

118TH CONGRESS
1ST SESSION

H. R. 312

To amend the Internal Revenue Code of 1986 to provide emergency savings accounts for individuals.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 12, 2023

Mr. CLOUD introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide emergency savings accounts for individuals.

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 “Emergency Savings
5 Accounts Act of 2023”.

6 **SEC. 2. DEDUCTION FOR CONTRIBUTIONS TO EMERGENCY**
7 **SAVINGS ACCOUNTS.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to
10 additional itemized deductions for individuals) is amended

1 by redesignating section 224 as section 225 and by insert-
2 ing after section 223 the following new section:

3 **“SEC. 224. EMERGENCY SAVINGS ACCOUNTS.**

4 “(a) DEDUCTION ALLOWED.—In the case of a eligi-
5 ble individual, there shall be allowed as a deduction for
6 the taxable year an amount equal to the aggregate amount
7 paid during such taxable year by or on behalf of such indi-
8 vidual to an emergency savings account of such individual.

9 “(b) LIMITATION.—

10 “(1) IN GENERAL.—The amount allowed as a
11 deduction under subsection (a) to an individual for
12 the taxable year shall not exceed \$5,000.

13 “(2) PARTIAL YEAR OF ELIGIBILITY.—In the
14 case of an individual who is an eligible individual for
15 only a portion of the taxable year, the limitation
16 under paragraph (1) shall be same proportion of
17 \$5,000 as such portion bears to the entire taxable
18 year.

19 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
20 section, the term ‘eligible individual’ means any individual
21 if such individual occupied any residence in the United
22 States at any time during the taxable year.

23 “(d) EMERGENCY SAVINGS ACCOUNT.—For purposes
24 of this section—

1 “(1) IN GENERAL.—The term ‘emergency sav-
2 ings account’ means a trust created or organized in
3 the United States as an emergency savings account
4 exclusively for the purpose of paying the qualified
5 disaster and public health emergency expenses of the
6 account beneficiary, but only if the written governing
7 instrument creating the trust meets the following re-
8 quirements:

9 “(A) Except in the case of a rollover con-
10 tribution described in subsection (f)(5), no con-
11 tribution will be accepted—

12 “(i) unless it is in cash, or

13 “(ii) to the extent such contribution,
14 when added to previous contributions to
15 the trust for the calendar year, exceeds the
16 dollar limitation in effect under subsection
17 (b).

18 “(B) The trustee is a bank (as defined in
19 section 408(n)), an insurance company (as de-
20 fined in section 816), or another person who
21 demonstrates to the satisfaction of the Sec-
22 retary that the manner in which such person
23 will administer the trust will be consistent with
24 the requirements of this section.

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

3 “(D) The assets of the trust will not be
4 commingled with other property except in a
5 common trust fund or common investment
6 fund.

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

9 “(2) QUALIFIED DISASTER AND PUBLIC
10 HEALTH EMERGENCY EXPENSES.—The term ‘quali-
11 fied disaster and public health emergency expenses’
12 means—

13 “(A) disaster mitigation expenses,

14 “(B) disaster recovery expenses,

15 “(C) public health emergency expenses,

16 and

17 “(D) unemployment related expenses.

18 “(3) DISASTER MITIGATION EXPENSES.—The
19 term ‘disaster mitigation expenses’ means expenses
20 for any of the following with respect to the residence
21 referred to in subsection (c):

22 “(A) Tornado safe rooms manufactured or
23 constructed in accordance with FEMA 320 or
24 FEMA 361 guidance or tornado shelters manu-
25 factured or constructed in accordance with the

1 National Storm Shelter/International Code
2 Council 500 standard.

3 “(B) Opening protection, including impact
4 and wind resistant windows, exterior doors, and
5 garage doors.

6 “(C) Reinforcement of roof-to-wall and
7 floor-to-wall connections for wind or seismic ac-
8 tivity.

9 “(D) Roof covering for impact, fire, or
10 high wind resistance.

11 “(E) Cripple and shear walls to resist seis-
12 mic activity.

