

110TH CONGRESS  
2D SESSION

# S. 3427

To amend the Internal Revenue Code of 1986 to provide a credit for hurricane mitigation expenditures, and to provide a credit for the increased insurance premiums of certain homeowners as a result of hurricane events.

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## IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2008

Mr. WICKER (for himself, Mr. COCHRAN, Mr. MARTINEZ, and Mr. VITTER) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit for hurricane mitigation expenditures, and to provide a credit for the increased insurance premiums of certain homeowners as a result of hurricane events.

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 “Costal Homeowners  
5 Assistance Act”.

1 **SEC. 2. NONREFUNDABLE PERSONAL CREDIT FOR HURRI-**  
 2 **CANE MITIGATION PROPERTY.**

3 (a) IN GENERAL.—Subpart A of part IV of sub-  
 4 chapter A of chapter 1 of the Internal Revenue Code of  
 5 1986 is amended by inserting after section 25D the fol-  
 6 lowing new section:

7 **“SEC. 25E. HURRICANE MITIGATION PROPERTY.**

8 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-  
 9 gible individual, there shall be allowed as a credit against  
 10 the tax imposed by this chapter an amount equal to 25  
 11 percent of the qualified hurricane mitigation property ex-  
 12 penditures made by the taxpayer during the taxable year.

13 “(b) LIMITATIONS.—

14 “(1) MAXIMUM CREDIT.—The credit allowed  
 15 under subsection (a) shall not exceed the excess (if  
 16 any) of \$5,000 over the aggregate credits allowed  
 17 under this section with respect to such taxpayer for  
 18 all prior taxable years.

19 “(2) LIMITATION BASED ON AMOUNT OF  
 20 TAX.—In the case of a taxable year to which section  
 21 26(a)(2) does not apply, the credit allowed under  
 22 subsection (a) for any taxable year shall not exceed  
 23 the excess of—

24 “(A) the sum of the regular tax liability  
 25 (as defined in section 26(b)) plus the tax im-  
 26 posed by section 55, over

1           “(B) the sum of the credits allowable  
2           under this subpart (other than this section and  
3           section 23) for the taxable year.

4           “(c) ELIGIBLE INDIVIDUAL.—For purposes of this  
5           section, the term ‘eligible individual’ means any taxpayer  
6           whose principal residence is a qualified dwelling unit lo-  
7           cated in—

8           “(1) an area determined by the President to  
9           warrant individual or individual and public assist-  
10          ance from the Federal Government under the Robert  
11          T. Stafford Disaster Relief and Emergency Assist-  
12          ance Act by reason of 1 or more hurricanes during  
13          2004 or 2005, or

14          “(2) a county located in a State which borders  
15          the Atlantic Ocean or the Gulf of Mexico.

16          “(d) QUALIFIED HURRICANE MITIGATION PROPERTY  
17          EXPENDITURES.—For purposes of this section—

18          “(1) IN GENERAL.—The term ‘qualified hurri-  
19          cane mitigation property expenditures’ means an ex-  
20          penditure for property—

21                  “(A) to improve the strength of a roof  
22                  deck attachment,

23                  “(B) to create a secondary water barrier to  
24                  prevent water intrusion,

1           “(C) to improve the durability of a roof  
2 covering,

3           “(D) to brace gable-end walls,

4           “(E) to reinforce the connection between a  
5 roof and supporting wall,

6           “(F) to protect openings from penetration  
7 by windborne debris,

8           “(G) to protect exterior doors and garages,  
9 or

10           “(H) to achieve such other mitigation pur-  
11 poses as prescribed in regulations by the Sec-  
12 retary after consultation with the Administrator  
13 of the Federal Emergency Management Agency,  
14 in the principal residence of the taxpayer.

15           “(2) LIMITATION.—An expenditure shall be  
16 taken into account in determining the qualified hur-  
17 ricane mitigation property expenditures made by the  
18 taxpayer during the taxable year only if the onsite  
19 preparation, assembly, or original installation of the  
20 property with respect to which such expenditure is  
21 made has been completed in a manner that is  
22 deemed to be adequate by a State-certified inspector.

