

**House File 622 - Introduced**

HOUSE FILE 622  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 149)

**A BILL FOR**

1 An Act creating a catastrophic savings account and modifying  
2 individual income taxes for account holders and including  
3 applicability provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 422.7, Code 2025, is amended by adding the  
2 following new subsection:

3 NEW SUBSECTION. 45. a. Subject to the restrictions of this  
4 subsection, subtract the sum of the following amounts:

5 (1) The amount of contributions made by an account holder  
6 during the tax year to the account holder's catastrophic savings  
7 account under chapter 541C, not to exceed the following aggregate  
8 lifetime limits:

9 (a) For account holders whose annual homeowner's property and  
10 casualty insurance policy premium paid during the tax year is  
11 less than one thousand dollars, an amount not to exceed two  
12 thousand dollars.

13 (b) For account holders whose annual homeowner's property and  
14 casualty insurance policy premium during the tax year is equal  
15 to or exceeds one thousand dollars, an amount not to exceed the  
16 lesser of the following:

17 (i) Fifteen thousand dollars.

18 (ii) Twice the annual homeowner's property and casualty  
19 insurance policy premium paid during the tax year.

20 (c) For account holders who are self-insured, or choose not  
21 to obtain a homeowner's property and casualty insurance policy,  
22 or are unable to obtain a homeowner's property and casualty  
23 insurance policy, an amount not exceeding three hundred fifty  
24 thousand dollars, or the assessed value of the home, whichever  
25 is less.

26 (2) To the extent included, income from interest received  
27 from the account holder's catastrophic savings account.

28 b. (1) The subtraction in paragraph "a" shall not be allowed  
29 if funds are withdrawn from an account holder's catastrophic  
30 savings account and used for purposes other than as allowed in  
31 this subsection or chapter 541C.

32 (2) Add, to the extent previously deducted under paragraph  
33 "a", the amount withdrawn during the tax year from an account  
34 holder's catastrophic savings account in excess of an authorized  
35 payment for qualified catastrophic expenses authorized in section

1 541C.3.

2 (3) If an account holder dies, the amount of money in the  
3 catastrophic savings account shall be included in the taxable  
4 income of the person who receives the account, unless that person  
5 is the surviving spouse of the account holder. Upon the death  
6 of the surviving spouse, the amount of money in the account shall  
7 be included in the taxable income of the person who receives the  
8 account. The additional tax imposed in subparagraph (5) of this  
9 paragraph does not apply to a distribution from the account upon  
10 the death of the account holder or the surviving spouse.

11 (4) Except for certain deaths described in subparagraph (3),  
12 if an account holder sells their homestead and does not purchase  
13 a new homestead within six months of the sale, the account holder  
14 shall include the amount of money in the catastrophic savings  
15 account as taxable income in the year the homestead is sold.

16 (5) For any amount considered a withdrawal required to be  
17 added to net income pursuant this paragraph, the account holder  
18 shall be assessed a penalty equal to two and one-half percent of  
19 the amount of the withdrawal in excess of an authorized payment  
20 for qualified catastrophic expenses. The penalty shall not apply  
21 to withdrawals due to the death of the account holder, or to  
22 withdrawals made pursuant to a garnishment, levy, or other order,  
23 including but not limited to an order in bankruptcy following  
24 a filing for protection under the federal bankruptcy code, 11  
25 U.S.C. §101 et seq.

26 (6) For purposes of this paragraph, the transfer of amounts  
27 in order to change catastrophic savings account institutions by  
28 the account holder shall not cause such transfer to be considered  
29 a withdrawal to be added to net income pursuant this paragraph.

30 c. Add, to the extent deducted for federal tax purposes,  
31 interest, taxes, and other miscellaneous expenses to the extent  
32 such amounts are qualified catastrophic expenses in connection  
33 with a catastrophic loss that were paid or reimbursed from funds  
34 in the catastrophic savings account.

35 d. For purposes of this subsection:

1 (1) "Account holder" means the same as defined in section  
2 541C.2, regardless of filing status.

3 (2) "Catastrophic savings account" means the same as defined  
4 in section 541C.2.

5 (3) "Qualified catastrophic expense" means the same as  
6 defined in section 541C.2.

