



General Assembly

January Session, 2025

***Raised Bill No. 1401***

LCO No. 5519



Referred to Committee on BANKING

Introduced by:  
(BA)

***AN ACT ESTABLISHING DISASTER SAVINGS ACCOUNTS AND A  
RELATED TAX DEDUCTION AND CREDIT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) For the purposes of this  
2 section:

3 (1) "Account holder" means an individual who, either individually or  
4 jointly with another individual, establishes a disaster savings account;

5 (2) "Commissioner" means the Commissioner of Revenue Services;

6 (3) "Disaster savings account" means an account established by one  
7 or more account holders with a financial institution that the account  
8 holders designate as an account exclusively containing funds to pay or  
9 reimburse eligible costs incurred by the qualified beneficiary of the  
10 account;

11 (4) "Eligible costs" means payment by a qualified beneficiary (A) of  
12 an insurance deductible under a homeowners insurance policy that  
13 insures against loss or damage by wildfire, flood, rain, hurricane,

14 tornado or other severe storm, which was incurred because of a claim  
15 made for such loss or damage, and (B) for loss or damage to such  
16 qualified beneficiary's single-family residence caused by wildfire, flood,  
17 rain, hurricane, tornado or other severe storm;

18 (5) "Financial institution" means a bank, out-of-state bank,  
19 Connecticut credit union, federal credit union or out-of-state credit  
20 union, as those terms are defined in section 36a-2 of the general statutes,  
21 and any affiliate or third-party provider of such entities;

22 (6) "Qualified beneficiary" means a homeowner who (A) is  
23 designated as the qualified beneficiary of a disaster savings account, and  
24 (B) resides in a single-family residence in this state that is owned by the  
25 homeowner; and

26 (7) "Single-family residence" means a single-family residential  
27 dwelling, including, but not limited to, a mobile manufactured home or  
28 a residential unit in a cooperative, common interest community or  
29 condominium.

30 (b) For purposes of implementing the deduction allowed under  
31 subparagraph (B) of subdivision (20) of subsection (a) of section 12-701  
32 of the general statutes, as amended by this act, and the credit allowed  
33 under section 3 of this act, the commissioner shall prepare forms for (1)  
34 the designation of accounts as disaster savings accounts, (2) the  
35 designation of qualified beneficiaries, and (3) account holders to submit  
36 to the commissioner the information described in subparagraph (B) of  
37 subdivision (1) of subsection (d) of this section and any additional  
38 information that the commissioner reasonably requires pursuant to the  
39 provisions of this section.

40 (c) An individual may establish one or more disaster savings  
41 accounts with a financial institution. Two individuals may jointly  
42 establish and serve as the account holders of a disaster savings account,  
43 provided such account holders shall file a joint return for the tax  
44 imposed under chapter 229 of the general statutes for each taxable year

45 during which such account exists. The account holder or account  
46 holders shall, not later than April fifteenth of the taxable year  
47 immediately following the taxable year during which such account  
48 holder or account holders established a disaster savings account,  
49 designate the qualified beneficiary of such account. The account holder  
50 or account holders of a disaster savings account may designate a new  
51 qualified beneficiary of the account at any time, provided there shall not  
52 be more than one qualified beneficiary of such account at any time. No  
53 individual may establish or serve as an account holder of multiple  
54 disaster savings accounts that have the same qualified beneficiary.  
55 Disaster savings accounts shall exclusively contain cash and there shall  
56 be no limit on the amount of contributions made to, or contained in, such  
57 accounts. Any person may contribute to a disaster savings account,  
58 including, but not limited to, employers of the qualified beneficiary,  
59 account holder or account holders of such account. If a qualified  
60 beneficiary or account holder of a disaster savings account leaves  
61 employment with an employer that contributed to such account while  
62 such qualified beneficiary or account holder was employed by such  
63 employer, such employer shall not seek reimbursement of any  
64 contribution to such account. The account holder or account holders  
65 may invest funds deposited in a disaster savings account in money  
66 market funds.

