benefit a Residential Emergency Asset-accumulation
8 Deferred Taxation Yield (READY) account (within
9 the meaning of section 224) is established shall be
10 exempt from the tax imposed by this section with re-
11 spect to any transaction concerning such account
12 (which would otherwise be taxable under this sec-
13 tion) if, with respect to such transaction, the ac-
14 count ceases to be a Residential Emergency Asset-
15 accumulation Deferred Taxation Yield (READY) ac-
16 count by reason of the application of section
17 224(d)(2) to such account.”.

18 (d) CONFORMING AMENDMENTS.—

19 (1) Section 26(b)(2) of the Internal Revenue
20 Code of 1986 is amended by striking “and” at the
21 end of subparagraph (Y), by striking the period at
22 the end of subparagraph (Z) and inserting “, and”,
23 and by inserting after subparagraph (Y) the fol-
24 lowing:

25 “(AA) section 224(e)(4).”.

1 (2) Section 62(a) of such Code is amended by
2 inserting after paragraph (21) the following new
3 paragraph:

4 “(22) RESIDENTIAL EMERGENCY ASSET-ACCU-
5 MULATION DEFERRED TAXATION YIELD (READY) AC-
6 COUNT.—The deduction allowed by section 224.”.

7 (3) Section 165(h) of such Code is amended by
8 adding at the end the following new paragraph:

9 “(6) COORDINATION WITH EXPENDITURES
10 FROM READY ACCOUNTS.—No deduction shall be al-
11 lowed with respect to any loss described in sub-
12 section (a)(3) to the extent the taxpayer has made
13 an expenditure from a Residential Emergency Asset-
14 accumulation Deferred Taxation Yield (READY) ac-
15 count (as defined in section 224) which is taken into
16 account under section 224(c)(2)(C) as a cost with
17 respect to such loss.”.

18 (4) Section 877A of such Code is amended—

19 (A) in subsection (e)(2) by inserting “a
20 Residential Emergency Asset-accumulation De-
21 ferred Taxation Yield (READY) account (as de-
22 fined in section 224),” after “a health savings
23 account (as defined in section 223),”, and

24 (B) in subsection (g)(6) by inserting
25 “224(e)(4),” after “223(f)(4),”.

1 (5) Section 6693(a)(2) of such Code is amended
2 by striking “and” at the end of subparagraph (E),
3 by striking the period at the end of subparagraph
4 (F) and inserting “, and”, and by inserting after
5 subparagraph (F) the following new subparagraph:

6 “(G) section 224(f) (relating to Residential
7 Emergency Asset-accumulation Deferred Tax-
8 ation Yield (READY) accounts).”.

9 (6) The table of sections for part VII of sub-
10 chapter B of chapter 1 of such Code is amended re-
11 designating the item relating to section 224 as relat-
12 ing to section 225 and by inserting after the item
13 relating to section 223 the following new item:

 “Sec. 224. Residential Emergency Asset-accumulation Deferred Taxation Yield
 (READY) accounts.”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 the date of the enactment of this Act.

○