

113TH CONGRESS
2D SESSION

S. 1991

To amend the Internal Revenue Code of 1986 to allow individuals a deduction for amounts contributed to disaster savings accounts to help defray the cost of preparing their homes to withstand a disaster and to repair or replace property damaged or destroyed in a disaster.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4, 2014

Mr. INHOFE 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 allow individuals a deduction for amounts contributed to disaster savings accounts to help defray the cost of preparing their homes to withstand a disaster and to repair or replace property damaged or destroyed in a disaster.

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 “Disaster Savings Ac-
5 counts Act of 2014”.

1 **SEC. 2. DEDUCTION FOR CONTRIBUTIONS TO DISASTER**
 2 **SAVINGS ACCOUNTS.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-
 4 ter 1 of the Internal Revenue Code of 1986 (relating to
 5 additional itemized deductions for individuals) is amended
 6 by redesignating section 224 as section 225 and by insert-
 7 ing after section 223 the following new section:

8 **“SEC. 224. DISASTER SAVINGS ACCOUNTS.**

9 “(a) DEDUCTION ALLOWED.—In the case of an eligi-
 10 ble individual, there shall be allowed as a deduction for
 11 the taxable year an amount equal to the aggregate amount
 12 paid during such taxable year by or on behalf of such indi-
 13 vidual to a disaster savings account of such individual.

14 “(b) LIMITATION.—

15 “(1) IN GENERAL.—The amount allowed as a
 16 deduction under subsection (a) to an individual for
 17 the taxable year shall not exceed \$5,000.

18 “(2) PARTIAL YEAR OF ELIGIBILITY.—In the
 19 case of an individual who is an eligible individual for
 20 only a portion of the taxable year, the limitation
 21 under paragraph (1) shall be the same proportion of
 22 \$5,000 as such portion bears to the entire taxable
 23 year.

24 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
 25 section, the term ‘eligible individual’ means any individual

1 if such individual occupied any residence in the United
2 States at any time during the taxable year.

3 “(d) DISASTER SAVINGS ACCOUNT.—For purposes of
4 this section—

5 “(1) IN GENERAL.—The term ‘disaster savings
6 account’ means a trust created or organized in the
7 United States as a disaster savings account exclu-
8 sively for the purpose of paying the qualified dis-
9 aster expenses of the account beneficiary, but only
10 if the written governing instrument creating the
11 trust meets the following requirements:

12 “(A) Except in the case of a rollover con-
13 tribution described in subsection (f)(5), no con-
14 tribution will be accepted—

15 “(i) unless it is in cash, or

16 “(ii) to the extent such contribution,
17 when added to previous contributions to
18 the trust for the calendar year, exceeds the
19 dollar limitation in effect under subsection
20 (b).

21 “(B) The trustee is a bank (as defined in
22 section 408(n)), an insurance company (as de-
23 fined in section 816), or another person who
24 demonstrates to the satisfaction of the Sec-
25 retary that the manner in which such person

1 will administer the trust will be consistent with
 2 the requirements of this section.

3 “(C) No part of the trust assets will be in-
 4 vested in life insurance contracts.

5 “(D) The assets of the trust will not be
 6 commingled with other property except in a
 7 common trust fund or common investment
 8 fund.

9 “(E) The interest of an individual in the
 10 balance in his account is nonforfeitable.

11 “(2) QUALIFIED DISASTER EXPENSES.—The
 12 term ‘qualified disaster expenses’ means—

13 “(A) disaster mitigation expenses, and

14 “(B) disaster recovery expenses.

15 “(3) DISASTER MITIGATION EXPENSES.—The
 16 term ‘disaster mitigation expenses’ means expenses
 17 for any of the following with respect to the residence
 18 referred to in subsection (c):

19 “(A) Tornado safe rooms manufactured or
 20 constructed in accordance with FEMA 320 or
 21 FEMA 361 guidance or tornado shelters manu-
 22 factured or constructed in accordance with the
 23 National Storm Shelter/International Code
 24 Council 500 standard.

1 “(B) Opening protection, including impact
2 and wind resistant windows, exterior doors, and
3 garage doors.

4 “(C) Reinforcement of roof-to-wall and
5 floor-to-wall connections for wind or seismic ac-
6 tivity.

7 “(D) Roof covering for impact, fire, or
8 high wind resistance.

9 “(E) Cripple and shear walls to resist seis-
10 mic activity.

11 “(F) Flood resistant building materials.

12 “(G) Elevating structures and utilities
13 above base flood elevation.

14 “(H) Fire resistant exterior wall assem-
15 blies/systems.

16 “(I) Lightning protection systems.

17 “(J) Whole home standby generators.

18 “(K) Any activity specified by the Sec-
19 retary as appropriate to mitigate the risks of
20 future hazards (including earthquake, flood,
21 hail, hurricane, lightning, power outage, tor-
22 nado, and wildfire) and other natural disasters.

