

## BILL SUMMARY

1<sup>st</sup> Session of the 60<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB1834</b>
<b>Version:</b>	<b>Introduced</b>
<b>Request Number:</b>	<b>10175</b>
<b>Author:</b>	<b>Hefner</b>
<b>Date:</b>	<b>2/13/2025</b>
<b>Impact:</b>	<b>FY26: \$0</b>
	<b>FY27: Unknown decrease in revenue</b>

### Research Analysis

HB1834, as introduced, establishes an income tax deduction for contributions to a disaster savings accounts beginning tax year 2026. Any interest earned by the account or distribution that is used to cover qualified disaster expenses is also exempt from state income taxes.

A taxpayer with an insurance deductible that is less than \$1000 may contribute up to \$2000 to the account. Those with an insurance deductible greater than \$1000 may contribute up to \$15,000. A taxpayer that self-insures and has no insurance may contribute up to \$250,000 or the value of their legal residence, whichever is less.

The measure defines *disaster savings account* as a regular savings account or money market account established by an insurance policyholder for residential property to cover an insurance deductible under an insurance policy for the taxpayer's legal residence.

Prepared By: Quyen Do

### Fiscal Analysis

In its current form, HB1834 allows tax payers to establish Disaster Savings Accounts (DSAs) for costs related to natural disasters.

The Oklahoma Tax Commission has provided the following analysis:

---

**ESTIMATED REVENUE IMPACT:****FY26: \$0****FY27: Unknown decrease in income tax collections.**

**ANALYSIS:** House Bill 1834 allows taxpayers to establish Disaster Savings Accounts (DSAs) to save money for insurance deductibles and other costs related to natural disasters, beginning in tax year 2026. Contributions are tax-deductible from Oklahoma taxable income and interest earned is exempt. Contribution limits vary based on an individual's insurance situation and amount of deductible, from \$1,000 up to \$250,000.

Withdrawals from these accounts are tax-free when used for qualified disaster expenses. However, distributions for other purposes are subject to Oklahoma income tax plus an additional 2.5% tax, though exceptions exist for account holders aged 70 and older or those who no longer own a residence.

Available data from similar programs in other states suggest limited participation<sup>1</sup>. For example, Alabama's 2024 tax expenditure report<sup>2</sup> estimates the cost of its Catastrophe Savings Accounts (CSA) program at approximately \$120,000. Expenditure reports for Mississippi and South Carolina do not provide specific data on CSA-related tax impacts, indicating minimal participation and a negligible effect on state revenues.

Prepared By: Zachary Penrod, House Fiscal Staff

**Other Considerations**

None.