67 (d) (1) Each account holder shall:

68 (A) Not use any portion of the funds deposited in a disaster savings  
69 account to pay any administrative fees or expenses, other than service  
70 fees imposed by the depository financial institution, for such account;  
71 and

72 (B) Submit to the commissioner such account holder's tax return for  
73 each taxable year beginning on or after January 1, 2025, during which a  
74 disaster savings account established by such account holder exists,  
75 along with:

76 (i) Any information required by the commissioner concerning such  
77 disaster savings account for purposes of implementing the deduction  
78 allowed under subparagraph (B) of subdivision (20) of subsection (a) of  
79 section 12-701 of the general statutes, as amended by this act, and the  
80 credit allowed under section 3 of this act;

81 (ii) The Internal Revenue Service Form 1099 issued by the depository  
82 financial institution for such disaster savings account; and

83 (iii) If such account holder withdrew funds from such disaster  
84 savings account during the taxable year that is the subject of such return,  
85 a detailed accounting of all eligible costs and ineligible costs paid or  
86 reimbursed using such funds during such taxable year and the balance  
87 of funds remaining in such account.

88 (2) Each account holder may withdraw all, or any portion of, the  
89 funds contributed to and deposited in a disaster savings account and  
90 deposit such funds in another disaster savings account established by  
91 such account holder at any financial institution.

92 (e) (1) The commissioner may require that financial institutions  
93 furnish certain information about each disaster savings account.

94 (2) No financial institution shall be required to (A) designate an  
95 account as a disaster savings account, (B) track the use of any funds  
96 withdrawn from a disaster savings account, or (C) allocate funds in a  
97 disaster savings account among account holders.

98 (3) No financial institution shall be liable or responsible for (A)  
99 determining whether, or ensuring that, an account satisfies the  
100 requirements established in this section concerning disaster savings  
101 accounts or the funds in disaster savings accounts are used to pay or  
102 reimburse eligible costs, or (B) disclosing or remitting taxes or penalties  
103 concerning disaster savings accounts unless such disclosure or  
104 remittance is required by applicable law.

105       (4) Upon receiving proof of the death of an account holder and all  
106 other information required by any contract governing a disaster savings  
107 account established by the account holder, the depository financial  
108 institution shall distribute the funds in the disaster savings account in  
109 accordance with the terms of such contract.

110       (f) (1) Except as provided in subdivision (2) of this subsection, each  
111 account holder who withdraws funds from a disaster savings account  
112 for any reason other than paying or reimbursing the qualified  
113 beneficiary of such account for eligible costs incurred by such qualified  
114 beneficiary shall be liable to this state for a civil penalty in an amount  
115 equal to ten per cent of the withdrawn amount. Such civil penalty shall  
116 be collectible by the commissioner. If such funds were deducted by an  
117 account holder in accordance with subparagraph (B) of subdivision (20)  
118 of subsection (a) of section 12-701 of the general statutes, as amended by  
119 this act, then such withdrawn funds shall be considered income.

120       (2) No account holder shall be liable for a penalty under subdivision  
121 (1) of this subsection, nor shall funds withdrawn from a disaster savings  
122 account be considered income, if the funds withdrawn from the disaster  
123 savings account:

124       (A) Are deposited in another disaster savings account pursuant to  
125 subdivision (2) of subsection (d) of this section;

126       (B) Are withdrawn due to the death or disability of an account holder  
127 who established such account;

128       (C) Constitute a disbursement of the assets of such account pursuant  
129 to a filing for protection under the United States Bankruptcy Code, as  
130 amended from time to time; or

131       (D) Are not claimed as a deduction pursuant to subparagraph (B) of  
132 subdivision (20) of subsection (a) of section 12-701 of the general  
133 statutes, as amended by this act, by the account holder on a return for  
134 the tax imposed under chapter 229 of the general statutes.

135 (g) The commissioner may adopt regulations, in accordance with the  
136 provisions of chapter 54 of the general statutes, to implement the  
137 provisions of this section.