13 “(F) Flood resistant building materials.

14 “(G) Elevating structures and utilities
15 above base flood elevation.

16 “(H) Fire resistant exterior wall assem-
17 blies/systems.

18 “(I) Lightning protection systems.

19 “(J) Whole home standby generators.

20 “(K) Any activity specified by the Sec-
21 retary as appropriate to mitigate the risks of
22 future hazards (including earthquake, flood,
23 hail, hurricane, sinkhole, lightning, power out-
24 age, tornado, and wildfire) and other natural
25 disasters.

1 “(4) DISASTER RECOVERY EXPENSES.—The
2 term ‘disaster recovery expenses’ means with respect
3 to the residence referred to in subsection (c) any ex-
4 pense incurred to replace or repair disaster-related
5 uninsured personal casualty personal losses totaling
6 \$1,000 or greater.

7 “(5) DISASTER-RELATED UNINSURED PER-
8 SONAL CASUALTY LOSS.—The term ‘disaster-related
9 uninsured personal casualty loss’ means a personal
10 casualty loss (as defined in section 165(h)(3)(B), de-
11 termined without regard to the second sentence
12 thereof) attributable to a State or federally declared
13 disaster for which a deduction is allowable under
14 section 165 (without regard to subsection (h)(1)).

15 “(6) FEDERALLY DECLARED DISASTER.—The
16 term ‘federally declared disaster’ has the meaning
17 given such term by section 165(i)(5).

18 “(7) PUBLIC HEALTH EMERGENCY EX-
19 PENSES.—The term ‘public health emergency ex-
20 penses’ means expenses for any of the following with
21 respect to an individual referred to in subsection (c)
22 if paid or incurred while a public health emergency
23 declaration is in effect and while such individual is
24 unemployed or has their employment status reduced
25 from full-time status:

1 “(A) Child care expenses.

2 “(B) Out-of-pocket health care costs, in-
3 cluding insurance premiums.

4 “(C) Housing expenses including mort-
5 gage, rent, or property taxes.

6 “(D) Utilities.

7 “(8) PUBLIC HEALTH EMERGENCY DECLARA-
8 TION.—The term ‘public health emergency declara-
9 tion’ means any declaration of a public health emer-
10 gency by the Secretary of Health and Human Serv-
11 ices under section 319 of the Public Health Service
12 Act (42 U.S.C. 247d).

13 “(9) UNEMPLOYMENT RELATED EXPENSES.—
14 The term ‘unemployment related expenses’ means, in
15 the case of an account beneficiary with any period
16 of unemployment during the taxable year, any ex-
17 penses during such taxable year which, in the aggre-
18 gate, do not exceed \$500.

19 “(10) ACCOUNT BENEFICIARY.—The term ‘ac-
20 count beneficiary’ means the individual on whose be-
21 half the emergency savings account was established.

22 “(e) TREATMENT OF ACCOUNT.—

23 “(1) IN GENERAL.—An emergency savings ac-
24 count is exempt from taxation under this subtitle
25 unless such account has ceased to be an emergency

1 savings account. Notwithstanding the preceding sen-
2 tence, any such account is subject to the taxes im-
3 posed by section 511 (relating to imposition of tax
4 on unrelated business income of charitable, etc. or-
5 ganizations).

6 “(2) ACCOUNT TERMINATIONS.—Rules similar
7 to the rules of paragraphs (2) and (4) of section
8 408(e) shall apply to emergency savings accounts,
9 and any amount treated as distributed under such
10 rules shall be treated as not used to pay qualified
11 disaster and public health emergency expenses.

12 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

13 “(1) AMOUNTS USED FOR QUALIFIED DISASTER
14 AND PUBLIC HEALTH EMERGENCY EXPENSES.—Any
15 amount paid or distributed out of an emergency sav-
16 ings account which is used exclusively to pay quali-
17 fied disaster and public health emergency expenses
18 of any account beneficiary shall not be includible in
19 gross income.

