

# SENATE BILL 336

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SB 611/19 – B&T

0lr1581

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By: **Senator Guzzone**

Introduced and read first time: January 23, 2020

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Catastrophe Savings Accounts**

3 FOR the purpose of allowing a subtraction modification under the Maryland income tax for  
4 certain deposits into a catastrophe savings account and certain interest earnings of  
5 the account; providing that the amount of funds in a catastrophe savings account  
6 maintained by certain account holders may not exceed certain amounts; requiring  
7 certain account holders that withdraw funds from a catastrophe savings account,  
8 under certain circumstances, to include the amount in the account holder's federal  
9 adjusted gross income and pay a certain penalty; prohibiting a taxpayer from  
10 establishing more than one catastrophe savings account; prohibiting a person from  
11 taking certain actions under a catastrophe savings account; requiring a certain  
12 account holder claiming the subtraction modification to submit to the Comptroller  
13 certain information; requiring the Comptroller to adopt certain regulations; defining  
14 certain terms; providing for the application of this Act; and generally relating to a  
15 subtraction modification for deposits into a catastrophe savings account.

16 BY repealing and reenacting, without amendments,  
17 Article – Tax – General  
18 Section 10–205(a) and 10–208(a)  
19 Annotated Code of Maryland  
20 (2016 Replacement Volume and 2019 Supplement)

21 BY adding to  
22 Article – Tax – General  
23 Section 10–205(m) and 10–208(y)  
24 Annotated Code of Maryland  
25 (2016 Replacement Volume and 2019 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
27 That the Laws of Maryland read as follows:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



**Article – Tax – General**

10–205.

(a) In addition to the modification under § 10–204 of this subtitle, the amounts under this section are added to the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

**(M) EXCEPT AS PROVIDED UNDER § 10–208(Y) OF THIS SUBTITLE, THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY AMOUNT WITHDRAWN FROM A CATASTROPHE SAVINGS ACCOUNT AND USED FOR A PURPOSE OTHER THAN AN ELIGIBLE EXPENSE UNDER § 10–208(Y) OF THIS SUBTITLE.**

10–208.

(a) In addition to the modification under § 10–207 of this subtitle, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

**(Y) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(II) “ACCOUNT HOLDER” MEANS AN INDIVIDUAL WHO ESTABLISHES A CATASTROPHE SAVINGS ACCOUNT.**

**(III) “CATASTROPHE SAVINGS ACCOUNT” MEANS AN INTEREST BEARING ACCOUNT WITH A FINANCIAL INSTITUTION THAT IS:**

**1. DESIGNATED AS A CATASTROPHE SAVINGS ACCOUNT ON THE ACCOUNT HOLDER’S MARYLAND TAX RETURN; AND**

**2. ESTABLISHED TO COVER:**

**A. THE DEDUCTIBLE UNDER AN INSURANCE POLICY FOR THE ACCOUNT HOLDER’S DESIGNATED DWELLING THAT COVERS EXPENSES RELATED TO CATASTROPHIC WEATHER EVENTS; OR**

**B. SELF-INSURED LOSSES INCURRED AS A RESULT OF DAMAGE TO THE ACCOUNT HOLDER’S DESIGNATED DWELLING CAUSED BY A CATASTROPHIC WEATHER EVENT.**

**(IV) “CATASTROPHIC WEATHER EVENT” INCLUDES A BLIZZARD, A HURRICANE, A FLOOD, A WINDSTORM, OR ANY WEATHER EVENT THAT RESULTS IN**

1 THE DECLARATION OF A STATE OF EMERGENCY BY THE GOVERNOR OR THE  
2 FEDERAL GOVERNMENT.

3 (V) "DEDUCTIBLE" MEANS THE INSURANCE DEDUCTIBLE  
4 UNDER THE ACCOUNT HOLDER'S HOMEOWNER'S INSURANCE POLICY FOR THE  
5 DESIGNATED DWELLING.

6 (VI) 1. "DESIGNATED DWELLING" MEANS ANY  
7 SINGLE-FAMILY DWELLING LOCATED IN THE STATE OWNED BY THE ACCOUNT  
8 HOLDER.

9 2. "DESIGNATED DWELLING" INCLUDES A  
10 SINGLE-FAMILY DWELLING THAT IS THE ACCOUNT HOLDER'S LEGAL RESIDENCE,  
11 SECOND HOME, OR INVESTMENT PROPERTY.

12 (VII) 1. "ELIGIBLE EXPENSE" MEANS AN EXPENSE PAID OR  
13 INCURRED DUE TO A CATASTROPHIC WEATHER EVENT.

14 2. "ELIGIBLE EXPENSE" INCLUDES A DEDUCTIBLE AND  
15 OTHER UNINSURED LOSSES.

16 (VIII) "FINANCIAL INSTITUTION" HAS THE MEANING STATED IN §  
17 1-101 OF THE FINANCIAL INSTITUTIONS ARTICLE.

18 (2) (I) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION  
19 AND SUBJECT TO THE LIMITATIONS UNDER THIS PARAGRAPH, THE SUBTRACTION  
20 UNDER SUBSECTION (A) OF THIS SECTION INCLUDES FOR EACH TAXABLE YEAR:

21 1. THE AMOUNT DEPOSITED BY AN ACCOUNT HOLDER IN  
22 A CATASTROPHE SAVINGS ACCOUNT; AND

23 2. IF THE INTEREST EARNED BY A CATASTROPHE  
24 SAVINGS ACCOUNT DURING THE TAXABLE YEAR IS INCLUDED IN THE ACCOUNT  
25 HOLDER'S FEDERAL ADJUSTED GROSS INCOME, THE INTEREST EARNED BY A  
26 CATASTROPHE SAVINGS ACCOUNT.