138 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of  
139 section 12-701 of the general statutes is repealed and the following is  
140 substituted in lieu thereof (*Effective from passage and applicable to taxable*  
141 *years commencing on or after January 1, 2025*):

142 (B) There shall be subtracted therefrom:

143 (i) To the extent properly includable in gross income for federal  
144 income tax purposes, any income with respect to which taxation by any  
145 state is prohibited by federal law;

146 (ii) To the extent allowable under section 12-718, exempt dividends  
147 paid by a regulated investment company;

148 (iii) To the extent properly includable in gross income for federal  
149 income tax purposes, the amount of any refund or credit for  
150 overpayment of income taxes imposed by this state, or any other state  
151 of the United States or a political subdivision thereof, or the District of  
152 Columbia;

153 (iv) To the extent properly includable in gross income for federal  
154 income tax purposes and not otherwise subtracted from federal  
155 adjusted gross income pursuant to clause (x) of this subparagraph in  
156 computing Connecticut adjusted gross income, any tier 1 railroad  
157 retirement benefits;

158 (v) To the extent any additional allowance for depreciation under  
159 Section 168(k) of the Internal Revenue Code for property placed in  
160 service after September 27, 2017, was added to federal adjusted gross  
161 income pursuant to subparagraph (A)(ix) of this subdivision in  
162 computing Connecticut adjusted gross income, twenty-five per cent of  
163 such additional allowance for depreciation in each of the four

164 succeeding taxable years;

165 (vi) To the extent properly includable in gross income for federal  
166 income tax purposes, any interest income from obligations issued by or  
167 on behalf of the state of Connecticut, any political subdivision thereof,  
168 or public instrumentality, state or local authority, district or similar  
169 public entity created under the laws of the state of Connecticut;

170 (vii) To the extent properly includable in determining the net gain or  
171 loss from the sale or other disposition of capital assets for federal income  
172 tax purposes, any gain from the sale or exchange of obligations issued  
173 by or on behalf of the state of Connecticut, any political subdivision  
174 thereof, or public instrumentality, state or local authority, district or  
175 similar public entity created under the laws of the state of Connecticut,  
176 in the income year such gain was recognized;

177 (viii) Any interest on indebtedness incurred or continued to purchase  
178 or carry obligations or securities the interest on which is subject to tax  
179 under this chapter but exempt from federal income tax, to the extent that  
180 such interest on indebtedness is not deductible in determining federal  
181 adjusted gross income and is attributable to a trade or business carried  
182 on by such individual;

183 (ix) Ordinary and necessary expenses paid or incurred during the  
184 taxable year for the production or collection of income which is subject  
185 to taxation under this chapter but exempt from federal income tax, or  
186 the management, conservation or maintenance of property held for the  
187 production of such income, and the amortizable bond premium for the  
188 taxable year on any bond the interest on which is subject to tax under  
189 this chapter but exempt from federal income tax, to the extent that such  
190 expenses and premiums are not deductible in determining federal  
191 adjusted gross income and are attributable to a trade or business carried  
192 on by such individual;

193 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
194 person who files a return under the federal income tax as an unmarried

195 individual whose federal adjusted gross income for such taxable year is  
196 less than fifty thousand dollars, or as a married individual filing  
197 separately whose federal adjusted gross income for such taxable year is  
198 less than fifty thousand dollars, or for a husband and wife who file a  
199 return under the federal income tax as married individuals filing jointly  
200 whose federal adjusted gross income for such taxable year is less than  
201 sixty thousand dollars or a person who files a return under the federal  
202 income tax as a head of household whose federal adjusted gross income  
203 for such taxable year is less than sixty thousand dollars, an amount  
204 equal to the Social Security benefits includable for federal income tax  
205 purposes;

206 (II) For taxable years commencing prior to January 1, 2019, for a  
207 person who files a return under the federal income tax as an unmarried  
208 individual whose federal adjusted gross income for such taxable year is  
209 fifty thousand dollars or more, or as a married individual filing  
210 separately whose federal adjusted gross income for such taxable year is  
211 fifty thousand dollars or more, or for a husband and wife who file a  
212 return under the federal income tax as married individuals filing jointly  
213 whose federal adjusted gross income from such taxable year is sixty  
214 thousand dollars or more or for a person who files a return under the  
215 federal income tax as a head of household whose federal adjusted gross  
216 income for such taxable year is sixty thousand dollars or more, an  
217 amount equal to the difference between the amount of Social Security  
218 benefits includable for federal income tax purposes and the lesser of  
219 twenty-five per cent of the Social Security benefits received during the  
220 taxable year, or twenty-five per cent of the excess described in Section  
221 86(b)(1) of the Internal Revenue Code;

