

113TH CONGRESS
1ST SESSION

H. R. 3298

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.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2013

Mr. ROSS 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 allow individuals a deduction for amounts contributed to disaster savings accounts to help defray the cost of preparing their homes to withstand 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 2013”.

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
 26 if—

1 “(1) such individual owned and used any resi-
2 dence in the United States at any time during the
3 taxable year, and

4 “(2) while so owned and used, such residence
5 was insured under a policy of a type normally re-
6 quired by a lender holding a mortgage on the resi-
7 dence.

8 “(d) DISASTER SAVINGS ACCOUNT.—For purposes of
9 this section—

10 “(1) IN GENERAL.—The term ‘disaster savings
11 account’ means a trust created or organized in the
12 United States as a disaster savings account exclu-
13 sively for the purpose of paying the disaster mitiga-
14 tion expenses of the account beneficiary, but only if
15 the written governing instrument creating the trust
16 meets the following requirements:

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

20 “(i) unless it is in cash, or

21 “(ii) to the extent such contribution,
22 when added to previous contributions to
23 the trust for the calendar year, exceeds the
24 dollar limitation in effect under subsection
25 (b).

1 “(B) The trustee is a bank (as defined in
2 section 408(n)), an insurance company (as de-
3 fined in section 816), or another person who
4 demonstrates to the satisfaction of the Sec-
5 retary that the manner in which such person
6 will administer the trust will be consistent with
7 the requirements of this section.

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

10 “(D) The assets of the trust will not be
11 commingled with other property except in a
12 common trust fund or common investment
13 fund.

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

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

20 “(A) Safe rooms.

21 “(B) Opening protection, including impact
22 and wind resistant windows, exterior doors, and
23 garage doors.

1 “(C) Reinforcement of roof-to-wall and
2 floor-to-wall connections for wind or seismic ac-
3 tivity.

4 “(D) Roof covering for impact, fire, or
5 high wind resistance.

6 “(E) Cripple and shear walls to resist seis-
7 mic activity.

8 “(F) Flood resistant building materials.

9 “(G) Elevating structures and utilities
10 above base flood elevation.

11 “(H) Fire resistant exterior wall assem-
12 blies/systems.

13 “(I) Lightning protection systems.

14 “(J) Whole home standby generators.

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

20 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
21 count beneficiary’ means the individual on whose be-
22 half the disaster savings account was established.

23 “(e) TREATMENT OF ACCOUNT.—

24 “(1) IN GENERAL.—A disaster savings account
25 is exempt from taxation under this subtitle unless

1 such account has ceased to be a disaster savings ac-
2 count. Notwithstanding the preceding sentence, any
3 such account is subject to the taxes imposed by sec-
4 tion 511 (relating to imposition of tax on unrelated
5 business income of charitable, etc., organizations).

6 “(2) ACCOUNT TERMINATIONS.—Rules similar
7 to the rules of paragraphs (2) and (4) of section
8 408(e) shall apply to disaster savings accounts, and
9 any amount treated as distributed under such rules
10 shall be treated as not used to pay disaster mitiga-
11 tion expenses.

12 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

13 “(1) AMOUNTS USED FOR DISASTER MITIGA-
14 TION EXPENSES.—Any amount paid or distributed
15 out of a disaster savings account which is used ex-
16 clusively to pay disaster mitigation expenses of any
17 account beneficiary shall not be includible in gross
18 income.

19 “(2) INCLUSION OF AMOUNTS NOT USED FOR
20 DISASTER MITIGATION EXPENSES.—Any amount
21 paid or distributed out of a disaster savings account
22 which is not used exclusively to pay the disaster
23 mitigation expenses of the account beneficiary shall
24 be included in the gross income of such beneficiary.

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

3 “(A) IN GENERAL.—If any excess con-
4 tribution is contributed for a taxable year to
5 any disaster savings account of an individual,
6 paragraph (2) shall not apply to distributions
7 from the disaster savings accounts of such indi-
8 vidual (to the extent such distributions do not
9 exceed the aggregate excess contributions to all
10 such accounts of such individual for such year)
11 if—

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

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

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

23 “(B) EXCESS CONTRIBUTION.—For pur-
24 poses of subparagraph (A), the term ‘excess
25 contribution’ means any contribution (other

1 than a rollover contribution described in para-
 2 graph (5)) which is not deductible under this
 3 section.

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

6 “(A) IN GENERAL.—The tax imposed by
 7 this chapter on the account beneficiary for any
 8 taxable year in which there is a payment or dis-
 9 tribution from a disaster savings account of
 10 such beneficiary which is includible in gross in-
 11 come under paragraph (2) shall be increased by
 12 20 percent of the amount which is so includible.

13 “(B) EXCEPTION FOR DISABILITY OR
 14 DEATH.—Subparagraph (A) shall not apply if
 15 the payment or distribution is made after the
 16 account beneficiary becomes disabled within the
 17 meaning of section 72(m)(7) or dies.

18 “(5) ROLLOVER CONTRIBUTION.—An amount is
 19 described in this paragraph as a rollover contribu-
 20 tion if it meets the requirements of subparagraphs
 21 (A) and (B).

22 “(A) IN GENERAL.—Paragraph (2) shall
 23 not apply to any amount paid or distributed
 24 from a disaster savings account to the account
 25 beneficiary to the extent the amount received is

1 paid into a disaster savings account for the ben-
 2 efit of such beneficiary not later than the 60th
 3 day after the day on which the beneficiary re-
 4 ceives the payment or distribution.

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

15 “(g) COST-OF-LIVING ADJUSTMENT.—

16 “(1) IN GENERAL.—The \$5,000 amount in sub-
 17 section (b) shall be increased by an amount equal
 18 to—

19 “(A) such dollar amount, multiplied by

20 “(B) the cost-of-living adjustment deter-
 21 mined under section 1(f)(3) for the calendar
 22 year in which such taxable year begins deter-
 23 mined by substituting ‘calendar year 2012’ for
 24 ‘calendar year 1992’ in subparagraph (B)
 25 thereof.

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

4 “(h) SPECIAL RULES.—

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

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

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

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

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

1 “(C) Section 219(f)(5) (relating to em-
2 ployer payments).

3 “(D) Section 408(g) (relating to commu-
4 nity property laws).

5 “(E) Section 408(h) (relating to custodial
6 accounts).

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

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

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

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

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

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

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

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

7 (2) by adding at the end the following new sub-
8 section:

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

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

19 “(2) the amount determined under this sub-
20 section for the preceding taxable year, reduced by
21 the sum of—

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

25 “(B) the excess (if any) of—

1 “(i) the maximum amount allowable
 2 as a deduction under section 224(b) for
 3 the taxable year, over

4 “(ii) the amount contributed to the
 5 accounts for the taxable year.

6 For purposes of this subsection, any contribu-
 7 tion which is distributed out of the disaster sav-
 8 ings account in a distribution to which section
 9 224(f)(3) applies shall be treated as an amount
 10 not contributed.”.

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

17 “(D) section 224(i) (relating to disaster
 18 savings accounts),”.

19 (e) CLERICAL AMENDMENT.—The table of sections
 20 for part VII of subchapter B of chapter 1 of such Code
 21 is amended by striking the last item and inserting the fol-
 22 lowing:

“Sec. 224. Disaster savings accounts.”

“Sec. 225. Cross reference.”.

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

○