

2025 Regular Session

HOUSE BILL NO. 127

BY REPRESENTATIVE TARVER

TAX/INCOME TAX: Establishes an individual income tax deduction for contributions made into certain deductible savings accounts

1 AN ACT

2 To enact R.S. 47:293(9)(a)(xxvii) and 297.2, relative to individual income tax; to authorize  
3 a deduction from tax table income for certain contributions; to establish an income  
4 tax deduction for taxpayer contributions to certain deductible savings accounts; to  
5 provide for the amount of the deduction; to provide for contributions and  
6 distributions from deductible savings accounts; to provide for requirements and  
7 limitations; to authorize the promulgation of rules; to provide for applicability; to  
8 provide for an effective date; and to provide for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 47:293(9)(a)(xxvii) and 297.2 are hereby enacted to read as follows:

11 §293. Definitions

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

14 \* \* \*

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

19 \* \* \*



1 of the account is to pay qualified expenses and qualified deductibles and shall label  
2 the account as a deductible savings account.

3 (3) "Qualified expenses" means both expenses necessary to retrofit the  
4 account holder's roof to the fortified roof building standards of the Insurance Institute  
5 for Business and Home Safety and expenses to supplement additional living expense  
6 coverage.

7 (4) "Qualified deductible" means the homeowner's insurance policy  
8 deductible covering damage to the account holder's primary residence. If the  
9 homeowner's insurance policy covering damage to the primary residence includes  
10 more than one deductible, each deductible shall constitute a qualified deductible.

11 C.(1)(a) For an account holder whose qualified deductible is one thousand  
12 dollars or less, the total amount that may be contributed to a deductible savings  
13 account shall not exceed two thousand dollars.

14 (b) For an account holder whose qualified deductible is greater than one  
15 thousand dollars, the total amount that may be contributed to a deductible savings  
16 account shall not exceed twice the amount of the account holder's qualified  
17 deductibles or twenty-five thousand dollars, whichever is less.

18 (2) If an account holder contributes more than the applicable amounts  
19 provided for in Paragraph (1) of this Subsection into a deductible savings account,  
20 the account holder shall include the excess amounts of contributions in calculating  
21 tax table income for the tax year in which excess amounts were deposited and the  
22 excess amounts shall not be eligible for the deduction provided for in this Section.

23 D. Any distribution during a taxable year from a deductible savings account  
24 that is not used by the account holder for qualified expenses or qualified deductibles  
25 shall be included in calculation of the account holder's tax table income in the year  
26 in which the distribution is made. However, any distribution from a deductible  
27 savings account by an account holder for qualified expenses and qualified  
28 deductibles during the taxable year equal to or less than the aggregate distributions

1       from the account during the taxable year shall be exempt from state income tax in  
2       the taxable year the distribution is made.

3               E.(1) In any year in which an account holder receives a nontaxable  
4       distribution from a deductible savings account, the account holder shall be prohibited  
5       from making additional contributions to that account during that taxable year.

6               (2) An account holder claiming the deduction authorized pursuant to the  
7       provisions of this Section shall maintain documentation relating to contributions to  
8       the deductible savings account and expenses paid with monies from the account and,  
9       if requested, shall provide the documentation to the Department of Revenue when  
10       filing his individual income tax return. However, a federally insured depository  
11       institution that opens a deductible savings account shall not be required to provide  
12       documentation to the Department of Revenue or have any responsibility to ensure  
13       taxpayer compliance with the provisions of this Section.

14               F. Upon the death of an account holder who owns a deductible savings  
15       account, the balance of the account shall be included in the tax table income of the  
16       person who receives the account, unless that person is the surviving spouse of the  
17       account holder. Upon the death of a surviving spouse who received a deductible  
18       savings account, the balance of the account shall be included in the tax table income  
19       of the person who receives the account.

20               G. The secretary of the Department of Revenue may promulgate rules in  
21       accordance with the Administrative Procedure Act as are necessary to implement the  
22       provisions of this Section, including rules regarding documentation required to claim  
23       the deduction.

24       Section 2. The provisions of this Act shall be applicable to deposits made into  
25       deductible savings accounts made on or after January 1, 2026.

26       Section 3. This Act shall become effective on January 1, 2026.

## 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 127 Original

2025 Regular Session

Tarver

**Abstract:** Authorizes an individual income tax deduction for amounts deposited into a deductible savings account to pay for expenses to retrofit a roof to the fortified roof building standards or for a homeowner's insurance policy deductible for his primary residence.

Proposed law authorizes an income tax deduction for contributions an account holder makes during a taxable year to a deductible savings account to pay for qualified expenses and qualified deductibles. Proposed law defines an "account holder" as a resident taxpayer who is an insurance policyholder for residential property located in this state that is owned by the taxpayer and which is the taxpayer's primary residence for which the taxpayer claims a homestead exemption. An account holder is limited to one deduction regardless of the number of deductible savings accounts an account holder may own.

Proposed law defines "qualified expenses" to mean both expenses necessary to retrofit the roof of the account holder's primary residence to the fortified roof building standards and expenses to supplement additional living expense coverage. Proposed law defines "qualified deductible" as the insurance policy deductible covering damage to the account holder's primary residence. If the homeowner's insurance policy on the primary residence includes more than one deductible, each deductible shall constitute a qualified deductible.

Proposed law requires an account holder to specify that the purpose of the account is to pay qualified expenses and qualified deductibles and prohibits a deductible savings account from being subject to attachment, levy, garnishment, or legal process in this state, unless otherwise allowed under federal law or regulation.

Proposed law provides that the amount of the deduction shall be as follows:

- (1) For a qualified deductible of \$1,000 or less, the total amount that may be contributed to a deductible savings account shall not exceed \$2,000.
- (2) For a qualified deductible greater than \$1,000, the total amount that may be contributed to a deductible savings account shall not exceed twice the amount of the qualified deductible or \$25,000, whichever is less.

Proposed law requires amounts deposited into a deductible savings account in excess of amounts eligible for the deduction to be included in the calculation of the account holder's taxable income for the tax year in which excess amounts were deposited. Further provides for the taxability of distributions from deductible savings accounts during a taxable year and the status of deposits into a deductible savings account in the event of the death of an account holder.

Proposed law prohibits an account holder from making additional contributions into a deductible savings account in a year in which the account holder receives a nontaxable distribution from the deductible savings account.

Proposed law requires an account holder to maintain documentation relating to contributions made into, and expenses paid from, a deductible savings account and, if requested, to provide documentation to the Dept. of Revenue (DOR) when filing his income tax return. Proposed law provides that a federally insured depository institution that opens a deductible

savings account shall not be required to provide documentation to DOR or have responsibility to ensure taxpayer compliance with the provisions of proposed law.

Proposed law authorizes the secretary of DOR to promulgate rules in accordance with the Administrative Procedure Act to implement the provisions of proposed law, including rules regarding documentation required to claim the deduction.

Proposed law is applicable to deposits made into deductible savings accounts made on or after Jan. 1, 2026.

Effective Jan. 1, 2026.

(Adds R.S. 47:293(9)(a)(xxvii) and 297.2)