

2023 Regular Session

HOUSE BILL NO. 126

BY REPRESENTATIVE FIRMENT

TAX/INCOME TAX: Authorizes individual income tax deductions for contributions to catastrophe savings accounts

1 AN ACT

2 To enact R.S. 47:293(9)(a)(xxvi) and 297.23, relative to individual income tax; to authorize
3 deductions from tax table income for contributions by taxpayers to catastrophe
4 savings accounts; to establish limits for contributions to such accounts; to provide
5 requirements relative to, and for tax treatment of, distributions from such accounts;
6 to provide for tax treatment of interest earned on monies in such accounts; to require
7 taxpayers to maintain documentation related to activity involving such accounts; to
8 provide for definitions; to provide for applicability; to authorize promulgation of
9 administrative rules; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:293(9)(a)(xxvi) and 297.23 are hereby enacted to read as follows:

12 §293. Definitions

13 The following definitions shall apply throughout this Part, unless the context
14 requires otherwise:

15 * * *

16 (9)(a) "Tax table income", for resident individuals, means adjusted gross
17 income plus interest on obligations of a state or political subdivision thereof, other
18 than Louisiana and its municipalities, title to which obligations vested with the
19 resident individual on or subsequent to January 1, 1980, and less:

20 * * *

1 one deductible, the deductible with the highest amount shall constitute the qualified
2 deductible.

3 (4) "Windstorm event" means a cyclone, hurricane, tornado, high winds,
4 hail, or any similar peril not normally among those covered under typical property
5 casualty insurance policies but obtainable through the purchase of wind, wind and
6 hail, storm, or windstorm coverage, or any combination of such coverages.

7 B. A taxpayer may establish only one catastrophe savings account and shall
8 specify that the purpose of the account is to cover qualified catastrophe expenses as
9 defined in Subsection A of this Section.

10 C.(1) There shall be allowed a deduction from tax table income for amounts
11 contributed to a catastrophe savings account in accordance with Subsection D of this
12 Section.

13 (2) All interest earned on monies in a catastrophe savings account shall be
14 exempt from the tax imposed by this Part.

15 (3) A catastrophe savings account shall not be subject to attachment, levy,
16 garnishment, or legal process in this state.

17 D.(1)(a) For a taxpayer whose qualified deductible is one thousand dollars
18 or less, the total amount that may be contributed to a catastrophe savings account
19 shall not exceed two thousand dollars.

20 (b) For a taxpayer whose qualified deductible is greater than one thousand
21 dollars, the total amount that may be contributed to a catastrophe savings account
22 shall not exceed the lesser of the following amounts:

23 (i) Twice the amount of the taxpayer's qualified deductible.

24 (ii) Twenty-five thousand dollars.

25 (c) For a self-insured taxpayer who chooses not to obtain insurance on his
26 primary residence, the total amount that may be contributed to a catastrophe savings
27 account shall not exceed two hundred fifty thousand dollars; however, in no case
28 shall the amount contributed to the catastrophe savings account exceed the value of
29 the taxpayer's primary residence.

1 (2) If a taxpayer contributes in excess of the applicable limit provided in
2 Paragraph (1) of this Subsection, the taxpayer shall withdraw the amount of the
3 excess contributions and include that amount in his tax table income in the year of
4 withdrawal.

5 E. A distribution from a catastrophe savings account shall be included in the
6 tax table income of the taxpayer unless the amount of the distribution is used to
7 cover qualified catastrophe expenses. However, no distribution from a catastrophe
8 savings account shall be included in the tax table income of a taxpayer if his
9 qualified catastrophe expenses during the taxable year are equal to or greater than the
10 aggregate distributions from the account during the taxable year.

11 F.(1) Any personal income tax liability which is attributable to a taxable
12 distribution from a catastrophe savings account shall be increased by two and one-
13 half percent of the amount which is includable in tax table income.

14 (2) The additional tax provided for in Paragraph (1) of this Subsection shall
15 not apply in any of the following cases:

16 (a) The taxpayer no longer owns a primary residence.

17 (b) The distribution is from an account to which the provisions of
18 Subparagraph (D)(1)(c) of this Section apply and is made on or after the date on
19 which the taxpayer attains the age of seventy.

20 (c) Distribution on death of the taxpayer or the surviving spouse of the
21 taxpayer.

22 G. If a taxpayer receives a nontaxable distribution from a catastrophe savings
23 account, he shall not make any further contribution to that account.

24 H. Any taxpayer who, in a taxable year, claims a deduction from tax table
25 income for amounts contributed to a catastrophe savings account, takes a distribution
26 from a catastrophe savings account, or both shall maintain documentation relating
27 to his contributions to, and expenses paid with monies from, the account. If
28 requested by the Department of Revenue, a taxpayer shall submit to the department,

1 in connection with the filing of his individual income tax return, the documentation
2 he is required to maintain pursuant to this Subsection.