23 “(4) DISASTER RECOVERY EXPENSES.—The
24 term ‘disaster recovery expenses’ means with respect
25 to the residence referred to in subsection (c) any ex-

pense incurred to replace or repair disaster-related uninsured personal casualty personal losses totaling \$3,000 or greater.

“(5) DISASTER-RELATED UNINSURED PERSONAL CASUALTY LOSS.—The term ‘disaster-related uninsured personal casualty loss’ means a personal casualty loss (as defined in section 165(h)(4)(B), determined without regard to the second sentence thereof) attributable to a State or federally declared disaster for which a deduction is allowable under section 165 (without regard to subsection (h)(1)).

“(6) FEDERALLY DECLARED DISASTER.—The term ‘federally declared disaster’ has the meaning given such term by section 165(h)(3)(C).

“(7) ACCOUNT BENEFICIARY.—The term ‘account beneficiary’ means the individual on whose behalf the disaster savings account was established.

“(e) TREATMENT OF ACCOUNT.—

“(1) IN GENERAL.—A disaster savings account is exempt from taxation under this subtitle unless such account has ceased to be a disaster savings account. Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

1 “(2) ACCOUNT TERMINATIONS.—Rules similar
 2 to the rules of paragraphs (2) and (4) of section
 3 408(e) shall apply to disaster savings accounts, and
 4 any amount treated as distributed under such rules
 5 shall be treated as not used to pay disaster mitiga-
 6 tion expenses.

7 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

8 “(1) AMOUNTS USED FOR DISASTER MITIGA-
 9 TION EXPENSES.—Any amount paid or distributed
 10 out of a disaster savings account which is used ex-
 11 clusively to pay qualified disaster expenses of any
 12 account beneficiary shall not be includible in gross
 13 income.

14 “(2) INCLUSION OF AMOUNTS NOT USED FOR
 15 DISASTER MITIGATION EXPENSES.—Any amount
 16 paid or distributed out of a disaster savings account
 17 which is not used exclusively to pay the qualified dis-
 18 aster expenses of the account beneficiary shall be in-
 19 cluded in the gross income of such beneficiary.

20 “(3) EXCESS CONTRIBUTIONS RETURNED BE-
 21 FORE DUE DATE OF RETURN.—

22 “(A) IN GENERAL.—If any excess con-
 23 tribution is contributed for a taxable year to
 24 any disaster savings account of an individual,
 25 paragraph (2) shall not apply to distributions

from the disaster savings accounts of such individual (to the extent such distributions do not exceed the aggregate excess contributions to all such accounts of such individual for such year) if—

“(i) such distribution is received by the individual on or before the last day prescribed by law (including extensions of time) for filing such individual’s return for such taxable year, and

“(ii) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in clause (ii) shall be included in the gross income of the individual for the taxable year in which it is received.

“(B) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term ‘excess contribution’ means any contribution (other than a rollover contribution described in paragraph (5)) which is not deductible under this section.

“(4) ADDITIONAL TAX ON DISTRIBUTIONS NOT USED FOR DISASTER MITIGATION EXPENSES.—

1 “(A) IN GENERAL.—The tax imposed by
 2 this chapter on the account beneficiary for any
 3 taxable year in which there is a payment or dis-
 4 tribution from a disaster savings account of
 5 such beneficiary which is includible in gross in-
 6 come under paragraph (2) shall be increased by
 7 20 percent of the amount which is so includible.

8 “(B) EXCEPTION FOR DISABILITY OR
 9 DEATH.—Subparagraph (A) shall not apply if
 10 the payment or distribution is made after the
 11 account beneficiary becomes disabled within the
 12 meaning of section 72(m)(7) or dies.

13 “(5) ROLLOVER CONTRIBUTION.—An amount is
 14 described in this paragraph as a rollover contribu-
 15 tion if it meets the requirements of subparagraphs
 16 (A) and (B).

17 “(A) IN GENERAL.—Paragraph (2) shall
 18 not apply to any amount paid or distributed
 19 from a disaster savings account to the account
 20 beneficiary to the extent the amount received is
 21 paid into a disaster savings account for the ben-
 22 efit of such beneficiary not later than the 60th
 23 day after the day on which the beneficiary re-
 24 ceives the payment or distribution.

1 “(B) LIMITATION.—This paragraph shall
 2 not apply to any amount described in subpara-
 3 graph (A) received by an individual from a dis-
 4 aster savings account if, at any time during the
 5 1-year period ending on the day of such receipt,
 6 such individual received any other amount de-
 7 scribed in subparagraph (A) from a disaster
 8 savings account which was not includible in the
 9 individual’s gross income because of the appli-
 10 cation of this paragraph.

11 “(g) COST-OF-LIVING ADJUSTMENT.—

12 “(1) IN GENERAL.—In the case of a taxable
 13 year beginning after 2015, the \$5,000 amount in
 14 subsection (b) shall be increased by an amount equal
 15 to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
 18 mined under section 1(f)(3) for the calendar
 19 year in which such taxable year begins deter-
 20 mined by substituting ‘calendar year 2014’ for
 21 ‘calendar year 1992’ in subparagraph (B)
 22 thereof.