20 “(2) INCLUSION OF AMOUNTS NOT USED FOR
21 QUALIFIED DISASTER AND PUBLIC HEALTH EMER-
22 GENCY EXPENSES.—Any amount paid or distributed
23 out of an emergency savings account which is not
24 used exclusively to pay the qualified disaster and
25 public health emergency expenses of the account

1 beneficiary shall be included in the gross income of
2 such beneficiary.

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

5 “(A) IN GENERAL.—If any excess con-
6 tribution is contributed for a taxable year to
7 any emergency savings account of an individual,
8 paragraph (2) shall not apply to distributions
9 from the emergency savings accounts of such
10 individual (to the extent such distributions do
11 not exceed the aggregate excess contributions to
12 all such accounts of such individual for such
13 year) if—

14 “(i) such distribution is received by
15 the individual on or before the last day
16 prescribed by law (including extensions of
17 time) for filing such individual’s return for
18 such taxable year, and

19 “(ii) such distribution is accompanied
20 by the amount of net income attributable
21 to such excess contribution.

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

1 “(B) EXCESS CONTRIBUTION.—For pur-
2 poses of subparagraph (A), the term ‘excess
3 contribution’ means any contribution (other
4 than a rollover contribution described in para-
5 graph (5)) which is not deductible under this
6 section.

7 “(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT
8 USED FOR QUALIFIED DISASTER AND PUBLIC
9 HEALTH EMERGENCY EXPENSES.—

10 “(A) IN GENERAL.—The tax imposed by
11 this chapter on the account beneficiary for any
12 taxable year in which there is a payment or dis-
13 tribution from an emergency savings account of
14 such beneficiary which is includible in gross in-
15 come under paragraph (2) shall be increased by
16 20 percent of the amount which is so includible.

17 “(B) EXCEPTION FOR DISABILITY OR
18 DEATH.—Subparagraph (A) shall not apply if
19 the payment or distribution is made after the
20 account beneficiary becomes disabled within the
21 meaning of section 72(m)(7) or dies.

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

1 “(A) IN GENERAL.—Paragraph (2) shall
2 not apply to any amount paid or distributed
3 from an emergency savings account to the ac-
4 count beneficiary to the extent the amount re-
5 ceived is paid into an emergency savings ac-
6 count for the benefit of such beneficiary not
7 later than the 60th day after the day on which
8 the beneficiary receives the payment or distribu-
9 tion.

10 “(B) LIMITATION.—This paragraph shall
11 not apply to any amount described in subpara-
12 graph (A) received by an individual from an
13 emergency savings account if, at any time dur-
14 ing the 1-year period ending on the day of such
15 receipt, such individual received any other
16 amount described in subparagraph (A) from an
17 emergency savings account which was not in-
18 cludible in the individual’s gross income because
19 of the application of this paragraph.

20 “(g) COST-OF-LIVING ADJUSTMENT.—

21 “(1) IN GENERAL.—In the case of any taxable
22 year beginning in a calendar year after 2023, each
23 \$5,000 amount in subsection (b) and the \$3,000
24 amount in subsection (d)(4) shall be increased by an
25 amount equal to—

1 “(A) such dollar amount, multiplied by

2 “(B) the cost-of-living adjustment deter-
3 mined under section 1(f)(3) for the calendar
4 year in which such taxable year begins deter-
5 mined by substituting ‘calendar year 2022’ for
6 ‘calendar year 2016’ in subparagraph (A)(ii)
7 thereof.

8 “(2) ROUNDING.—If any increase under para-
9 graph (1) is not a multiple of \$50, such increase
10 shall be rounded to the nearest multiple of \$50.

11 “(h) SPECIAL RULES.—

12 “(1) DENIAL OF DEDUCTION TO DEPEND-
13 ENTS.—No deduction shall be allowed under this
14 section to any individual with respect to whom a de-
15 duction under section 151 is allowable to another
16 taxpayer for a taxable year beginning in the cal-
17 endar year in which such individual’s taxable year
18 begins.