23           “(3) LABOR COSTS.—Expenditures for labor  
24 costs properly allocable to the onsite preparation, as-  
25 sembly, or original installation of the property de-

1 scribed in paragraph (1) shall be taken into account  
2 in determining the qualified hurricane mitigation  
3 property expenditures made by the taxpayer during  
4 the taxable year.

5 “(4) INSPECTION COSTS.—Expenditures for in-  
6 spection costs properly allocable to the inspection of  
7 the preparation, assembly, or installation of the  
8 property described in paragraph (1) shall be taken  
9 into account in determining the qualified hurricane  
10 mitigation property expenditures made by the tax-  
11 payer during the taxable year.

12 “(e) OTHER DEFINITIONS.—For purposes of this  
13 section—

14 “(1) PRINCIPAL RESIDENCE.—The term ‘prin-  
15 cipal residence’ has the same meaning as when used  
16 in section 121.

17 “(2) QUALIFIED DWELLING UNIT.—The term  
18 ‘qualified dwelling unit’ means a dwelling unit that  
19 is assessed at a value that is less than \$1,000,000  
20 by the locality in which such dwelling unit is located  
21 and with respect to the taxable year for which the  
22 credit described in subsection (a) is allowed.”.

23 (b) CONFORMING AMENDMENTS.—

1           (1) Section 24(b)(3)(B) of the Internal Revenue  
2 Code of 1986 is amended by striking “and 25B”  
3 and inserting “, 25B, and 25E”.

4           (2) Section 25(e)(1)(C)(ii) of such Code is  
5 amended by inserting “25E,” after “25D,”.

6           (3) Section 25B(g)(2) of such Code is amended  
7 by striking “section 23” and inserting “sections 23  
8 and 25E”.

9           (4) Section 25D(c)(2) of such Code is amended  
10 by striking “and 25B” and inserting “25B, and  
11 25E”.

12           (5) Section 26(a)(1) of such Code is amended  
13 by striking “and 25B” and inserting “25B, and  
14 25E”.

15           (6) Section 904(i) of such Code is amended by  
16 striking “and 25B” and inserting “25B, and 25E”.

17           (7) Section 1400C(d)(2) of such Code is  
18 amended by striking “and 25D” and inserting  
19 “25D, and 25E”.

20           (c) CLERICAL AMENDMENT.—The table of sections  
21 for subpart A of part IV of subchapter A of chapter 1  
22 of the Internal Revenue Code of 1986 is amended by in-  
23 serting after the item relating to section 25D the following  
24 new item:

“Sec. 25E. Hurricane mitigation property.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2007.

4 **SEC. 3. CREDIT FOR HOME INSURANCE PREMIUM IN-**  
5 **CREASES.**

6 (a) ALLOWANCE OF CREDIT.—In the case of an eligi-  
7 ble individual, there shall be allowed as a credit against  
8 the tax imposed by chapter 1 of the Internal Revenue Code  
9 of 1986 for the first taxable year after the date of the  
10 enactment of this section an amount equal to 50 percent  
11 of the qualified homeowners insurance premium increases.

12 (b) MAXIMUM CREDIT.—The credit allowed under  
13 subsection (a) shall not exceed \$5,000.

14 (c) ELIGIBLE INDIVIDUAL.—For purposes of this sec-  
15 tion, the term “eligible individual” means any taxpayer—

16 (1) whose principal residence, as of the last day  
17 of the taxable year, is a qualified dwelling unit lo-  
18 cated in—

19 (A) an area determined by the President to  
20 warrant individual or individual and public as-  
21 sistance from the Federal Government under  
22 the Robert T. Stafford Disaster Relief and  
23 Emergency Assistance Act by reason of 1 or  
24 more hurricanes during 2004 or 2005, or

25 (B) a county—

1 (i) located in a State which borders  
2 the Atlantic Ocean or the Gulf of Mexico,  
3 and

4 (ii) which is determined by the Sec-  
5 retary to have experienced a higher than  
6 average increase in premiums for home-  
7 owners insurance during 2004, 2005, or  
8 2006 due to hurricane risk, and

9 (2) whose principal residence, as of the applica-  
10 ble date, was located—

11 (A) in an area or county described in para-  
12 graph (1), and

13 (B) within 100 miles of such taxpayer's  
14 principal residence as of the last day of the tax-  
15 able year.

