

1 HB515  
2 167532-1  
3 By Representative Davis  
4 RFD: Ways and Means Education  
5 First Read: 21-APR-15

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8 SYNOPSIS: Under existing law, taxpayers are allowed a  
9 tax deduction for contributions made to a  
10 catastrophe savings account.

11 This bill would create the Homeowner's  
12 Insurance Catastrophic Event Planning Act.

13 This bill would make technical corrections  
14 to remove ambiguities and increase the amount of  
15 the tax deduction.

16  
17 A BILL  
18 TO BE ENTITLED  
19 AN ACT  
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21 To amend Sections 40-18-311 and 40-18-312, Code of  
22 Alabama 1975, relating to the state tax deduction granted to  
23 taxpayers for contributions made to a catastrophe savings  
24 account; to provide an increase in the state tax deduction  
25 awarded to taxpayers who made contributions to a catastrophe  
26 savings account; and to make technical corrections to remove  
27 ambiguities.

1 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

2 Section 1. Sections 40-18-311 and 40-18-312, Code of  
3 Alabama 1975, as amended by this act, shall be known and may  
4 be cited as the Homeowner's Insurance Catastrophic Event  
5 Planning Act.

6 Section 2. Sections 40-18-311 and 40-18-312 of the  
7 Code of Alabama 1975, are amended to read as follows:

8 "§40-18-311.

9 "(a) An individual taxpayer is allowed a deduction  
10 against income earned for state income tax purposes imposed  
11 pursuant to Section 40-18-5, ~~for amounts~~ equal to two times  
12 the amount contributed to a catastrophe savings account in  
13 accordance with subsection (c) and all interest income earned  
14 by a catastrophe savings account is exempt from the tax  
15 imposed pursuant to Section 40-18-5.

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

18 "(c) The total amount that may be contributed to a  
19 catastrophe savings account must not exceed any of the  
20 following:

21 "(1) In the case of an individual whose qualified  
22 deductible is less than or equal to ~~one thousand dollars~~  
23 ~~(\$1,000),~~ two thousand dollars (\$2,000), no more than four  
24 thousand dollars (\$4,000) in any tax year and no more than  
25 twelve thousand dollars (\$12,000) total.

26 "(2) In the case of an individual whose qualified  
27 deductible is greater than ~~one thousand dollars (\$1,000)~~ two

1 ~~thousand dollars (\$2,000), the amount equal to the lesser of~~  
2 ~~fifteen thousand dollars (\$15,000) or twice the amount of the~~  
3 ~~taxpayer's qualified deductible.~~

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

9 "(d) If a taxpayer contributes in excess of the  
10 limits provided in subsection (c), the taxpayer shall withdraw  
11 the amount of the excess contributions and include that amount  
12 in Alabama income for purposes of Section 40-18-5 in the year  
13 of withdrawal.

14 "§40-18-312.

15 "(a) A distribution from a catastrophe savings  
16 account must be included in the income of the taxpayer unless  
17 the amount of the distribution is used to cover qualified  
18 catastrophe expenses.

19 "(b) No amount is included in income, pursuant to  
20 subsection (a), if the qualified catastrophe expenses of the  
21 taxpayer during the taxable year are equal to or greater than  
22 the aggregate distributions during the taxable year.

23 "(c) If aggregate distributions exceed the qualified  
24 catastrophe expenses during the taxable year, the amount  
25 otherwise included in income must be reduced by the amount of  
26 the distributions for qualified catastrophe expenses.

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

5           ~~"(2) This additional tax does not apply if any of~~  
6           ~~the following occur:~~

7           ~~"a. The taxpayer no longer owns a legal residence~~  
8           ~~that qualifies pursuant to Chapter 7.~~

9           ~~"b. The distribution is from an account conforming~~  
10          ~~with subdivision (3) of subsection (c) of Section 40-18-311~~  
11          ~~and is made on or after the date on which the taxpayer attains~~  
12          ~~the age of 70.~~

13          ~~"(3) If a taxpayer receives a nontaxable~~  
14          ~~distribution under this subsection, the taxpayer must not make~~  
15          ~~further contributions to any catastrophe savings account.~~

16          ~~"(d) (e) If a taxpayer who owns a catastrophe~~  
17          ~~savings account dies, his or her account is included in the~~  
18          ~~income of the person who receives the account, unless that~~  
19          ~~person is the surviving spouse of the taxpayer. Upon the death~~  
20          ~~of the surviving spouse, the account is included in the income~~  
21          ~~of the person who receives the account. The additional tax in~~  
22          ~~subsection (d) does not apply to distribution on death of the~~  
23          ~~taxpayer or the surviving spouse."~~

24                 Section 3. This act shall be effective for tax years  
25                 beginning on or after January 1, 2015, and shall become  
26                 effective immediately following its passage and approval by  
27                 the Governor, or its otherwise becoming law.