222 (III) For the taxable year commencing January 1, 2019, and each  
223 taxable year thereafter, for a person who files a return under the federal  
224 income tax as an unmarried individual whose federal adjusted gross  
225 income for such taxable year is less than seventy-five thousand dollars,  
226 or as a married individual filing separately whose federal adjusted gross  
227 income for such taxable year is less than seventy-five thousand dollars,



228 or for a husband and wife who file a return under the federal income tax  
229 as married individuals filing jointly whose federal adjusted gross  
230 income for such taxable year is less than one hundred thousand dollars  
231 or a person who files a return under the federal income tax as a head of  
232 household whose federal adjusted gross income for such taxable year is  
233 less than one hundred thousand dollars, an amount equal to the Social  
234 Security benefits includable for federal income tax purposes; and

235 (IV) For the taxable year commencing January 1, 2019, and each  
236 taxable year thereafter, for a person who files a return under the federal  
237 income tax as an unmarried individual whose federal adjusted gross  
238 income for such taxable year is seventy-five thousand dollars or more,  
239 or as a married individual filing separately whose federal adjusted gross  
240 income for such taxable year is seventy-five thousand dollars or more,  
241 or for a husband and wife who file a return under the federal income tax  
242 as married individuals filing jointly whose federal adjusted gross  
243 income from such taxable year is one hundred thousand dollars or more  
244 or for a person who files a return under the federal income tax as a head  
245 of household whose federal adjusted gross income for such taxable year  
246 is one hundred thousand dollars or more, an amount equal to the  
247 difference between the amount of Social Security benefits includable for  
248 federal income tax purposes and the lesser of twenty-five per cent of the  
249 Social Security benefits received during the taxable year, or twenty-five  
250 per cent of the excess described in Section 86(b)(1) of the Internal  
251 Revenue Code;

252 (xi) To the extent properly includable in gross income for federal  
253 income tax purposes, any amount rebated to a taxpayer pursuant to  
254 section 12-746;

255 (xii) To the extent properly includable in the gross income for federal  
256 income tax purposes of a designated beneficiary, any distribution to  
257 such beneficiary from any qualified state tuition program, as defined in  
258 Section 529(b) of the Internal Revenue Code, established and  
259 maintained by this state or any official, agency or instrumentality of the

260 state;

261 (xiii) To the extent allowable under section 12-701a, contributions to  
262 accounts established pursuant to any qualified state tuition program, as  
263 defined in Section 529(b) of the Internal Revenue Code, established and  
264 maintained by this state or any official, agency or instrumentality of the  
265 state;

266 (xiv) To the extent properly includable in gross income for federal  
267 income tax purposes, the amount of any Holocaust victims' settlement  
268 payment received in the taxable year by a Holocaust victim;

269 (xv) To the extent properly includable in the gross income for federal  
270 income tax purposes of a designated beneficiary, as defined in section  
271 3-123aa, interest, dividends or capital gains earned on contributions to  
272 accounts established for the designated beneficiary pursuant to the  
273 Connecticut Homecare Option Program for the Elderly established by  
274 sections 3-123aa to 3-123ff, inclusive;

275 (xvi) To the extent properly includable in gross income for federal  
276 income tax purposes, any income received from the United States  
277 government as retirement pay for a retired member of (I) the Armed  
278 Forces of the United States, as defined in Section 101 of Title 10 of the  
279 United States Code, or (II) the National Guard, as defined in Section 101  
280 of Title 10 of the United States Code;

281 (xvii) To the extent properly includable in gross income for federal  
282 income tax purposes for the taxable year, any income from the discharge  
283 of indebtedness in connection with any reacquisition, after December  
284 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
285 instruments, as those terms are defined in Section 108 of the Internal  
286 Revenue Code, as amended by Section 1231 of the American Recovery  
287 and Reinvestment Act of 2009, to the extent any such income was added  
288 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
289 this subdivision in computing Connecticut adjusted gross income for a  
290 preceding taxable year;