7 Sec. 2. NEW SECTION. **541C.1 Short title.**

8 This chapter may be cited as the "Catastrophic Savings Account  
9 Act".

10 Sec. 3. NEW SECTION. **541C.2 Definitions.**

11 As used in this chapter, unless the context otherwise  
12 requires:

13 1. "Account holder" means an individual who is a resident  
14 and who establishes, either individually or jointly with the  
15 individual's spouse, a catastrophic savings account pursuant to  
16 section 541C.3.

17 2. "Catastrophic event" means windstorms, cyclones,  
18 earthquakes, ice storms, tornadoes, high winds, flood, hail  
19 and force majeure, and similar perils not normally among those  
20 covered under most property casualty insurance policies, but  
21 obtainable through the purchase of wind, wind and hail, flood,  
22 or storm or windstorm coverage, or any combination of those  
23 coverages. The term "catastrophic event" also includes any event  
24 for which a major disaster has been declared to exist by the  
25 president of the United States or for which the governor has  
26 proclaimed a state of disaster emergency.

27 3. "Catastrophic savings account" or "savings account" means  
28 an account that meets the requirements of sections 541C.3 and  
29 541C.4 and that was established for the purpose of paying or  
30 reimbursing a designated beneficiary's qualified catastrophic  
31 expenses.

32 4. "Department" means the department of revenue.

33 5. "Designated beneficiary" means an individual meeting the  
34 requirements of section 541C.3, subsection 2, and designated  
35 by an account holder as beneficiary of the account holder's

1 catastrophic savings account pursuant to section 541C.3,  
2 subsection 2.

3 6. "*Financial institution*" means the same as defined in  
4 section 537.1301.

5 7. "*Homestead*" means the same as defined in section 425.11.

6 8. "*Individual*" means a natural person.

7 9. "*Qualified catastrophic expense*" means the payment of a  
8 homeowner's property and casualty insurance policy deductible  
9 under an insurance policy covering the account holder's  
10 homestead, if the policy covers flood, windstorm, or another  
11 catastrophic event, or the equivalent of such payments by an  
12 uninsured account holder.

13 10. "*Resident*" means the same as defined in section 422.4.

14 Sec. 4. NEW SECTION. **541C.3 Catastrophic savings account.**

15 1. a. Beginning January 1, 2026, an individual may open an  
16 interest-bearing savings account with a financial institution and  
17 designate the entire account as a catastrophic savings account  
18 for the purpose of paying qualified catastrophic expenses. The  
19 savings account designation shall be made no later than April 30  
20 of the year following the tax year during which the account is  
21 opened, on forms provided by the department.

22 b. An account holder shall not establish more than one  
23 savings account.

24 2. a. The account holder shall designate one individual as  
25 beneficiary of the savings account. The designation shall be  
26 made on forms provided by the department and no later than April  
27 30 of the year following the tax year during which the account is  
28 opened. The account holder may change the designated beneficiary  
29 of the savings account at any time.

30 b. The account holder and designated beneficiary of a savings  
31 account may be the same individual.

32 Sec. 5. NEW SECTION. **541C.4 Account administration —**  
33 **account holder responsibilities.**

34 1. a. Contributions to an account may be made by any person  
35 in the form of cash. The aggregate lifetime contribution

1 limitations that may be made to a savings account are as follows:

2 (1) For account holders whose annual homeowner's property and  
3 casualty insurance policy premium paid during the tax year is  
4 less than one thousand dollars, an amount not to exceed two  
5 thousand dollars.

6 (2) For account holders whose annual homeowner's property and  
7 casualty insurance policy premium during the tax year is equal  
8 to or exceeds one thousand dollars, an amount not to exceed the  
9 lesser of the following:

10 (a) Fifteen thousand dollars.

11 (b) Twice the annual homeowner's property and casualty  
12 insurance policy premium paid during the tax year.

13 (3) For account holders who are self-insured, or choose not  
14 to obtain a homeowner's property and casualty insurance policy,  
15 or are unable to a obtain homeowner's property and casualty  
16 insurance policy, an amount not exceeding three hundred fifty  
17 thousand dollars, or the assessed value of the home, whichever  
18 is less.

19 b. Interest accrued in the savings account shall not be  
20 counted for purposes of calculating the aggregate lifetime  
21 contribution limitations.