3 I. If a taxpayer who owns a catastrophe savings account dies, his account
4 shall be included in the tax table income of the person who receives the account,
5 unless that person is the surviving spouse of the taxpayer. Upon the death of a
6 surviving spouse who received a catastrophe savings account, the account shall be
7 included in the tax table income of the person who receives the account. The
8 additional tax provided for in Paragraph (F)(1) of this Section shall not apply to
9 distribution on death of the taxpayer or the surviving spouse.

10 J. The secretary of the Department of Revenue may promulgate rules in
11 accordance with the Administrative Procedure Act as are necessary to implement the
12 provisions of this Section.

13 Section 2. The provisions of this Act shall apply to taxable periods beginning on or
14 after January 1, 2023.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 126 Original 2023 Regular Session Firment

Abstract: Provides for catastrophe savings accounts, for allowable uses of monies in such accounts, and for individual income tax deductions for contributions to such accounts.

Proposed law authorizes the establishment of tax-advantaged catastrophe savings accounts.

Proposed law defines "catastrophe savings account" to mean all of the following:

- (1) Any regular savings account or money market account established by a resident individual taxpayer who is an insurance policyholder for residential property in this state, which property is his primary residence, to cover the taxpayer's qualified catastrophe expenses.
- (2) Any regular savings account or money market account established by a resident individual taxpayer to cover expenses for self-insured losses which meet the definition of qualified catastrophe expenses.

Proposed law requires that an account be labeled as a catastrophe savings account in order to qualify as a catastrophe savings account as defined in proposed law.

Proposed law provides that a taxpayer may establish only one catastrophe savings account and shall specify that the purpose of the account is to cover qualified catastrophe expenses as defined in proposed law.

Proposed law defines "qualified catastrophe expenses" as expenses, including but not limited to qualified deductibles, paid or incurred in connection with damage to a taxpayer's primary residence resulting from an event that has been declared as a disaster or emergency by executive order or proclamation of the governor in accordance with present law (R.S. 29:721 et seq.).

Proposed law authorizes deductions from a taxpayers' tax table income equal to contributions to a catastrophe savings account within limits provided in proposed law. Provides that the contribution limits (and therefore tax deduction limits) are as follows:

- (1) For a taxpayer whose qualified deductible is \$1,000 or less, the total amount that may be contributed to a catastrophe savings account shall not exceed \$2,000.
- (2) For a taxpayer whose qualified deductible is greater than \$1,000, the total amount that may be contributed to a catastrophe savings account shall not exceed the lesser of the following amounts:
 - (a) Twice the amount of the taxpayer's qualified deductible.
 - (b) \$25,000.
- (3) For a self-insured taxpayer who chooses not to obtain insurance on his primary residence, the total amount that may be contributed to a catastrophe savings account shall not exceed \$250,000; however, in no case shall the amount contributed to the catastrophe savings account exceed the value of the taxpayer's primary residence.

Proposed law stipulates that if a taxpayer contributes in excess of the applicable limit listed above, he shall withdraw the amount of the excess contributions and include that amount in his tax table income in the year of withdrawal.

Proposed law provides that all interest earned on monies in a catastrophe savings account shall be exempt from the individual income tax imposed by present law.

Proposed law provides that a catastrophe savings account shall not be subject to attachment, levy, garnishment, or legal process.

Proposed law requires that a distribution from a catastrophe savings account be included in the tax table income of the taxpayer unless the amount of the distribution is used to cover qualified catastrophe expenses. Provides, however, that no distribution from a catastrophe savings account shall be included in a taxpayer's tax table income if his qualified catastrophe expenses during the taxable year are equal to or greater than the aggregate distributions from the account during that year.

Proposed law provides that any personal income tax liability which is attributable to a taxable distribution from a catastrophe savings account shall be increased by 2.5% of the amount which is includable in tax table income. Provides, however, that this additional tax shall not apply in any of the following cases:

- (1) The taxpayer no longer owns a primary residence.
- (2) The distribution is for a self-insured taxpayer and is made on or after the date on which the taxpayer attains the age of 70.
- (3) Distribution on death of the taxpayer or the surviving spouse of the taxpayer.

Proposed law requires that if a taxpayer receives a nontaxable distribution from a catastrophe savings account, he shall not make any further contribution to that account.

Proposed law requires that any taxpayer who, in a taxable year, claims a deduction for amounts contributed to a catastrophe savings account, takes a distribution from a catastrophe savings account, or both shall maintain documentation relating to that activity. Requires the taxpayer, if requested by the Dept. of Revenue, to submit in connection with the filing of his individual income tax return the documentation required to be maintained pursuant to proposed law.

Proposed law stipulates that if a taxpayer who owns a catastrophe savings account dies, his account shall be included in the tax table income of the person who receives the account, unless that person is the surviving spouse of the taxpayer. Requires that upon the death of a surviving spouse who received a catastrophe savings account, the account shall be included in the tax table income of the person who receives the account.

Proposed law authorizes the secretary of the Dept. of Revenue to promulgate such rules as are necessary for implementation of proposed law.

Proposed law applies to taxable periods beginning on or after Jan. 1, 2023.

(Adds R.S. 47:293(9)(a)(xxvi) and 297.23)