
The original instrument was prepared by Cheryl Horne. The following digest, which does not constitute a part of the legislative instrument, was prepared by Linda Nugent.

DIGEST

Long (SB 88)

Proposed law permits the creation of a property and casualty deposit account to be used for qualified expenses associated with a weather-related event whereby damages are caused by a hurricane, rising flood waters, wind, hail, or a freeze.

Proposed law provides for a state income tax deduction for contributions to the deposit account. Limits contributions to the deposit account to \$10,000 on any residential property policy or the actual amount of the deductible limits as stated in the policy, whichever is less. Contributions cannot exceed \$50,000 on any commercial property policy or the actual deductible as stated in the policy, whichever is less.

Proposed law defines a property and casualty deposit account as a deposit account in a any federally insured depository institution operating in Louisiana with at least one office branch physically located in the state. Provides that an account holder may withdraw funds from a deposit account for any qualified catastrophic expense. A taxpayer is only allowed one such savings account per insurance policy. The savings account is not subject to attachment, levy, garnishment or legal process.

Proposed law provides that distributions from the property and casualty deposit account shall be treated as income unless the funds are withdrawn to cover qualified expenses; otherwise, distributions are treated as income and subject to a 2 ½% tax penalty. The tax penalty will not apply if the taxpayer no longer owns the property or if the distribution is made by a taxpayer who reaches age 70.

Proposed law provides that if the account holder dies, the distribution to heirs or devisees will be considered income unless the distribution is to the surviving spouse.

Proposed law requires the commissioner of insurance and the secretary of the Department of Revenue to promulgate rules to implement the provisions of proposed law.

Effective August 15, 2009.

(Adds R.S. 47:297.13)

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill.

1. Changes the types of expenses which qualify for tax-free distribution from the accounts provided for in the bill from "catastrophe expenses" incurred from a "major weather-related disaster" including hurricanes, rising flood waters, or other "catastrophic" windstorm events to expenses incurred from "a weather-related event" whereby damages are caused by a hurricane, rising flood waters and also wind, hail, or a freeze.

Senate Floor Amendments to engrossed bill.

1. Renames "savings account" as "deposit account."
2. Changes "account administrator" to "account custodian" and changes the meaning from a state or national bank, savings and loan association, credit union, or savings bank to any federally insured depository institution operating in Louisiana, with at least one office branch physically located in the state.
3. Provides that an account holder may withdraw funds from a deposit account for any qualified catastrophe expense.