

113TH CONGRESS
2D SESSION

H. R. 3989

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 HOUSE OF REPRESENTATIVES

FEBRUARY 4, 2014

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 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 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

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) Safe rooms.

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

23 “(C) Reinforcement of roof-to-wall and
24 floor-to-wall connections for wind or seismic ac-
25 tivity.

1 “(D) Roof covering for impact, fire, or
2 high wind resistance.

3 “(E) Cripple and shear walls to resist seis-
4 mic activity.

5 “(F) Flood resistant building materials.

6 “(G) Elevating structures and utilities
7 above base flood elevation.

8 “(H) Fire resistant exterior wall assem-
9 blies/systems.

10 “(I) Lightning protection systems.

11 “(J) Whole home standby generators.

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

17 “(4) DISASTER RECOVERY EXPENSES.—The
18 term ‘disaster recovery expenses’ means with respect
19 to the residence referred to in subsection (c) any ex-
20 pense incurred to replace or repair disaster-related
21 uninsured personal casualty personal losses totaling
22 \$3,000 or greater.

23 “(5) DISASTER-RELATED UNINSURED PER-
24 SONAL CASUALTY LOSS.—The term ‘disaster-related
25 uninsured personal casualty loss’ means a personal

1 casualty loss (as defined in section 165(h)(4)(B), de-
2 termined without regard to the second sentence
3 thereof) attributable to a State or federally declared
4 disaster for which a deduction is allowable under
5 section 165 (without regard to subsection (h)(1)).

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

9 “(7) ACCOUNT BENEFICIARY.—The term ‘ac-
10 count beneficiary’ means the individual on whose be-
11 half the disaster savings account was established.

12 “(e) TREATMENT OF ACCOUNT.—

13 “(1) IN GENERAL.—A disaster savings account
14 is exempt from taxation under this subtitle unless
15 such account has ceased to be a disaster savings ac-
16 count. Notwithstanding the preceding sentence, any
17 such account is subject to the taxes imposed by sec-
18 tion 511 (relating to imposition of tax on unrelated
19 business income of charitable, etc. organizations).

20 “(2) ACCOUNT TERMINATIONS.—Rules similar
21 to the rules of paragraphs (2) and (4) of section
22 408(e) shall apply to disaster savings accounts, and
23 any amount treated as distributed under such rules
24 shall be treated as not used to pay disaster mitiga-
25 tion expenses.

1 “(f) TAX TREATMENT OF DISTRIBUTIONS.—

2 “(1) AMOUNTS USED FOR DISASTER MITIGA-
3 TION EXPENSES.—Any amount paid or distributed
4 out of a disaster savings account which is used ex-
5 clusively to pay qualified disaster expenses of any
6 account beneficiary shall not be includible in gross
7 income.

8 “(2) INCLUSION OF AMOUNTS NOT USED FOR
9 DISASTER MITIGATION EXPENSES.—Any amount
10 paid or distributed out of a disaster savings account
11 which is not used exclusively to pay the qualified dis-
12 aster expenses of the account beneficiary shall be in-
13 cluded in the gross income of such beneficiary.

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

16 “(A) IN GENERAL.—If any excess con-
17 tribution is contributed for a taxable year to
18 any disaster savings account of an individual,
19 paragraph (2) shall not apply to distributions
20 from the disaster savings accounts of such indi-
21 vidual (to the extent such distributions do not
22 exceed the aggregate excess contributions to all
23 such accounts of such individual for such year)
24 if—

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

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

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

12 “(B) EXCESS CONTRIBUTION.—For pur-
13 poses of subparagraph (A), the term ‘excess
14 contribution’ means any contribution (other
15 than a rollover contribution described in para-
16 graph (5)) which is not deductible under this
17 section.

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

20 “(A) IN GENERAL.—The tax imposed by
21 this chapter on the account beneficiary for any
22 taxable year in which there is a payment or dis-
23 tribution from a disaster savings account of
24 such beneficiary which is includible in gross in-

1 come under paragraph (2) shall be increased by
2 20 percent of the amount which is so includible.

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

8 “(5) ROLLOVER CONTRIBUTION.—An amount is
9 described in this paragraph as a rollover contribu-
10 tion if it meets the requirements of subparagraphs
11 (A) and (B).

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

20 “(B) LIMITATION.—This paragraph shall
21 not apply to any amount described in subpara-
22 graph (A) received by an individual from a dis-
23 aster savings account if, at any time during the
24 1-year period ending on the day of such receipt,
25 such individual received any other amount de-

1 scribed in subparagraph (A) from a disaster
2 savings account which was not includible in the
3 individual's gross income because of the appli-
4 cation of this paragraph.

5 “(g) COST-OF-LIVING ADJUSTMENT.—

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

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for the calendar
12 year in which such taxable year begins deter-
13 mined by substituting ‘calendar year 2012’ for
14 ‘calendar year 1992’ in subparagraph (B)
15 thereof.

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

19 “(h) SPECIAL RULES.—

20 “(1) DENIAL OF DEDUCTION TO DEPEND-
21 ENTS.—No deduction shall be allowed under this
22 section to any individual with respect to whom a de-
23 duction under section 151 is allowable to another
24 taxpayer for a taxable year beginning in the cal-

1 endar year in which such individual's taxable year
2 begins.

3 “(2) TAXABLE YEAR MUST BE FULL TAXABLE
4 YEAR.—Except in the case of a taxable year closed
5 by reason of the death of the taxpayer, no deduction
6 shall be allowed under this section in the case of a
7 taxable year covering a period of less than 12
8 months.

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

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

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

16 “(C) Section 219(f)(5) (relating to em-
17 ployer payments).

18 “(D) Section 408(g) (relating to commu-
19 nity property laws).

20 “(E) Section 408(h) (relating to custodial
21 accounts).

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

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

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

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

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

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

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

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

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

3 (2) by adding at the end the following new sub-
4 section:

5 “(h) EXCESS CONTRIBUTIONS TO DISASTER SAVINGS
6 ACCOUNTS.—For purposes of this section, in the case of
7 disaster savings accounts (within the meaning of section
8 224(d)), the term ‘excess contributions’ means the sum
9 of—

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

15 “(2) the amount determined under this sub-
16 section for the preceding taxable year, reduced by
17 the sum of—

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

21 “(B) the excess (if any) of—

22 “(i) the maximum amount allowable
23 as a deduction under section 224(b) for
24 the taxable year, over

1 “(ii) the amount contributed to the
2 accounts for the taxable year.

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

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

14 “(D) section 224(i) (relating to disaster
15 savings accounts),”.

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

“Sec. 224. Disaster savings accounts.
“Sec. 225. Cross reference.”.

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

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