

Homeowners Insurance and Mitigation Assistance Act

As this year's hurricane season begins – with forecasters predicting that the Atlantic Ocean's waters will spawn several severe storms – no reminder is necessary of the tremendous damage that such storms have caused in recent years. But while it is impossible to prevent these natural disasters, it is possible to prevent a great deal of damage that they inflict on homes and lives.

Mitigation efforts – or home “hardening” as it is otherwise known – such as improved roofs, safe room construction, elevation of electrical systems and the addition of storm shutters can go a long way toward saving both homes and lives. In fact, a recent study by The Wharton School's Risk Management and Decision Processes Center found that mitigation reduced damages from catastrophic storms by more than 50 percent. Furthermore, the Institute of Business and Home Safety has estimated that every dollar invested in mitigation yields four to seven times that amount in savings.

By passing the “Homeowners Insurance and Mitigation Assistance Act,” Congress can promote such mitigation efforts by providing tax credits to homeowners and business owners who take efforts to reduce their risks, and to reduce the damage of such storms, before disaster strikes.

Tax credits for insurance and repairs promote efforts that will reduce damage in future storms

The “Homeowners Insurance and Mitigation Assistance Act of 2008,” amends the Internal Revenue Code of 1986 to provide a tax credit of up to \$500 to certain coastal state homeowners who face higher insurance premiums related to hurricane risk. The bill also creates a tax credit of up to \$5,000 for qualifying homeowners and business owners who improve their property in order to reduce damages in the event of natural catastrophes.

Major provisions of the bill include:

- **Creates a tax credit for residents in hurricane-affected regions.** For residents of the areas devastated by the hurricanes of 2004 and 2005 and coastal state residents subject to dramatic increases in their homeowners insurance premiums in the years since, the bill creates a tax credit worth as much as half of the resident's homeowners insurance premium, up to \$500.
- **Creates a tax credit for home improvements aimed to reduce storm and earthquake damage.** The bill creates a tax credit of as much as \$5,000 for residents of states at risk of hurricanes, tornadoes and earthquakes in order to defray the costs of strengthening their properties to prevent damage in the case of such natural disasters.
- **Creates a tax credit for businesses who strengthen their properties against hurricane and tornado damage.** The bill creates a tax credit of as much as \$5,000 for businesses that make qualifying improvements to their property in order to mitigate the damage from hurricanes or tornadoes.