291 (xviii) To the extent not deductible in determining federal adjusted  
292 gross income, the amount of any contribution to a manufacturing  
293 reinvestment account established pursuant to section 32-9zz in the  
294 taxable year that such contribution is made;

295 (xix) To the extent properly includable in gross income for federal  
296 income tax purposes, (I) for the taxable year commencing January 1,  
297 2015, ten per cent of the income received from the state teachers'  
298 retirement system, (II) for the taxable years commencing January 1,  
299 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
300 received from the state teachers' retirement system, and (III) for the  
301 taxable year commencing January 1, 2021, and each taxable year  
302 thereafter, fifty per cent of the income received from the state teachers'  
303 retirement system or, for a taxpayer whose federal adjusted gross  
304 income does not exceed the applicable threshold under clause (xx) of  
305 this subparagraph, the percentage pursuant to said clause of the income  
306 received from the state teachers' retirement system, whichever  
307 deduction is greater;

308 (xx) To the extent properly includable in gross income for federal  
309 income tax purposes, except for retirement benefits under clause (iv) of  
310 this subparagraph and retirement pay under clause (xvi) of this  
311 subparagraph, for a person who files a return under the federal income  
312 tax as an unmarried individual whose federal adjusted gross income for  
313 such taxable year is less than seventy-five thousand dollars, or as a  
314 married individual filing separately whose federal adjusted gross  
315 income for such taxable year is less than seventy-five thousand dollars,  
316 or as a head of household whose federal adjusted gross income for such  
317 taxable year is less than seventy-five thousand dollars, or for a husband  
318 and wife who file a return under the federal income tax as married  
319 individuals filing jointly whose federal adjusted gross income for such  
320 taxable year is less than one hundred thousand dollars, (I) for the taxable  
321 year commencing January 1, 2019, fourteen per cent of any pension or  
322 annuity income, (II) for the taxable year commencing January 1, 2020,  
323 twenty-eight per cent of any pension or annuity income, (III) for the

324 taxable year commencing January 1, 2021, forty-two per cent of any  
 325 pension or annuity income, and (IV) for the taxable years commencing  
 326 January 1, 2022, and January 1, 2023, one hundred per cent of any  
 327 pension or annuity income;

328 (xxi) To the extent properly includable in gross income for federal  
 329 income tax purposes, except for retirement benefits under clause (iv) of  
 330 this subparagraph and retirement pay under clause (xvi) of this  
 331 subparagraph, any pension or annuity income for the taxable year  
 332 commencing on or after January 1, 2024, and each taxable year  
 333 thereafter, in accordance with the following schedule, for a person who  
 334 files a return under the federal income tax as an unmarried individual  
 335 whose federal adjusted gross income for such taxable year is less than  
 336 one hundred thousand dollars, or as a married individual filing  
 337 separately whose federal adjusted gross income for such taxable year is  
 338 less than one hundred thousand dollars, or as a head of household  
 339 whose federal adjusted gross income for such taxable year is less than  
 340 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
T2	Less than \$75,000	100.0%
T3	\$75,000 but not over \$77,499	85.0%
T4	\$77,500 but not over \$79,999	70.0%
T5	\$80,000 but not over \$82,499	55.0%
T6	\$82,500 but not over \$84,999	40.0%
T7	\$85,000 but not over \$87,499	25.0%
T8	\$87,500 but not over \$89,999	10.0%
T9	\$90,000 but not over \$94,999	5.0%
T10	\$95,000 but not over \$99,999	2.5%
T11	\$100,000 and over	0.0%

341 (xxii) To the extent properly includable in gross income for federal  
 342 income tax purposes, except for retirement benefits under clause (iv) of  
 343 this subparagraph and retirement pay under clause (xvi) of this

344 subparagraph, any pension or annuity income for the taxable year  
 345 commencing on or after January 1, 2024, and each taxable year  
 346 thereafter, in accordance with the following schedule for married  
 347 individuals who file a return under the federal income tax as married  
 348 individuals filing jointly whose federal adjusted gross income for such  
 349 taxable year is less than one hundred fifty thousand dollars:

