STATE OF NEW YORK

7264

2025-2026 Regular Sessions

IN SENATE

April 7, 2025

Introduced by Sen. BAILEY -- read twice and ordered printed, and when printed to be committed to the Committee on Budget and Revenue

AN ACT to amend the tax law, in relation to establishing catastrophe savings accounts

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article 22 of the tax law is amended by adding a new part VII to read as follows:

PART VII--CATASTROPHE SAVINGS ACCOUNTS

Section 710. Definitions.

711. Catastrophe savings accounts.

§ 710. Definitions. As used in this part, the following terms shall have the following definitions:

(a) "Catastrophe savings account" means a regular savings account or money market account established by an insurance policyholder for residential real property in this state to cover an insurance deductible under an insurance policy for the taxpayer's primary residence that covers hurricane, rising floodwaters, or other catastrophic windstorm event damage or by an individual to cover self-insured losses for the taxpayer's primary residence from a hurricane, rising floodwaters, or other catastrophic windstorm event.

(b) "Qualified catastrophe expenses" mean expenses paid or incurred by reason of a major disaster that has been declared by the governor to be a state disaster emergency pursuant to the provisions of section twenty-eight of the executive law.

(c) "Qualified deductible" means the deductible for the individual's homeowner's policy for a taxpayer's primary residence.

§ 711. Catastrophe savings accounts. (a)(1) An individual taxpayer shall be allowed a deduction from the tax imposed pursuant to this article for amounts contributed to a catastrophe savings account pursuant to paragraph three of subsection (b) of this section; and

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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(2) All interest income earned by such catastrophe savings account shall be exempt from the tax imposed pursuant to this article.

(b)(1) An account must be labeled as a catastrophe savings account in order to qualify as a catastrophe savings account as defined in this article. A taxpayer shall establish only one catastrophe savings account and shall specify that the purpose of the account is to cover the amount of insurance deductibles and other uninsured portions of risks of loss from hurricane, rising floodwater, or other catastrophic windstorm event.

(2) A catastrophe savings account shall not be subject to attachment, levy, garnishment, or legal process in the state.

(3) The total amount that may be contributed to a catastrophe savings account shall not exceed:

(A) in the case of an individual whose qualified deductible is not more than one thousand dollars, two thousand dollars;

(B) in the case of an individual whose qualified deductible is more than one thousand dollars, the amount equal to the lesser of fifteen thousand dollars or twice the amount of the taxpayer's qualified deductible; or

(C) in the case of a self-insured individual who chooses not to obtain insurance on their primary residence two hundred fifty thousand dollars, but in no event shall exceed the value of the individual taxpayer's primary residence.

(4) If a taxpayer contributes in excess of the limits provided in paragraph three of this subsection, such taxpayer shall withdraw the amount of the excess contributions and include such amount in their income for purposes of this article in the year of withdrawal.

(c) A distribution from a catastrophe savings account shall be included in the income of the distributee unless the amount of the distribution is used to cover qualified catastrophe expenses.

(d) No amount is included in income, pursuant to subsection (c) of this section, if the qualified catastrophe expenses of the distributee during the taxable year are equal to or greater than the aggregate distributions during the taxable year.

(e) If aggregate distributions exceed the qualified catastrophe expenses during the taxable year, the amount otherwise included in income shall be reduced by the amount of the distributions for qualified catastrophe expenses.

(f)(1) The tax imposed pursuant to this article attributable to a taxable distribution shall be increased by two and one-half percent of the amount which is includable in income.

(2) Such additional tax shall not apply if:

(A) the taxpayer no longer owns a primary residence within the state; or

(B) the distribution is from an account conforming with subparagraph (C) of paragraph three of subsection (b) of this section and is made on or after the date on which the distributee attains the age of seventy.

(g)(1) No amount is includable in taxable income, pursuant to subsection (c) of this section, if the distribution is from an account conforming with subparagraph (A) or (B) of paragraph three of subsection (b) of this section and is made on or after the date on which the distributee attains the age of seventy.

(2) If a taxpayer receives a nontaxable distribution under this subsection, such taxpayer shall not make further contributions to a catastrophe savings account.

(h) In the event of death of the taxpayer that owns a catastrophe savings account, such account shall be included in income of the person who receives the account, unless such person is the surviving spouse of the taxpayer. Upon the death of such surviving spouse, the account shall be included in the income of the person who receives the account. The additional tax in subsection (f) of this section shall not apply in the event of a distribution on death.

§ 2. This act shall take effect on the first of January next succeeding the date on which it shall have become a law.