

BILL SUMMARY
1st Session of the 60th Legislature

Bill No.:	HB1834
Version:	SUBPCS1
Request Number:	12685
Author:	Rep. Hefner
Date:	2/20/2025
Impact:	FY26: No Impact
	FY27: Unknown decrease in revenue

Research Analysis

The subcommittee substitute for HB1834 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 \$350,000 or the value of their legal residence, whichever is less. These contributions limits will increase every year by 5 percent.

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 and other costs related to hurricanes, rising floodwaters, tornadoes, hail, or other catastrophic windstorm event damage.

Prepared By: Quyen Do

Fiscal Analysis

In its current form, HB1834 establishes an income tax deduction for contributions to a disaster savings account. Interest earned by the account and withdrawals used to cover qualified disaster expenses are exempt from state income tax.

The Oklahoma Tax Commission has provided the following analysis:

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

ANALYSIS: The key changes from the Introduced version to the Proposed Subcommittee Substitute are increasing the maximum contribution for self-insured individuals from \$250,000 to \$350,000 with an annual 5% adjustment mechanism, adding language that specifically exempts withdrawn excess contributions from Oklahoma income tax, and removing the prohibition on further contributions after receiving a nontaxable distribution.

The Proposed Subcommittee Substitute for HB 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 deductible from Oklahoma taxable income. Interest earned and withdrawn excess contributions are exempt from Oklahoma taxable income. Contribution limits vary based on an individual's insurance situation and amount of deductible, from \$1,000 up to \$350,000.

Withdrawals from these accounts are tax-free when used for qualified disaster expenses. Also, excess contributions withdrawn from the account are also tax-free. 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.

Prepared By: Zach Penrod, House Fiscal Staff

Other Considerations

None.