

Mississippi Catastrophe Savings Account

What is a "catastrophe savings account"?

A "catastrophe savings account" is a tax advantaged regular savings account or money market account established after January 1, 2015 by a Mississippi income taxpayer, to assist with post catastrophe losses, or to self insure all or a portion of one's home.

The account must be labeled as a "catastrophe savings account" in order to qualify as one.

Can I make catastrophe savings contributions to an existing savings account or money market account that contains funds held for a different purpose?

Catastrophe savings must be segregated into a new, separate savings or money market account and be labeled as a "catastrophe savings account". You must designate all monies in this account for this purpose.

How many catastrophe savings accounts can I have?

A Mississippi income taxpayer may establish only one catastrophe savings account and shall specify that the purpose of the account is to cover the aggregate amount of insurance policy deductibles and other uninsured portions of risks of loss from a hurricane, flood, windstorm or other catastrophic event. You may continue to add to your account so long as it does not exceed the maximums set forth below.

What can the money in a catastrophe savings account be used for?

The money in a catastrophe savings account may be used:

1. To pay an insurance deductible under an insurance policy that covers the taxpayer's legal residence in Mississippi, if that policy covers hurricane, flood, windstorm or other "catastrophic event" damage.
2. To pay for "catastrophic event" damage to the taxpayer's legal residence in Mississippi that is not covered by the policy of insurance that covers the taxpayer's legal residence for such damage after the deductible under such policy has been paid.
3. To pay self-insured losses for the taxpayer's legal residence from a hurricane, flood, windstorm, or other "catastrophic event".

What is meant by "catastrophic event" when we are talking about a catastrophe savings account?

"Catastrophic event" means windstorms, cyclones, earthquakes, hurricanes, ice storms, tornadoes, high winds, flood, hail and force majeure. The term "catastrophic event" also includes any event or occurrence for which a Presidential declaration of disaster, or declaration of disaster by the Governor, is issued.

Why do I want a catastrophe savings account? Will it help with my taxes?

First, you'll already have money when you need it to pay for the above described deductibles or damage from a catastrophic event.

Second, you can get a break on your Mississippi income taxes.

The amounts contributed to a catastrophe savings account, interest income earned on a catastrophe savings account, and distributions from a catastrophe savings account are excluded from the Mississippi taxable gross income of the account holder.

Also, a catastrophe savings account is not subject to attachment, levy, garnishment, or legal process in Mississippi, provided that no funds in an account are derived from or the result of a fraudulent conveyance making contributions to the account.

Can I make contributions to a catastrophe savings account to cover damages to a second home?

No. Catastrophe savings accounts apply only to your principle residence in Mississippi.

How much money can I put into my catastrophe savings account?

If your qualified insurance deductible is less than or equal to \$1,000, then the total amount that may be contributed to a catastrophe savings account can't be more than \$2,000.

If your qualified insurance deductible is greater than \$1,000, then the total amount that may be contributed to a catastrophe savings account will be \$15,000 or twice the amount of the deductible, whichever is less.

If you are self-insured for all or any part of your insurance policy, and can't, or choose not to obtain insurance on your legal residence, then the total amount that may be contributed to a catastrophe savings account will be the lesser of \$350,000 or the value of your legal residence.

How long do I have to reach the limit of money I can put into my catastrophe savings account? Do I have to contribute this money all at once or can I do it over time?

Contributions to a catastrophe savings account can be made all at once or over multiple years until the maximum limitation amount has been met.

What if I put too much money into my catastrophe savings account?

If a Mississippi income taxpayer contributes in excess of the limits, the taxpayer shall withdraw the amount of the excess contributions and include that amount in the Mississippi taxable gross income of the taxpayer in the year of withdrawal.

Do I pay Mississippi income tax on the money I pay out of a catastrophe savings account?

No, but only if the amount of the distribution is used to pay qualified catastrophe expenses.

Is there a penalty if I use the money in my catastrophe savings account for something other than qualified catastrophe expenses?

Yes.

If the aggregate distributions exceed the qualified catastrophe expenses during the taxable year, the amount otherwise included in the Mississippi taxable gross income of the taxpayer shall be reduced by the amount of the distributions for qualified catastrophe expenses.

The tax paid that is attributable to a taxable distribution shall be increased by 2.5% of the amount of the distribution that is includable in the taxable gross income of the taxpayer. This additional tax does not apply if:

- (i) The taxpayer no longer owns a legal residence that qualifies for homestead exemption; or
- (ii) The distribution is from a catastrophe savings account conforming with this law and is made on or after the date on which the taxpayer attains the age of 70 years.