

116TH CONGRESS  
1ST SESSION

S. 1958

To amend the Internal Revenue Code of 1986 to provide a credit against tax for disaster mitigation expenditures.

IN THE SENATE OF THE UNITED STATES

JUNE 25, 2019

Mr. BENNET (for himself and Mr. CASSIDY) 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 provide a credit against tax for disaster mitigation expenditures.

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 “SHELTER Act”.

## 5 SEC. 2. NONREFUNDABLE PERSONAL CREDIT FOR DIS-

## 6 ASTER MITIGATION EXPENDITURES.

7 (a) IN GENERAL.—Subpart A of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by inserting after section 25D the fol-  
10 lowing new section:

1   **“SEC. 25E. DISASTER MITIGATION EXPENDITURES.**

2       “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
3 dividual, there shall be allowed as a credit against the tax  
4 imposed by this chapter for the taxable year an amount  
5 equal to 25 percent of the qualified disaster mitigation ex-  
6 penditures made by the taxpayer during such taxable year.

7       “(b) MAXIMUM CREDIT.—

8           “(1) IN GENERAL.—Subject to paragraph (2),  
9       the credit allowed under subsection (a) for any tax-  
10      able year shall not exceed \$5,000.

11       “(2) PHASEOUT.—

12           “(A) IN GENERAL.—The amount under  
13       paragraph (1) for the taxable year shall be re-  
14      duced (but not below zero) by an amount which  
15      bears the same ratio to the amount under such  
16      paragraph as—

17               “(i) the amount (not less than zero)  
18       equal to the adjusted gross income of the  
19      taxpayer for such taxable year minus  
20      \$84,200, bears to

21               “(ii) \$40,800.

22           “(B) JOINT RETURN.—For purposes of de-  
23      termining the amount of any reduction under  
24      subparagraph (A) for any taxable year, if a  
25      joint return was filed for such taxable year,

1           each of the dollar amounts under such subpara-  
2           graph shall be doubled.

3           “(C) INFLATION ADJUSTMENT.—In the  
4           case of any taxable year after 2020, each of the  
5           dollar amounts under subparagraph (A) shall  
6           be increased by an amount equal to—

7           “(i) such dollar amount, multiplied by  
8           “(ii) the cost-of-living adjustment de-  
9           termined under section 1(f)(3) for the cal-  
10           endar year in which the taxable year be-  
11           gins, determined by substituting ‘calendar  
12           year 2019’ for ‘calendar year 2016’ in sub-  
13           paragraph (A)(ii) thereof.

14           “(D) ROUNDING.—If any reduction deter-  
15           mined under subparagraph (A) or (B) is not a  
16           multiple of \$50, or any increase under subpara-  
17           graph (C) is not a multiple of \$50, such  
18           amount shall be rounded to the nearest multiple  
19           of \$50.

20           “(c) DEFINITIONS.—For purposes of this section—  
21           “(1) QUALIFIED DISASTER MITIGATION EX-  
22           PENDITURE.—

23           “(A) IN GENERAL.—The term ‘qualified  
24           disaster mitigation expenditure’ means an ex-  
25           penditure relating to a qualified dwelling unit—

1                     “(i) for property to—

2                         “(I) improve the strength of a

3                         roof deck attachment,

4                         “(II) create a secondary water

5                         barrier to prevent water intrusion or

6                         mitigate against potential water intru-

7                         sion from wind-driven rain,

8                         “(III) improve the durability, im-

9                         pact resistance (not less than class 3

10                         or 4 rating), or fire resistance (not

11                         less than class A rating) of a roof cov-

12                         ering,

13                         “(IV) brace gable-end walls,

14                         “(V) reinforce the connection be-

15                         tween a roof and supporting wall,

16                         “(VI) protect openings from pen-

17                         etration by wind-borne debris,

18                         “(VII) protect exterior doors and

19                         garages from natural hazards,

20                         “(VIII) complete measures con-

21                         tained in the publication of the Fed-

22                         eral Emergency Management Agency

23                         entitled ‘Wind Retrofit Guide for Res-

24                         idential Buildings’ (P-804),

1                     “(IX) elevate the qualified dwelling unit, as well as utilities, machinery, or equipment, above the base  
2                     flood elevation or other applicable  
3                     minimum elevation requirement,  
4  
5

6                     “(X) seal walls in the basement  
7                     of the qualified dwelling unit using  
8                     waterproofing compounds, or

9                     “(XI) protect propane tanks or  
10                    other external fuel sources,

11                    “(ii) to install—

12                    “(I) check valves to prevent flood  
13                    water from backing up into drains,

14                    “(II) flood vents, breakaway  
15                    walls or open lattice for homes located  
16                    in V zones,

17                    “(III) a stormwater drainage sys-  
18                    tem or improve an existing system,

19                    “(IV) natural or nature-based  
20                    features for flood control, including  
21                    living shorelines,