T12	Federal Adjusted Gross Income	Deduction
T13	Less than \$100,000	100.0%
T14	\$100,000 but not over \$104,999	85.0%
T15	\$105,000 but not over \$109,999	70.0%
T16	\$110,000 but not over \$114,999	55.0%
T17	\$115,000 but not over \$119,999	40.0%
T18	\$120,000 but not over \$124,999	25.0%
T19	\$125,000 but not over \$129,999	10.0%
T20	\$130,000 but not over \$139,999	5.0%
T21	\$140,000 but not over \$149,999	2.5%
T22	\$150,000 and over	0.0%

350 (xxiii) The amount of lost wages and medical, travel and housing  
 351 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
 352 by a taxpayer during the taxable year in connection with the donation  
 353 to another person of an organ for organ transplantation occurring on or  
 354 after January 1, 2017;

355 (xxiv) To the extent properly includable in gross income for federal  
 356 income tax purposes, the amount of any financial assistance received  
 357 from the Crumbling Foundations Assistance Fund or paid to or on  
 358 behalf of the owner of a residential building pursuant to sections 8-442  
 359 and 8-443;

360 (xxv) To the extent properly includable in gross income for federal  
 361 income tax purposes, the amount calculated pursuant to subsection (b)  
 362 of section 12-704g for income received by a general partner of a venture  
 363 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to

364 time;

365 (xxvi) To the extent any portion of a deduction under Section 179 of  
366 the Internal Revenue Code was added to federal adjusted gross income  
367 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
368 Connecticut adjusted gross income, twenty-five per cent of such  
369 disallowed portion of the deduction in each of the four succeeding  
370 taxable years;

371 (xxvii) To the extent properly includable in gross income for federal  
372 income tax purposes, for a person who files a return under the federal  
373 income tax as an unmarried individual whose federal adjusted gross  
374 income for such taxable year is less than seventy-five thousand dollars,  
375 or as a married individual filing separately whose federal adjusted gross  
376 income for such taxable year is less than seventy-five thousand dollars,  
377 or as a head of household whose federal adjusted gross income for such  
378 taxable year is less than seventy-five thousand dollars, or for a husband  
379 and wife who file a return under the federal income tax as married  
380 individuals filing jointly whose federal adjusted gross income for such  
381 taxable year is less than one hundred thousand dollars, for the taxable  
382 year commencing January 1, 2023, twenty-five per cent of any  
383 distribution from an individual retirement account other than a Roth  
384 individual retirement account;

385 (xxviii) To the extent properly includable in gross income for federal  
386 income tax purposes, for a person who files a return under the federal  
387 income tax as an unmarried individual whose federal adjusted gross  
388 income for such taxable year is less than one hundred thousand dollars,  
389 or as a married individual filing separately whose federal adjusted gross  
390 income for such taxable year is less than one hundred thousand dollars,  
391 or as a head of household whose federal adjusted gross income for such  
392 taxable year is less than one hundred thousand dollars, (I) for the taxable  
393 year commencing January 1, 2024, fifty per cent of any distribution from  
394 an individual retirement account other than a Roth individual  
395 retirement account, (II) for the taxable year commencing January 1, 2025,

396 seventy-five per cent of any distribution from an individual retirement  
 397 account other than a Roth individual retirement account, and (III) for  
 398 the taxable year commencing January 1, 2026, and each taxable year  
 399 thereafter, any distribution from an individual retirement account other  
 400 than a Roth individual retirement account. The subtraction under this  
 401 clause shall be made in accordance with the following schedule:

T23	Federal Adjusted Gross Income	Deduction
T24	Less than \$75,000	100.0%
T25	\$75,000 but not over \$77,499	85.0%
T26	\$77,500 but not over \$79,999	70.0%
T27	\$80,000 but not over \$82,499	55.0%
T28	\$82,500 but not over \$84,999	40.0%
T29	\$85,000 but not over \$87,499	25.0%
T30	\$87,500 but not over \$89,999	10.0%
T31	\$90,000 but not over \$94,999	5.0%
T32	\$95,000 but not over \$99,999	2.5%
T33	\$100,000 and over	0.0%

