

109TH CONGRESS
2D SESSION

H. R. 4836

To amend the Internal Revenue Code of 1986 to create Catastrophe Savings Accounts.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 2006

Mr. FEENEY (for himself, Ms. HARRIS, Mr. MARIO DIAZ-BALART of Florida, Mr. LINCOLN DIAZ-BALART of Florida, Ms. GINNY BROWN-WAITE of Florida, Mr. KELLER, Mr. MACK, Mr. MILLER of Florida, Mr. FOLEY, Ms. WASSERMAN SCHULTZ, Mr. WEXLER, Mr. BILIRAKIS, Mr. HASTINGS of Florida, Mr. DAVIS of Florida, and Ms. ROS-LEHTINEN) 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 create
Catastrophe Savings Accounts.

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 “Catastrophe Savings
5 Accounts Act of 2006”.

6 **SEC. 2. CATASTROPHE SAVINGS ACCOUNTS.**

7 (a) IN GENERAL.—Subchapter F of Chapter 1 of the
8 Internal Revenue Code of 1986 (relating to exempt organi-

1 zations) is amended by adding at the end the following
 2 new part:

3 **“PART IX—CATASTROPHE SAVINGS ACCOUNTS**

4 **“SEC. 530A. CATASTROPHE SAVINGS ACCOUNTS.**

5 “(a) GENERAL RULE.—A Catastrophe Savings Ac-
 6 count shall be exempt from taxation under this subtitle.
 7 Notwithstanding the preceding sentence, such account
 8 shall be subject to the taxes imposed by section 511 (relat-
 9 ing to imposition of tax on unrelated business income of
 10 charitable organizations).

11 “(b) CATASTROPHE SAVINGS ACCOUNT.—For pur-
 12 poses of this section, the term ‘Catastrophe Savings Ac-
 13 count’ means a trust created or organized in the United
 14 States for the exclusive benefit of an individual or his
 15 beneficiaries and which is designated (in such manner as
 16 the Secretary shall prescribe) at the time of the establish-
 17 ment of the trust as a Catastrophe Savings Account, but
 18 only if the written governing instrument creating the trust
 19 meets the following requirements:

20 “(1) Except in the case of a qualified rollover
 21 contribution—

22 “(A) no contribution will be accepted un-
 23 less it is in cash, and

1 “(B) contributions will not be accepted in
2 excess of the account balance limit specified in
3 subsection (c).

4 “(2) The trustee is a bank (as defined in sec-
5 tion 408(n)) or another person who demonstrates to
6 the satisfaction of the Secretary that the manner in
7 which that person will administer the trust will be
8 consistent with the requirements of this section.

9 “(3) The interest of an individual in the bal-
10 ance of his account is nonforfeitable.

11 “(4) The assets of the trust shall not be com-
12 mingled with other property except in a common
13 trust fund or common investment fund.

14 “(c) ACCOUNT BALANCE LIMIT.—The aggregate ac-
15 count balance for all Catastrophe Savings Accounts main-
16 tained for the benefit of an individual (including qualified
17 rollover contributions) shall not exceed—

18 “(1) in the case of an individual whose qualified
19 deductible is not more than \$1,000, \$2,000, and

20 “(2) in the case of an individual whose qualified
21 deductible is more than \$1,000, the amount equal to
22 the lesser of—

23 “(A) \$15,000, or

24 “(B) twice the amount of the individual’s
25 qualified deductible.

1 “(d) DEFINITIONS.—For purposes of this section—

2 “(1) QUALIFIED CATASTROPHE EXPENSES.—

3 The term ‘qualified catastrophe expenses’ means ex-
4 penses paid or incurred by reason of a major dis-
5 aster that has been declared by the President under
6 section 401 of the Robert T. Stafford Disaster Relief
7 and Emergency Assistance Act.

8 “(2) QUALIFIED DEDUCTIBLE.—With respect

9 to an individual, the term ‘qualified deductible’
10 means the annual deductible for the individual’s
11 homeowners’ insurance policy.