27 (II) IF AN ACCOUNT HOLDER OWNS MORE THAN ONE  
28 DESIGNATED DWELLING, THE MAXIMUM AMOUNT OF FUNDS THAT AN ACCOUNT  
29 HOLDER MAY MAINTAIN IN A CATASTROPHE SAVINGS ACCOUNT UNDER  
30 SUBPARAGRAPH (III) OF THIS PARAGRAPH IS BASED ON THE DESIGNATED  
31 DWELLING THAT ALLOWS THE ACCOUNT HOLDER TO MAINTAIN THE GREATEST  
32 AMOUNT OF FUNDS.

(III) THE AMOUNT OF FUNDS IN A CATASTROPHE SAVINGS ACCOUNT MAY NOT EXCEED:

1. \$2,000, IF THE ACCOUNT HOLDER'S DEDUCTIBLE IS LESS THAN OR EQUAL TO \$1,000;

2. THE LESSER OF \$15,000 OR TWICE THE AMOUNT OF THE ACCOUNT HOLDER'S DEDUCTIBLE, IF THE DEDUCTIBLE IS MORE THAN \$1,000; OR

3. THE FAIR MARKET VALUE OF THE DESIGNATED DWELLING, NOT TO EXCEED \$500,000, IF THE ACCOUNT HOLDER SELF-INSURES.

(3) (I) EXCEPT AS OTHERWISE PROVIDED UNDER THIS PARAGRAPH, IF AN ACCOUNT HOLDER WITHDRAWS FUNDS FROM THE CATASTROPHE SAVINGS ACCOUNT FOR A PURPOSE OTHER THAN AN ELIGIBLE EXPENSE:

1. THE WITHDRAWAL SHALL BE ADDED BACK TO THE ACCOUNT HOLDER'S FEDERAL ADJUSTED GROSS INCOME AS PROVIDED UNDER § 10-205(M) OF THIS SUBTITLE; AND

2. THE ACCOUNT HOLDER SHALL PAY A PENALTY TO THE STATE EQUAL TO 2.5% OF THE AMOUNT WITHDRAWN.

(II) THE PENALTY SPECIFIED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH DOES NOT APPLY TO A WITHDRAWAL OF FUNDS FROM A CATASTROPHE SAVINGS ACCOUNT BY AN ACCOUNT HOLDER WHO:

1. NO LONGER OWNS A DESIGNATED DWELLING IN THE STATE; OR

2. WITHDRAWS FUNDS FROM A CATASTROPHE SAVINGS ACCOUNT THAT EXCEED THE MAXIMUM AMOUNT OF FUNDS ALLOWED TO BE MAINTAINED IN A CATASTROPHE SAVINGS ACCOUNT UNDER PARAGRAPH (2) OF THIS SUBSECTION.

(III) IF AN ACCOUNT HOLDER IS AT LEAST 70 YEARS OLD, A WITHDRAWAL OF FUNDS FROM A CATASTROPHE SAVINGS ACCOUNT IS NOT SUBJECT TO THE ADDITION MODIFICATION OR PENALTY REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

(4) A TAXPAYER MAY NOT ESTABLISH MORE THAN ONE CATASTROPHE SAVINGS ACCOUNT.

1           **(5) A PERSON MAY NOT ATTACH, EXECUTE, GARNISH, OR OTHERWISE**  
2 **SEIZE ANY CURRENT OR FUTURE BENEFIT UNDER A CATASTROPHE SAVINGS**  
3 **ACCOUNT.**

4           **(6) AN ACCOUNT HOLDER CLAIMING A SUBTRACTION UNDER THIS**  
5 **SUBSECTION SHALL SUBMIT TO THE COMPTROLLER INFORMATION REGARDING THE**  
6 **CATASTROPHE SAVINGS ACCOUNT WITH THE ACCOUNT HOLDER'S TAX RETURN,**  
7 **INCLUDING:**

8                   **(I) A LIST OF:**

9                           **1. DEPOSITS INTO AND WITHDRAWALS FROM THE**  
10 **CATASTROPHE SAVINGS ACCOUNT DURING THE TAXABLE YEAR; AND**

11                           **2. FOR ANY WITHDRAWAL OF FUNDS FROM THE**  
12 **CATASTROPHE SAVINGS ACCOUNT, THE ELIGIBLE EXPENSES THAT THE FUNDS WERE**  
13 **APPLIED TO; AND**

14                   **(II) A STATEMENT OF THE AMOUNT OF FUNDS REMAINING IN**  
15 **THE CATASTROPHE SAVINGS ACCOUNT.**

16           **(7) (I) THE COMPTROLLER SHALL ADOPT REGULATIONS TO**  
17 **CARRY OUT THE PROVISIONS OF THIS SUBSECTION.**

18                   **(II) THE REGULATIONS SHALL PROVIDE FOR THE COLLECTION**  
19 **OF THE PENALTY IMPOSED UNDER PARAGRAPH (3) OF THIS SUBSECTION.**

20           **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July**  
21 **1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.**