402 (xxix) To the extent properly includable in gross income for federal  
 403 income tax purposes, for married individuals who file a return under  
 404 the federal income tax as married individuals filing jointly whose  
 405 federal adjusted gross income for such taxable year is less than one  
 406 hundred fifty thousand dollars, (I) for the taxable year commencing  
 407 January 1, 2024, fifty per cent of any distribution from an individual  
 408 retirement account other than a Roth individual retirement account, (II)  
 409 for the taxable year commencing January 1, 2025, seventy-five per cent  
 410 of any distribution from an individual retirement account other than a  
 411 Roth individual retirement account, and (III) for the taxable year  
 412 commencing January 1, 2026, and each taxable year thereafter, any  
 413 distribution from an individual retirement account other than a Roth  
 414 individual retirement account. The subtraction under this clause shall  
 415 be made in accordance with the following schedule:

T34	Federal Adjusted Gross Income	Deduction
T35	Less than \$100,000	100.0%
T36	\$100,000 but not over \$104,999	85.0%
T37	\$105,000 but not over \$109,999	70.0%
T38	\$110,000 but not over \$114,999	55.0%
T39	\$115,000 but not over \$119,999	40.0%
T40	\$120,000 but not over \$124,999	25.0%
T41	\$125,000 but not over \$129,999	10.0%
T42	\$130,000 but not over \$139,999	5.0%
T43	\$140,000 but not over \$149,999	2.5%
T44	\$150,000 and over	0.0%

416 (xxx) To the extent properly includable in gross income for federal  
 417 income tax purposes, for the taxable year commencing January 1, 2022,  
 418 the amount or amounts paid or otherwise credited to any eligible  
 419 resident of this state under (I) the 2020 Earned Income Tax Credit  
 420 enhancement program from funding allocated to the state through the  
 421 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,  
 422 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned  
 423 Income Tax Credit enhancement program from funding allocated to the  
 424 state pursuant to Section 9901 of Subtitle M of Title IX of the American  
 425 Rescue Plan Act of 2021, P.L. 117-2;

426 (xxxi) For the taxable year commencing January 1, 2023, and each  
 427 taxable year thereafter, for a taxpayer licensed under the provisions of  
 428 chapter 420f or 420h, the amount of ordinary and necessary expenses  
 429 that would be eligible to be claimed as a deduction for federal income  
 430 tax purposes under Section 162(a) of the Internal Revenue Code but that  
 431 are disallowed under Section 280E of the Internal Revenue Code  
 432 because marijuana is a controlled substance under the federal  
 433 Controlled Substance Act;

434 (xxxii) To the extent properly includable in gross income for federal  
 435 income tax purposes, for the taxable year commencing on or after



436 January 1, 2025, and each taxable year thereafter, any common stock  
437 received by the taxpayer during the taxable year under a share plan, as  
438 defined in section 12-217ss;

439 (xxxiii) To the extent properly includable in gross income for federal  
440 income tax purposes, the amount of any student loan reimbursement  
441 payment received by a taxpayer pursuant to section 10a-19m;

442 (xxxiv) Contributions to an ABLE account established pursuant to  
443 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for  
444 each individual taxpayer or ten thousand dollars for taxpayers filing a  
445 joint return; [and]

446 (xxxv) To the extent properly includable in gross income for federal  
447 income tax purposes, the amount of any payment received pursuant to  
448 subsection (c) of section 3-122a;

449 (xxxvi) For an account holder, as defined in section 1 of this act, who  
450 files a return under the federal income tax as an unmarried individual,  
451 a married individual filing separately or a head of household, whose  
452 federal adjusted gross income for the taxable year is less than one  
453 hundred thousand dollars or who files a return under the federal  
454 income tax as married individuals filing jointly whose federal adjusted  
455 gross income for the taxable year is less than two hundred thousand  
456 dollars:

457 (I) To the extent not deductible in determining federal adjusted gross  
458 income, an amount equal to the contributions deposited during the  
459 taxable year in a disaster savings account established pursuant to  
460 subsection (c) of section 1 of this act, less any amounts withdrawn  
461 during the taxable year by the account holder from such account  
462 pursuant to subparagraph (D) of subdivision (2) of subsection (f) of  
463 section 1 of this act. The amount allowed to be claimed under this  
464 subclause for the taxable year shall not exceed two thousand five  
465 hundred dollars for an unmarried individual, a married individual  
466 filing separately or a head of household and five thousand dollars for

