
DIGEST

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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)