22                    “(V) roof coverings, sheathing,  
23                    flashing, roof and attic vents, eaves,  
24                    or gutters that conform to ignition-re-  
25                    sistant construction standards,

1                     “(VI) wall components for wall  
2                     assemblies that conform to ignition-re-  
3                     sistant construction standards,

4                     “(VII) a wall-to-foundation an-  
5                     chor or connector, or a shear transfer  
6                     anchor or connector,

7                     “(VIII) wood structural panel  
8                     sheathing for strengthening cripple  
9                     walls,

10                    “(IX) anchorage of the masonry  
11                    chimney to the framing,

12                    “(X) prefabricated lateral resist-  
13                    ing systems,

14                    “(XI) a standby generator sys-  
15                    tem consisting of a standby generator  
16                    and an automatic transfer switch,

17                    “(XII) a storm shelter that meets  
18                    the design and construction standards  
19                    established by the International Code  
20                    Council and the National Storm Shel-  
21                    ter Association (ICC-500), or a safe  
22                    room that satisfies the criteria con-  
23                    tained in—

24                    “(aa) the publication of the  
25                    Federal Emergency Management



1                     “(XVIII) flood openings for fully  
2                     enclosed areas below the lowest floor  
3                     of the dwelling unit,

4                     “(XIX) lateral bracing for wall  
5                     elements, foundation elements, and  
6                     garage doors or other large openings  
7                     to resist seismic loads, or

8                     “(XX) automatic shutoff valves  
9                     for water and gas lines, or

10                    “(iii) for services or equipment to—

11                    “(I) create buffers around the  
12                    qualified dwelling unit through the re-  
13                    moval or reduction of flammable vege-  
14                    tation, including vertical clearance of  
15                    tree branches,

16                    “(II) create buffers around the  
17                    dwelling unit through—

18                    “(aa) the removal of exterior  
19                    deck or fence components or igni-  
20                    tion-prone landscape features, or

21                    “(bb) replacement of the  
22                    components or features described  
23                    in item (aa) with components or  
24                    features that conform to ignition-  
25                    resistant construction standards,

1                             “(III) perform fire maintenance  
2                             procedures identified by the Federal  
3                             Emergency Management Agency or  
4                             the United States Forest Service, in-  
5                             cluding fuel management techniques  
6                             such as creating fuel and fire breaks,  
7                             “(IV) gather and analyze water  
8                             and weather data to better under-  
9                             stand the local climate and drought  
10                             history,  
11                             “(V) replace flammable vegeta-  
12                             tion with less flammable species, or  
13                             “(VI) determine the risk of nat-  
14                             ural disasters which may occur in the  
15                             area in which the qualified dwelling  
16                             unit is located, or  
17                             “(iv) for property relating to satis-  
18                             fying the standards required for receipt of  
19                             a FORTIFIED designation from the In-  
20                             surance Institute for Business and Home  
21                             Safety, provided that the qualified dwelling  
22                             unit receives such designation following in-  
23                             stallation of such property.  
24                             “(B) EXCEPTION.—The term ‘qualified  
25                             disaster mitigation expenditure’ shall not in-

1           clude any expenditure or portion thereof which  
2           is paid, funded, or reimbursed by a Federal,  
3           State, or local government entity, or any polit-  
4           ical subdivision, agency, or instrumentality  
5           thereof.

6           “(2) QUALIFIED DWELLING UNIT.—The term  
7           ‘qualified dwelling unit’ means a dwelling unit which  
8           is—

9               “(A) located—

10               “(i) in the United States or in a terri-  
11               tory of the United States, and

12               “(ii) in an area—

13               “(I) in which a Federal disaster  
14               declaration has been made within the  
15               preceding 10-year period, or

16               “(II) which is adjacent to an  
17               area described in subclause (I), and

18               “(B) used as a residence by the taxpayer.

19               “(d) LIMITATION.—

20               “(1) IN GENERAL.—In the case of an expendi-  
21               ture described in clause (i) or (ii) of subsection  
22               (c)(1)(A), such expenditure shall be taken into ac-  
23               count in determining the qualified disaster mitiga-  
24               tion expenditures made by the taxpayer during the  
25               taxable year only if the onsite preparation, assembly,

1       or original installation of the property with respect  
2       to which such expenditure is made has been com-  
3       pleted in a manner that is deemed to be in compli-  
4       ance with the latest published editions of relevant  
5       consensus-based codes, specifications, and standards  
6       or any more restrictive Federal, State, or local flood-  
7       plain management standards and consistent with  
8       floodplain management regulations for the local ju-  
9       risdiction in which the qualified dwelling unit is lo-  
10      cated.

11      “(2) LATEST PUBLISHED EDITIONS.—The term  
12      ‘latest published editions means’, with respect to rel-  
13      evant consensus-based codes, specifications, and  
14      standards, either of the 2 most recently published  
15      editions.

