

Catastrophe Loss Mitigation Incentive and Tax Parity Act (H.R. 5494)

- *The NAIC supports the Catastrophe Loss Mitigation Incentive and Tax Parity Act (H.R. 5494), which would ensure that state-based disaster mitigation grants receive the same tax treatment as federal mitigation grants.*
- *Consistent federal tax treatment will give homeowners greater incentives to take action to protect their homes against wildfires, windstorms, and earthquakes.*
- *Pre-disaster mitigation is a proven method to reduce post-disaster economic and property loss and can create substantial savings in federal disaster relief. Every \$1 spent on mitigation grants saves \$6 in future disaster costs.*

Background

States are leading resiliency initiatives throughout the country and establishing mitigation grant programs to support homeowners' efforts to retrofit their homes. Encouraging mitigation not only reduces risks to homeowners, but to the insurance companies who provide them coverage. While promoting mitigation planning is a shared state and federal goal, there is inconsistent tax treatment of state and federal disaster mitigation grants.

Under current law, grants provided through the Federal Emergency Management Agency are excluded from federal income tax, but state grants for the same purpose are not. This means, if a homeowner receives a state-based grant for disaster mitigation work to protect their homes from catastrophe, they must pay federal income tax on the grant money on top of their personal investment in these projects, which could discourage them from undertaking these projects. H.R. 5494 would fix this tax inconsistency and provide parity for residential mitigation grants provided by state public entities.

Key Points

- ✓ State insurance regulators support efforts to encourage investments in pre-disaster mitigation, which helps reduce the loss of life, property, and reliance on federal disaster funds.
- ✓ H.R. 5494 will incentivize homeowners to make their homes more resilient by ensuring consistent federal tax treatment for mitigation grants.
- ✓ As our country continues to experience the devastating effects of natural disasters, it is more important than ever to encourage residents and homeowners to utilize pre-disaster mitigation programs.