16 (d) QUALIFIED HOMEOWNERS INSURANCE PREMIUM  
17 INCREASE.—For purposes of this section—

18 (1) IN GENERAL.—The term “qualified home-  
19 owners insurance premium increase” means, with re-  
20 spect to any eligible individual, the amount equal to  
21 the qualifying percentage of the premium for home-  
22 owners insurance in effect on the third policy anni-  
23 versary date following the applicable date.

1           (2) QUALIFYING PERCENTAGE.—The term  
2 “qualifying percentage” means the amount equal to  
3 the excess (expressed in percentage points) of—

4           (A) the increase in the premium for home-  
5 owners insurance of the eligible individual be-  
6 tween the date of the last policy anniversary be-  
7 fore the applicable date and the third policy an-  
8 niversary date following the applicable date,  
9 over

10           (B) a 100 percent increase in the premium  
11 for such homeowners insurance between the  
12 same dates.

13       (e) OTHER DEFINITIONS.—For purposes of this sec-  
14 tion—

15           (1) APPLICABLE DATE.—The term “applicable  
16 date” means—

17           (A) with respect to any individual whose  
18 principal residence is located in an area de-  
19 scribed in subsection (c)(1)(A), the day before  
20 the determination described in such subsection,  
21 and

22           (B) with respect to any individual whose  
23 principal residence is located in a county de-  
24 scribed in subsection (c)(1)(B), September 1,  
25 2005.

1           (2) HOMEOWNERS INSURANCE.—The term  
2 “homeowners insurance” means any insurance cov-  
3 ering a principal residence. Such term includes cov-  
4 erage of a principal residence with respect to wind  
5 damage through a State-run wind pool.

6           (3) PRINCIPAL RESIDENCE.—The term “prin-  
7 cipal residence” has the same meaning as when used  
8 in section 121 of the Internal Revenue Code of  
9 1986.

10           (4) QUALIFIED DWELLING UNIT.—The term  
11 “qualified dwelling unit” means a dwelling unit that  
12 is assessed at a value that is less than \$1,000,000  
13 by the locality in which such dwelling unit is located  
14 and with respect to the taxable year for which the  
15 credit described in subsection (a) is allowed.

16           (f) CREDIT TREATED AS PERSONAL NONREFUND-  
17 ABLE CREDIT.—

18           (1) IN GENERAL.—The credit allowed under  
19 this section shall be treated as a credit allowed  
20 under subpart A of part IV of subchapter A of chap-  
21 ter 1 of the Internal Revenue Code of 1986.

22           (2) LIMITATION BASED ON AMOUNT OF TAX.—  
23 In the case of a taxable year to which section  
24 26(a)(2) of such Code does not apply, the credit al-

1       lowed under this section for any taxable year shall  
2       not exceed the excess of—

3               (A) the sum of the regular tax liability (as  
4               defined in section 26(b) of such Code) plus the  
5               tax imposed by section 55 of such Code, over

6               (B) the sum of the credits allowable under  
7               such subpart A (other than this section and  
8               section 23 of such Code) for the taxable year.

9               (3) CARRYFORWARD OF UNUSED CREDIT.—If  
10       the credit allowable under subsection (a) exceeds the  
11       limitation imposed under section 26(a) of the Inter-  
12       nal Revenue Code of 1986 for the taxable year re-  
13       duced by the sum of the credits allowable under sub-  
14       part A of part IV of subchapter A of chapter 1 of  
15       such Code, or, if applicable, the limitation under  
16       paragraph (2), such excess shall be carried to the  
17       succeeding taxable year and allowable as a credit  
18       under such subpart for such succeeding taxable year.

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