467 married individuals filing jointly; and

468 (II) To the extent properly includable in gross income for federal  
469 income tax purposes, an amount equal to the sum of all interest accrued  
470 on a disaster savings account, established pursuant to subsection (c) of  
471 section 1 of this act, during the taxable year; and

472 (xxxvii) To the extent properly includable in gross income for federal  
473 income tax purposes, for an account holder who is a qualified  
474 beneficiary of a disaster savings account, as those terms are defined in  
475 section 1 of this act, and who files a return under the federal income tax  
476 as an unmarried individual, a married individual filing separately or a  
477 head of household, whose federal adjusted gross income for the taxable  
478 year is less than one hundred thousand dollars or who files a return  
479 under the federal income tax as married individuals filing jointly whose  
480 federal adjusted gross income for the taxable year is less than two  
481 hundred thousand dollars, an amount equal to any withdrawal from  
482 such account that is used to pay or reimburse such qualified beneficiary  
483 for eligible costs, as defined in section 1 of this act, incurred by the  
484 qualified beneficiary.

485 Sec. 3. (NEW) (*Effective January 1, 2026*) (a) (1) For the taxable or  
486 income year commencing on or after January 1, 2026, but prior to  
487 January 1, 2027, there shall be allowed a credit against the tax imposed  
488 under chapter 208 or 229 of the general statutes, other than the liability  
489 imposed by section 12-707 of the general statutes, for contributions  
490 deposited by the employer of an account holder in a disaster savings  
491 account established pursuant to subsection (c) of section 1 of this act  
492 during the taxable or income years commencing on or after January 1,  
493 2025, but prior to January 1, 2027, provided such account holder was  
494 employed by such employer at the time such contributions were made.

495 (2) For the taxable or income years commencing on or after January  
496 1, 2027, there shall be allowed a credit against the tax imposed under  
497 chapter 208 or 229 of the general statutes, other than the liability

498 imposed by section 12-707 of the general statutes, for contributions  
 499 deposited by the employer of an account holder in a disaster savings  
 500 account established pursuant to subsection (c) of section 1 of this act  
 501 during the taxable or income year, provided such account holder was  
 502 employed by such employer at the time such contributions were made.

503 (3) The amount of the credit allowed under subdivisions (1) and (2)  
 504 of this subsection shall be equal to ten per cent of the amount of the  
 505 contributions made by the taxpayer into the disaster savings accounts  
 506 of account holders of such accounts during the income or taxable year,  
 507 provided the amount of the credit allowed for any income or taxable  
 508 year with respect to a specific account holder shall not exceed two  
 509 thousand five hundred dollars.

510 (b) If the taxpayer is an S corporation or an entity treated as a  
 511 partnership for federal income tax purposes, the credit may be claimed  
 512 by the shareholders or partners of the taxpayer. If the taxpayer is a single  
 513 member limited liability company that is disregarded as an entity  
 514 separate from its owner, the credit may be claimed by such limited  
 515 liability company's owner, provided such owner is a person subject to  
 516 the tax imposed under chapter 208 or 229 of the general statutes. Any  
 517 taxpayer claiming the credit shall provide to the Department of Revenue  
 518 Services documentation supporting such claim in the form and manner  
 519 prescribed by the Commissioner of Revenue Services.

520 Sec. 4. (*Effective from passage*) Not later than July 1, 2026, the Treasurer  
 521 shall make recommendations, in accordance with section 11-4a of the  
 522 general statutes, to the joint standing committee of the General  
 523 Assembly having cognizance of matters relating to banking regarding  
 524 whether and how marketable securities may be held in a disaster  
 525 savings account established pursuant to subsection (c) of section 1 of this  
 526 act.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2025</i>	12-701(a)(20)(B)
Sec. 3	<i>January 1, 2026</i>	New section
Sec. 4	<i>from passage</i>	New section

**Statement of Purpose:**

To establish a disaster savings account and a related tax deduction and credit.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*