19 “(2) TAXABLE YEAR MUST BE FULL TAXABLE
20 YEAR.—Except in the case of a taxable year closed
21 by reason of the death of the taxpayer, no deduction
22 shall be allowed under this section in the case of a
23 taxable year covering a period of less than 12
24 months.

1 “(3) CERTAIN RULES TO APPLY.—Rules similar
2 to the following rules shall apply for purposes of this
3 section:

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

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

8 “(C) Section 219(f)(5) (relating to em-
9 ployer payments).

10 “(D) Section 408(g) (relating to commu-
11 nity property laws).

12 “(E) Section 408(h) (relating to custodial
13 accounts).

14 “(F) Section 223(f)(7) (relating to transfer
15 of account incident to divorce).

16 “(G) Section 223(f)(8) (relating to treat-
17 ment after death of account beneficiary).

18 “(4) COORDINATION WITH CASUALTY LOSS DE-
19 DUCTION.—No deduction shall be allowed under sec-
20 tion 165 for a loss for which a disaster recovery ex-
21 pense payment is made from an emergency savings
22 account.

23 “(i) REPORTS.—The Secretary may require the trust-
24 ee of an emergency savings account to make such reports
25 regarding such account to the Secretary and to the ac-

1 count beneficiary with respect to contributions, distribu-
2 tions, the return of excess contributions, and such other
3 matters as the Secretary determines appropriate.”.

4 (b) DEDUCTION ALLOWED WHETHER OR NOT INDI-
5 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Section 62(a)
6 of such Code is amended by inserting after paragraph (21)
7 the following new paragraph:

8 “(22) EMERGENCY SAVINGS ACCOUNTS.—The
9 deduction allowed by section 224.”.

10 (c) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
11 of such Code (relating to tax on excess contributions to
12 certain tax-favored accounts and annuities) is amended—

13 (1) by striking “or” at the end of subsection
14 (a)(5), by inserting “or” at the end of subsection
15 (a)(6), and by inserting after subsection (a)(6) the
16 following new paragraph:

17 “(7) an emergency savings account (within the
18 meaning of section 224(d)),”; and

19 (2) by adding at the end the following new sub-
20 section:

21 “(i) EXCESS CONTRIBUTIONS TO EMERGENCY SAV-
22 INGS ACCOUNTS.—For purposes of this section, in the
23 case of emergency savings accounts (within the meaning
24 of section 224(d)), the term ‘excess contributions’ means
25 the sum of—

1 “(1) the aggregate amount contributed for the
2 taxable year to the accounts (other than a rollover
3 contribution described in section 224(f)(5)) which is
4 not allowable as a deduction under section 224 for
5 such year, and

6 “(2) the amount determined under this sub-
7 section for the preceding taxable year, reduced by
8 the sum of—

9 “(A) the distributions out of the accounts
10 which were included in gross income under sec-
11 tion 224(f)(2), and

12 “(B) the excess (if any) of—

13 “(i) the maximum amount allowable
14 as a deduction under section 224(b) for
15 the taxable year, over

16 “(ii) the amount contributed to the
17 accounts for the taxable year.

18 For purposes of this subsection, any contribu-
19 tion which is distributed out of the emergency
20 savings account in a distribution to which sec-
21 tion 224(f)(3) applies shall be treated as an
22 amount not contributed.”.

23 (d) FAILURE TO PROVIDE REPORTS ON EMERGENCY
24 SAVINGS ACCOUNTS.—Section 6693(a)(2) of such Code is
25 amended by redesignating subparagraphs (D), (E), and

1 (F) as subparagraphs (E), (F), and (G), respectively, and
2 by inserting after subparagraph (C) the following new sub-
3 paragraph:

4 “(D) section 224(i) (relating to emergency
5 savings accounts),”.

6 (e) CLERICAL AMENDMENT.—The table of sections
7 for part VII of subchapter B of chapter 1 of such Code
8 is amended by striking the last item and inserting the fol-
9 lowing:

“Sec. 224. Emergency savings accounts.

“Sec. 225. Cross reference.”.

10 (f) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2022.

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