16      “(e) LABOR COSTS.—For purposes of this section,  
17      expenditures for labor costs properly allocable to the onsite  
18      preparation, assembly, or original installation of the prop-  
19      erty described in clause (i) or (ii) of subsection (c)(1)(A)  
20      shall be taken into account in determining the qualified  
21      disaster mitigation expenditures made by the taxpayer  
22      during the taxable year.

23      “(f) INSPECTION COSTS.—For purposes of this sec-  
24      tion, expenditures for the cost of any inspection required  
25      under subsection (d) which is properly allocable to the in-

1 spection of the preparation, assembly, or installation of  
2 the property described in clause (i) or (ii) of subsection  
3 (c)(1)(A) shall be taken into account in determining the  
4 qualified disaster mitigation expenditures made by the  
5 taxpayer during the taxable year.

6       “(g) DOCUMENTATION.—Any taxpayer claiming the  
7 credit under this section shall provide the Secretary with  
8 adequate documentation regarding the specific qualified  
9 disaster mitigation expenditures made by the taxpayer  
10 during the taxable year, as well as such other information  
11 or documentation as the Secretary may require.”.

12       (b) CONFORMING AMENDMENT.—The table of sec-  
13 tions for subpart A of part IV of subchapter A of chapter  
14 1 of such Code is amended by inserting after the item  
15 relating to section 25D the following new item:

“See. 25E. Disaster mitigation expenditures.”.

16       (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 2019.

19 **SEC. 3. BUSINESS-RELATED CREDIT FOR DISASTER MITIGA-**  
20 **TION.**

21       (a) IN GENERAL.—Subpart D of part IV of sub-  
22 chapter A of chapter 1 of the Internal Revenue Code of  
23 1986 is amended by inserting after section 45S the fol-  
24 lowing new section:

1   **“SEC. 45T. DISASTER MITIGATION CREDIT.**

2       “(a) GENERAL RULE.—For purposes of section 38,  
3   the disaster mitigation credit determined under this sec-  
4   tion for any taxable year is an amount equal to 25 percent  
5   of the qualified disaster mitigation expenditures made by  
6   the taxpayer during the taxable year.

7       “(b) MAXIMUM CREDIT.—

8           “(1) IN GENERAL.—Subject to paragraph (2),  
9   the amount of the credit determined under sub-  
10   section (a) for any taxable year shall not exceed  
11   \$5,000.

12       “(2) PHASEOUT.—

13           “(A) IN GENERAL.—The amount under  
14   paragraph (1) for the taxable year shall be re-  
15   duced (but not below zero) by an amount which  
16   bears the same ratio to the amount under such  
17   paragraph as—

18               “(i) the amount (not less than zero)  
19   equal to the average gross receipts of the  
20   taxpayer over the 3 preceding taxable  
21   years minus \$5,000,000, bears to

22               “(ii) \$5,000,000.

23           “(B) INFLATION ADJUSTMENT.—In the  
24   case of any taxable year after 2020, each of the  
25   dollar amounts under subparagraph (A) shall  
26   be increased by an amount equal to—

1                   “(i) such dollar amount, multiplied by  
2                   “(ii) the cost-of-living adjustment de-  
3                   termined under section 1(f)(3) for the cal-  
4                   endar year in which the taxable year be-  
5                   gins, determined by substituting ‘calendar  
6                   year 2019’ for ‘calendar year 2016’ in sub-  
7                   paragraph (A)(ii) thereof.

8                   “(C) ROUNDING.—If any reduction deter-  
9                   mined under subparagraph (A) is not a multiple  
10                   of \$50, or any increase under subparagraph (B)  
11                   is not a multiple of \$50, such amount shall be  
12                   rounded to the nearest multiple of \$50.

13                   “(c) QUALIFIED DISASTER MITIGATION EXPENDI-  
14                   TURE.—For purposes of this section, the term ‘qualified  
15                   disaster mitigation expenditure’ has the same meaning  
16                   given such term under paragraph (1) of section 25E(c),  
17                   except that ‘place of business’ shall be substituted for  
18                   ‘qualified dwelling unit’ each place it appears in such para-  
19                   graph.

20                   “(d) SPECIAL RULES.—Rules similar to the rules of  
21                   subsections (d) through (g) of section 25E shall apply for  
22                   purposes of this section.”.

23                   (b) CONFORMING AMENDMENTS.—

24                   (1) Section 38(b) of such Code is amended by  
25                   striking “plus” at the end of paragraph (31), by

1       striking the period at the end of paragraph (32) and  
2       inserting “, plus”, and by adding at the end the fol-  
3       lowing new paragraph:

4           “(33) the disaster mitigation credit determined  
5       under section 45T(a).”.

6           (2) The table of sections for subpart D of part  
7       IV of subchapter A of chapter 1 of such Code is  
8       amended by inserting after the item relating to sec-  
9       tion 45S the following new item:

“Sec. 45T. Disaster mitigation credit.”.

10          (c) EFFECTIVE DATE.—The amendments made by  
11       this section shall apply to taxable years beginning after  
12       December 31, 2019.

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