

January 27, 2020

The Honorable Mike Thompson
Chairman, Subcommittee on Select Revenue Measures
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Re: Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019, H.R. 5494

Dear Chairman Thompson:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we write in support of the Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019 (H.R. 5494). Your legislation would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants and help provide greater incentives for homeowners to take action to protect their homes from natural disasters.

State insurance regulators recognize that natural catastrophes take a considerable financial and emotional toll on Americans every year and we strongly support efforts to encourage investments in pre-disaster mitigation to help lessen these impacts. It is critical to develop strategies today to better manage and mitigate the catastrophic events of tomorrow, particularly considering that every \$1 spent on mitigation grants saves \$6 in future disaster costs.² Significant investment in preparation and mitigation could result in substantial savings in federal disaster relief. States are leading resiliency initiatives throughout the country and establishing mitigation grant programs to support homeowners' efforts to retrofit their homes. Encouraging mitigation not only reduces risks to homeowners, but to the insurance companies who provide them coverage.

While promoting mitigation planning is a shared state and federal goal, there is inconsistent tax treatment of state and federal disaster mitigation grants. Congress has excluded grants provided through the Federal Emergency Management Agency from federal income tax, but state grants, including those offered by state established residual market mechanisms, for the same purpose are, in many cases, subject to federal income tax even if they are exempt from state income tax. This reduces both the impact of the grant and the incentive to pursue them. This legislation would fix the inconsistency and provide parity for residential mitigation grants provided by state public entities. As we continue to experience the

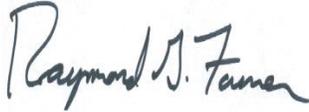
¹ As part of our state-based system of insurance regulation in the United States, the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

² National Institute of Building Sciences, *Natural Hazard Mitigation Saves: 2018 Interim Report* (December 2018), <http://www.nibs.org/page/mitigationsaves>

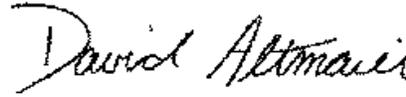
devastating effects of natural disasters, it is more important than ever to encourage residents and homeowners to utilize pre-disaster mitigation programs.

We appreciate your leadership in ensuring consistent federal tax treatment for grants received by homeowners for mitigation and encouraging state-based mitigation and resiliency programs. We look forward to continuing to work with you as you move forward with this important legislation.

Sincerely,



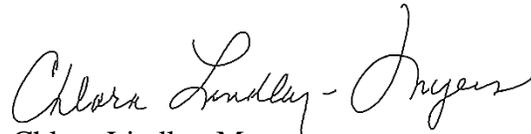
Raymond G. Farmer
NAIC President
Director
South Carolina Department of Insurance



David Altmaier
NAIC President-Elect
Commissioner
Florida Office of Insurance Regulation



Dean L. Cameron
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Sen. Jason Rapert, AR
Sen. Travis Holdman, IN

April 1, 2020

The Honorable Mike Thompson
Chair, Subcommittee on Select Revenue Measures
Committee on Ways and Means
U.S. House of Representatives
406 Canon Office Building
Washington, DC 20515

Re: Support for H.R. 5494 – The Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019

Dear Chair Thompson:

On behalf of the National Council of Insurance Legislators (NCOIL), I write in support of H.R. 5494 – The Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019. This bipartisan, common sense legislation would exempt from federal taxation state-based grants that support pre-disaster mitigation for homes against wildfires, windstorms, and earthquakes.

As you may know, NCOIL is a national legislative organization comprised principally of legislators serving on State insurance and financial institutions committees around the nation. NCOIL writes Model Laws in insurance and financial services, works to both preserve the State jurisdiction over insurance as established by the McCarran-Ferguson Act seventy-five years ago and to serve as an educational forum for public policy makers and interested parties. Founded in 1969, NCOIL works to assert the prerogative of legislators in making State policy when it comes to insurance and educate State legislators on current and longstanding insurance issues.

NCOIL recognizes the fact that natural disasters such as wildfires, windstorms, and earthquakes are occurring with more frequency, and that steps need to be taken to ensure that people are encouraged to take action with respect to utilizing pre-disaster mitigation programs. Currently, there is inconsistent tax treatment of state and federal disaster mitigation grants. Congress previously excluded grants provided by FEMA from federal income tax, but state grants are



WEBSITE: www.ncoil.org



Sound Public Policy In 50 States For 50 Years

subject to federal income tax. By simply fixing this inconsistency and providing tax parity for certain state-based pre-disaster grant programs, homeowners will be further empowered to protect their homes from natural disasters.

NCOIL looks forward to working with you on this important legislation and other steps to help protect Americans from natural disasters.

