

HOUSE REPUBLICAN STAFF ANALYSIS

Bill:	House File 988	H Commerce Com:	PASSED 2/25/25 (22-0)
Committee:	Commerce	H Ways Com:	PASSED 4/2/25 (24-0)
Floor Manager:	Rep. Shannon Lundgren	House Floor:	
Date:	April 22, 2025	Senate Floor:	
Staff:	Natalie Ginty (5-2063)	Governor:	

Catastrophic Savings Account

- This bill establishes catastrophic savings accounts, allowing Iowans to open interest-bearing savings accounts for paying qualified catastrophic expenses. The bill outlines contribution limits based on homeowners' insurance premiums and provides tax incentives.

Section by Section Analysis

Section 1 (Iowa Code 422.7)

Sets up the following aggregate lifetime limits for tax purposes:

- If your home insurance is below \$1,000 annually, then cannot exceed \$2,000
- If your home insurance is above \$1,000 annually, either \$15,000 or twice the annual homeowner's premium
- If you are self-insured, an amount not to exceed \$350,000 or the assessed value of the home
- With interest in the CSA added

If the account holder dies, the amount of money in the CSA shall be included in the income of the person who receives the account, unless a surviving spouse.

If the account holder sells their home and does not purchase a new homestead within 6 months, the amount in the CSA is taxable income.

A 2.5% penalty occurs when a withdrawal occurs in excess of the authorized payment.

Section 2 (Iowa Code 541C.1) – New Section

Titles the chapter the "Catastrophic Savings Account Act".

Section 3 (Iowa Code 541C.2) – New Section

Defines "account holder", "catastrophic event", "catastrophic savings account", "department", "designated beneficiary", "financial institution", "homestead", "individual", "qualified catastrophic expense", and "resident".

"Catastrophic event" means windstorms, cyclones, earthquakes, ice storms, tornadoes, high winds, flood, hail and force majeure, and similar perils not normally amount those covered under most property casualty

insurance policies, but obtainable through the purchase of wind, wind and hail, flood, or storm or windstorm coverage. Includes any major disaster that has been declared by the President or Governor.

Section 4 (Iowa Code 541C.3) – New Section

Starting in January 2026, an individual may open an interest-bearing saving account and designate the account as a catastrophic savings account.

Section 5 (Iowa Code 541C.4) – New Section

Requires the annual submission to DOR:

- An annual report for the savings account along with the Iowa income tax return
- IRS form 1099 issued for the savings account
- A transaction report if there is a withdrawal

Section 6 (Iowa Code 541C.5) – New Section

States that the financial institution does not need to report anything to DOR regarding this account.

Section 7 (Iowa Code 541C.6)

The tax treatment is outlined in section 1 of the bill.

Section 8 (Iowa Code 541C.7)

Requires DOR to adopt rules and create forms to comply with this bill.

Section 9 – Applicability

Tax years beginning January 1, 2026.