23 “(2) ROUNDING.—If any increase under para-
 24 graph (1) is not a multiple of \$50, such increase
 25 shall be rounded to the nearest multiple of \$50.

1 “(h) SPECIAL RULES.—

2 “(1) DENIAL OF DEDUCTION TO DEPEND-
3 ENTS.—No deduction shall be allowed under this
4 section to any individual with respect to whom a de-
5 duction under section 151 is allowable to another
6 taxpayer for a taxable year beginning in the cal-
7 endar year in which such individual’s taxable year
8 begins.

9 “(2) TAXABLE YEAR MUST BE FULL TAXABLE
10 YEAR.—Except in the case of a taxable year closed
11 by reason of the death of the taxpayer, no deduction
12 shall be allowed under this section in the case of a
13 taxable year covering a period of less than 12
14 months.

15 “(3) CERTAIN RULES TO APPLY.—Rules similar
16 to the following rules shall apply for purposes of this
17 section:

18 “(A) Section 219(d)(2) (relating to no de-
19 duction for rollovers).

20 “(B) Section 219(f)(3) (relating to time
21 when contributions deemed made).

22 “(C) Section 219(f)(5) (relating to em-
23 ployer payments).

24 “(D) Section 408(g) (relating to commu-
25 nity property laws).

1 “(E) Section 408(h) (relating to custodial
2 accounts).

3 “(F) Section 224(f)(7) (relating to transfer
4 of account incident to divorce).

5 “(G) Section 224(f)(8) (relating to treat-
6 ment after death of account beneficiary).

7 “(4) COORDINATION WITH CASUALTY LOSS DE-
8 DUCTION.—No deduction shall be allowed under sec-
9 tion 165 for a loss for which a disaster recovery ex-
10 pense payment is made from a disaster savings ac-
11 count.

12 “(i) REPORTS.—The Secretary may require the trust-
13 ee of a disaster savings account to make such reports re-
14 garding such account to the Secretary and to the account
15 beneficiary with respect to contributions, distributions, the
16 return of excess contributions, and such other matters as
17 the Secretary determines appropriate.”.

18 (b) DEDUCTION ALLOWED WHETHER OR NOT INDIV-
19 IDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
20 of section 62 of such Code is amended by inserting after
21 paragraph (21) the following new paragraph:

22 “(22) DISASTER SAVINGS ACCOUNTS.—The de-
23 duction allowed by section 224.”.

1 (c) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
 2 of such Code (relating to tax on excess contributions to
 3 certain tax-favored accounts and annuities) is amended—

4 (1) by striking “or” at the end of subsection
 5 (a)(4), by inserting “or” at the end of subsection
 6 (a)(5), and by inserting after subsection (a)(5) the
 7 following new paragraph:

8 “(6) a disaster savings account (within the
 9 meaning of section 224(d)),”, and

10 (2) by adding at the end the following new sub-
 11 section:

12 “(h) EXCESS CONTRIBUTIONS TO DISASTER SAVINGS
 13 ACCOUNTS.—For purposes of this section, in the case of
 14 disaster savings accounts (within the meaning of section
 15 224(d)), the term ‘excess contributions’ means the sum
 16 of—

17 “(1) the aggregate amount contributed for the
 18 taxable year to the accounts (other than a rollover
 19 contribution described in section 224(f)(5)) which is
 20 not allowable as a deduction under section 224 for
 21 such year, and

22 “(2) the amount determined under this sub-
 23 section for the preceding taxable year, reduced by
 24 the sum of—

1 “(A) the distributions out of the accounts
 2 which were included in gross income under sec-
 3 tion 224(f)(2), and

4 “(B) the excess (if any) of—

5 “(i) the maximum amount allowable
 6 as a deduction under section 224(b) for
 7 the taxable year, over

8 “(ii) the amount contributed to the
 9 accounts for the taxable year.

10 For purposes of this subsection, any contribu-
 11 tion which is distributed out of the disaster sav-
 12 ings account in a distribution to which section
 13 224(f)(3) applies shall be treated as an amount
 14 not contributed.”.

15 (d) FAILURE TO PROVIDE REPORTS ON DISASTER
 16 SAVINGS ACCOUNTS.—Paragraph (2) of section 6693(a)
 17 of such Code (relating to reports) is amended by redesign-
 18 ating subparagraphs (D) and (E) as subparagraphs (E)
 19 and (F), respectively, and by inserting after subparagraph
 20 (C) the following new subparagraph:

21 “(D) section 224(i) (relating to disaster
 22 savings accounts),”.

23 (e) CLERICAL AMENDMENT.—The table of sections
 24 for part VII of subchapter B of chapter 1 of such Code

1 is amended by striking the last item and inserting the fol-
2 lowing:

“Sec. 224. Disaster savings accounts.

“Sec. 225. Cross reference.”.

3 (f) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

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