22 c. The aggregate lifetime contribution limitations of an  
23 account holder may increase if an account holder's homeowner's  
24 property and casualty homeowner's insurance policy premium  
25 increases as provided in paragraph "a", but once an aggregate  
26 lifetime limitation is achieved in paragraph "a" the aggregate  
27 lifetime limitation is not required to decrease.

28 2. The account holder shall not use funds held in a savings  
29 account to pay expenses, if any, of administering the account,  
30 except that all fees and charges assessed by the financial  
31 institution may be deducted from the account by the financial  
32 institution where the account is held.

33 3. The account holder shall submit the following information  
34 to the department:

35 a. An annual report for the savings account on forms

1 furnished by the department. The report shall be included with  
2 the Iowa income tax return of the account holder.

3 b. A copy of the federal internal revenue service form  
4 1099, or other similar federal internal revenue service income  
5 reporting form, if any, issued for the savings account to the  
6 account holder by the financial institution where the account is  
7 held. The form shall be included with the Iowa income tax return  
8 of the account holder.

9 c. Upon a withdrawal of funds from a catastrophic savings  
10 account, a transaction report on forms furnished by the  
11 department.

12 4. The account holder may withdraw funds from a savings  
13 account at any time.

14 Sec. 6. NEW SECTION. **541C.5 Financial institution**  
15 **protections.**

16 This chapter shall not be construed to require a financial  
17 institution to do any of the following, or to be responsible or  
18 liable for any of the following:

19 1. Designate or label within the financial institution's  
20 account contracts, systems, or in any other manner, an account  
21 as a savings account.

22 2. Ascertain or verify the purpose of a withdrawal of funds  
23 from a savings account, or track the destination or use of the  
24 withdrawn funds.

25 3. Allocate funds in a savings account to a designated  
26 beneficiary or among joint account holders.

27 4. Report any information to the department or any other  
28 governmental agency.

29 5. Determine or ensure that an account satisfies the  
30 requirements to be a savings account.

31 6. Determine or ensure that funds withdrawn from a savings  
32 account are used for the payment of qualified catastrophic  
33 expenses.

34 7. Report or remit taxes or penalties related to the  
35 ownership or use of a savings account.

1 8. Include the name of a beneficiary in the title of a  
2 savings account, or document the change of any beneficiary to a  
3 savings account.

4 Sec. 7. NEW SECTION. **541C.6 Tax considerations.**

5 The state income tax treatment of a savings account shall be  
6 as provided in section 422.7, subsection 45.

7 Sec. 8. NEW SECTION. **541C.7 Rules and forms.**

8 1. The department shall adopt rules to implement and  
9 administer this chapter.

10 2. The department shall create and make available forms to be  
11 used in complying with this chapter, including but not limited to  
12 the following:

13 a. A form for designating an account as a savings account  
14 pursuant to section 541C.3, subsection 1, paragraph "a".

15 b. A form for designating an individual as beneficiary of  
16 a savings account pursuant to section 541C.3, subsection 2,  
17 paragraph "a".

18 c. A savings account annual report as required in section  
19 541C.4, subsection 3, paragraph "a". The report shall require,  
20 at a minimum, a list of transactions occurring on the  
21 account during the tax year, and shall identify any supporting  
22 documentation to be included with the report or maintained by the  
23 taxpayer.

24 d. A transaction report as required in section 541C.4,  
25 subsection 3, paragraph "c", which report shall require, at a  
26 minimum, information regarding the eligible home costs to which  
27 any withdrawn funds were applied in connection with a qualified  
28 home purchase, and information regarding the amount of funds  
29 remaining, if any, in a catastrophic savings account.

30 Sec. 9. **APPLICABILITY.** This Act applies to tax years  
31 beginning on or after January 1, 2026.

32 **EXPLANATION**

33 The inclusion of this explanation does not constitute agreement with  
34 the explanation's substance by the members of the general assembly.

35 This bill allows individuals who are residents, on or after

1 January 1, 2026, to open an interest-bearing savings account  
2 with a state or federally chartered bank, savings and loan  
3 association, credit union, or trust company in this state  
4 and designate the account as a catastrophic savings account  
5 (account) for the purpose of financing the payment of qualified  
6 catastrophic expenses.