12 “(3) QUALIFIED ROLLOVER CONTRIBUTION.—

13 The term ‘qualified rollover contribution’ means a
14 contribution to a Catastrophe Savings Account—

15 “(A) from another such account of the
16 same beneficiary, but only if such amount is
17 contributed not later than the 60th day after
18 the distribution from such other account, and

19 “(B) from a Catastrophe Savings Account
20 of a spouse of the beneficiary of the account to
21 which the contribution is made, but only if such
22 amount is contributed not later than the 60th
23 day after the distribution from such other ac-
24 count.

25 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

1 “(1) IN GENERAL.—Any distribution from a
2 Catastrophe Savings Account shall be includible in
3 the gross income of the distributee in the manner as
4 provided in section 72.

5 “(2) DISTRIBUTIONS FOR QUALIFIED CATAS-
6 TROPHE EXPENSES.—

7 “(A) IN GENERAL.—No amount shall be
8 includible in gross income under paragraph (1)
9 if the qualified catastrophe expenses of the dis-
10 tributee during the taxable year are not less
11 than the aggregate distributions during the tax-
12 able year.

13 “(B) DISTRIBUTIONS IN EXCESS OF EX-
14 PENSES.—If such aggregate distributions ex-
15 ceed such expenses during the taxable year, the
16 amount otherwise includible in gross income
17 under paragraph (1) shall be reduced by the
18 amount which bears the same ratio to the
19 amount which would be includible in gross in-
20 come under paragraph (1) (without regard to
21 this subparagraph) as the qualified catastrophe
22 expenses bear to such aggregate distributions.

23 “(3) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
24 USED FOR QUALIFIED CATASTROPHE EXPENSES.—

25 The tax imposed by this chapter for any taxable

1 year on any taxpayer who receives a payment or dis-
2 tribution from a Catastrophe Savings Account which
3 is includible in gross income shall be increased by 10
4 percent of the amount which is so includible.

5 “(4) RETIREMENT DISTRIBUTIONS.—No
6 amount shall be includible in gross income under
7 paragraph (1) (or subject to an additional tax under
8 paragraph (3)) if the payment or distribution is
9 made on or after the date on which the distributee
10 attains age 62.

11 “(f) TAX TREATMENT OF ACCOUNTS.—Rules similar
12 to the rules of paragraphs (2) and (4) of section 408(e)
13 shall apply to any Catastrophe Savings Account.”.

14 (b) TAX ON EXCESS CONTRIBUTIONS.—

15 (1) IN GENERAL.—Subsection (a) of section
16 4973 of the Internal Revenue Code of 1986 (relating
17 to tax on excess contributions to certain tax-favored
18 accounts and annuities) is amended by striking “or”
19 at the end of paragraph (4), by inserting “or” at the
20 end of paragraph (5), and by inserting after para-
21 graph (5) the following new paragraph:

22 “(6) a Catastrophe Savings Account (as defined
23 in section 530A),”.

1 (2) EXCESS CONTRIBUTION.—Section 4973 of
 2 such Code is amended by adding at the end the fol-
 3 lowing new subsection:

4 “(h) EXCESS CONTRIBUTIONS TO CATASTROPHE
 5 SAVINGS ACCOUNTS.—For purposes of this section, in the
 6 case of Catastrophe Savings Accounts (within the meaning
 7 of section 530A), the term ‘excess contributions’ means
 8 the amount by which the aggregate account balance for
 9 all Catastrophe Savings Accounts maintained for the ben-
 10 efit of an individual exceeds the account balance limit de-
 11 fined in section 530A(c)(1).”.

12 (c) CONFORMING AMENDMENT.—The table of parts
 13 for subchapter F of chapter 1 of the Internal Revenue
 14 Code of 1986 is amended by adding at the end the fol-
 15 lowing new item:

“PART IX. CATASTROPHE SAVINGS ACCOUNTS”.

16 (d) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to taxable years beginning after
 18 December 31, 2006.

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