

110TH CONGRESS
1ST SESSION

S. 927

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

IN THE SENATE OF THE UNITED STATES

MARCH 20, 2007

Mr. NELSON of Florida (for himself and Mr. MARTINEZ) introduced the
following bill; which was read twice and referred to the Committee on Finance

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 2007”.

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-
9 zations) is amended by adding at the end the following
10 new part:

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

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

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

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

18 “(1) Except in the case of a qualified rollover
19 contribution—

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

22 “(B) contributions will not be accepted in
23 excess of the account balance limit specified in
24 subsection (c).

25 “(2) The trustee is a bank (as defined in sec-
26 tion 408(n)) or another person who demonstrates to

1 the satisfaction of the Secretary that the manner in
2 which that person will administer the trust will be
3 consistent with the requirements of this section.

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

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

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

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

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

18 “(A) \$15,000, or

19 “(B) twice the amount of the individual’s
20 qualified deductible.

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

22 “(1) QUALIFIED CATASTROPHE EXPENSES.—
23 The term ‘qualified catastrophe expenses’ means ex-
24 penses paid or incurred by reason of a major dis-
25 aster that has been declared by the President under

1 section 401 of the Robert T. Stafford Disaster Relief
2 and Emergency Assistance Act.

3 “(2) QUALIFIED DEDUCTIBLE.—With respect
4 to an individual, the term ‘qualified deductible’
5 means the annual deductible for the individual’s
6 homeowners’ insurance policy.

7 “(3) QUALIFIED ROLLOVER CONTRIBUTION.—
8 The term ‘qualified rollover contribution’ means a
9 contribution to a Catastrophe Savings Account—

10 “(A) from another such account of the
11 same beneficiary, but only if such amount is
12 contributed not later than the 60th day after
13 the distribution from such other account, and

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

20 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

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

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

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

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

19 “(3) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
20 USED FOR QUALIFIED CATASTROPHE EXPENSES.—

21 The tax imposed by this chapter for any taxable
22 year on any taxpayer who receives a payment or dis-
23 tribution from a Catastrophe Savings Account which
24 is includible in gross income shall be increased by 10
25 percent of the amount which is so includible.

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

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

10 (b) TAX ON EXCESS CONTRIBUTIONS.—

11 (1) IN GENERAL.—Subsection (a) of section
12 4973 of the Internal Revenue Code of 1986 (relating
13 to tax on excess contributions to certain tax-favored
14 accounts and annuities) is amended by striking “or”
15 at the end of paragraph (4), by inserting “or” at the
16 end of paragraph (5), and by inserting after para-
17 graph (5) the following new paragraph:

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

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

23 “(h) EXCESS CONTRIBUTIONS TO CATASTROPHE
24 SAVINGS ACCOUNTS.—For purposes of this section, in the
25 case of Catastrophe Savings Accounts (within the meaning

1 of section 530A), the term ‘excess contributions’ means
2 the amount by which the aggregate account balance for
3 all Catastrophe Savings Accounts maintained for the ben-
4 efit of an individual exceeds the account balance limit de-
5 fined in section 530A(c)(1).”.

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

“PART IX. CATASTROPHE SAVINGS ACCOUNTS.”.

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

○