7 "Qualified catastrophic expense" is defined in the bill to  
8 mean the payment of a homeowner's property and casualty insurance  
9 deductible under an insurance policy covering the account  
10 holder's homestead, if the policy covers flood, windstorm, or  
11 another catastrophic event, or the equivalent of such payments  
12 by an uninsured account holder. The bill further defines  
13 "catastrophic event".

14 The account may be established individually, or jointly with  
15 a spouse if the married couple files a joint Iowa income tax  
16 return. In order to properly establish the account, the bill  
17 requires the account holder to submit certain forms to the  
18 department of revenue (department) designating the account as  
19 a catastrophic savings account (account), and designating one  
20 beneficiary of the account (designated beneficiary). These  
21 designation forms must be submitted no later than April 30 of  
22 the year following the tax year during which the account is  
23 opened. An individual may not establish more than one account.  
24 The account holder may change the designated beneficiary at any  
25 time, and may designate himself or herself as the beneficiary.

26 Contributions to an account may be made in the form of cash by  
27 any person. Account funds shall not be used to pay expenses, if  
28 any, of administering the account, except that fees and charges  
29 may be deducted from the account by the financial institution  
30 where the account is held. The bill requires an account holder  
31 to submit certain reports to the department, including an annual  
32 report for the account, a transaction report upon a withdrawal  
33 of funds from the account, and a copy of any federal internal  
34 revenue service form 1099 or other similar income statement  
35 issued for the account.

1 The bill provides protection to financial institutions from  
2 being required to perform, and from being responsible or liable  
3 for, certain activities as described in the bill with respect to  
4 accounts. The bill requires the department to create the forms  
5 required to be filed by account holders, and to adopt rules to  
6 implement and administer the bill.

7 The bill provides two individual income tax incentives  
8 relating to the accounts. First, an account holder is allowed  
9 to deduct from the individual income tax up to the aggregate  
10 lifetime contribution limit amount. Second, the bill exempts  
11 from the individual income tax any interest received from the  
12 account holder's accounts. For account holders whose annual  
13 homeowner's property and casualty insurance policy (policy)  
14 premium paid during the tax year is less than \$1,000, the  
15 aggregate lifetime limit shall not exceed \$2,000. For an account  
16 holder whose annual policy premium during the tax year is equal  
17 to or exceeds \$1,000, the aggregate lifetime limit shall not  
18 exceed the lesser of \$15,000 or twice the annual policy premium.  
19 For account holders who self-insure or who are unable to obtain  
20 a policy, the aggregate lifetime limit shall not exceed the  
21 lesser of \$350,000 or the assessed value of the home. The  
22 aggregate lifetime contribution limitations of an account holder  
23 may increase if an account holder's homeowner's property and  
24 casualty homeowner's insurance policy premium increases, but are  
25 not required to decrease.

26 The bill requires an account holder to add to net income  
27 for purposes of calculating the individual income tax any  
28 payment from the account that is not for qualified catastrophic  
29 expenses (nonqualified withdrawal), but amounts transferred  
30 between different accounts of the same account holder by a person  
31 other than the account holder are not considered nonqualified  
32 withdrawals. Nonqualified withdrawals required to be added to  
33 net income are also subject to a penalty equal to 2.5 percent  
34 of the nonqualified withdrawal, unless the withdrawal was made by  
35 reason of the death of the account holder, or was made pursuant

1 to a garnishment, levy, or other order, including an order in  
2 bankruptcy following a filing for protection under the federal  
3 bankruptcy code. If an account holder dies, the amount of  
4 money in the account shall be included in the taxable income of  
5 the person who receives the account, unless that person is the  
6 surviving spouse of the account holder. Upon the death of the  
7 surviving spouse, the amount of money in the account shall be  
8 included in the taxable income of the person who receives the  
9 account. Upon the sale of the homestead without the purchase  
10 of a new homestead within six months of the sale, the bill also  
11 requires the amount of money in the account to be included in the  
12 taxable income of the account holder.

13 Finally, the bill prohibits the amount of qualified  
14 catastrophic expenses that are paid or reimbursed from funds in  
15 an account from being allowed as an itemized deduction for Iowa  
16 individual income tax purposes.

17 The tax provisions of the bill apply to tax years beginning on  
18 or after January 1, 2026.