Thank you and please do not hesitate to reach out if you wish to discuss this further. You can reach me at 732-201-4133 or at tconsidine@ncoil.org. Please also feel free to reach out to me on my cell at 732-245-0741.

With appreciation for your consideration, I am,

Very Truly Yours,



Thomas B. Considine
NCOIL CEO

CC: The Honorable Adrian Smith
Ranking Member, Subcommittee on Select Revenue Measures
Committee on Ways and Means
U.S. House of Representatives
502 Canon Office Building
Washington, DC 20515

March 9, 2020

The Honorable Mike Thompson, Chairman
Select Revenue Measures Subcommittee on
Ways & Means Committee
406 Cannon Office Building
United States House of Representatives
Washington, DC 20515

RE: SUPPORT H.R. 5494 – Federal Income Tax Parity for State Disaster Mitigation Grants

Dear Chairman Thompson:

As you know, FEMA Stafford Act grants for disaster mitigation for individuals are not subject to federal income tax. Unfortunately, state grants for the exact same purpose are subject to federal income tax even if they are exempt from state income tax. This means, if a homeowner receives a state-based grant for disaster mitigation work to protect their homes from catastrophe, they must pay federal income tax on the grant money on top of their personal investment in these expensive projects.

The undersigned organizations commend your leadership in ending this federal income tax disparity. We are pleased that you have introduced HR 5494, which will eliminate federal taxation of state provided residential mitigation grants for earthquake, windstorm, and wildfire.

This bipartisan, common-sense legislation ensures consistent federal tax treatment for grants received by homeowners for mitigation work and encourages state-based mitigation and resiliency programs in direct furtherance of a federal responsibility. Congress previously recognized the importance of encouraging and investing in pre-disaster mitigation. In 2005, Congress expressly excluded grants provided through FEMA from federal income tax. Your legislation would fix the inconsistency and provide tax parity for residential retrofit grants provided by state public entities.

As major disasters, including windstorm, wildfires, and earthquakes, become increasingly frequent and devastating, it is more important than ever to encourage residents and homeowners to utilize pre-disaster mitigation programs. Pre-event mitigation is the right thing to do, and it makes good financial sense for the government. Indeed, according to FEMA's 2017 Interim Report, each \$1 spent on mitigation saves society \$4 in future disaster costs. Providing parity in tax treatment will provide a path for state and public-based programs to lead the mitigation and resilience efforts encouraged by FEMA.

For all these reasons, the undersigned organizations strongly support your legislation.

Sincerely,

Alabama Association of REALTORS®
Alabama Center for Insurance Information and Research
Alabama Independent Insurance Agents
Alabama Insurance Coalition
American Family Insurance
American Property Casualty Insurance Association
BuildStrong Coalition
Business Council of Alabama
Coalition Against Insurance Fraud
Council of Insurance Agents and Brokers
Earthquake Engineering Research Institute
Enterprise Community Partners, Inc.
Federal Alliance for Safe Homes
Home Builders Association of Alabama
Independent Insurance Agents and Brokers of America
Independent Insurance Agents of North Carolina
Independent Insurance Agents of Wisconsin
Institute for Business and Home Safety
International Code Council
McWane, Inc.
National Association of Mutual Insurance Companies
National Council of Structural Engineers Associations
Property Insurance Plans Services Office
R Street Institute
Reinsurance Association of America
Structural Engineers Association of California
United Policyholders
US Resiliency Council
Wisconsin Insurance Alliance

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

TOM QUAADMAN
EXECUTIVE VICE PRESIDENT
CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

CHUCK CHAITOVITZ
VICE PRESIDENT
ENVIRONMENTAL AFFAIRS &
SUSTAINABILITY

February 14, 2020

The Honorable Mike Thompson
U.S. House of Representatives
Washington, DC 20515

The Honorable Ken Calvert
U.S. House of Representatives
Washington, DC 20515

Dear Representative Thompson and Representative Calvert:

The U.S. Chamber of Commerce supports H.R. 5494, the “Catastrophe Loss Mitigation Incentive and Tax Parity Act of 2019.” Thank you for sponsoring this important bipartisan legislation, which would exempt from federal taxation state-based grants that support pre-disaster mitigation for homes against wildfires, windstorms, and earthquakes.

There has been an increase in natural disasters affecting homeowners in recent years. Federal tax policy should not discourage homeowners from taking advantage of state-based grant programs that are designed to mitigate damage from natural disasters. H.R. 5494 would empower homeowners to protect their homes against natural disasters by updating federal tax treatment of certain state-based grant programs.

We appreciate your introduction of this legislation and look forward to working with you to reduce damage to communities across the country.

Sincerely,



Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness



Chuck Chaitovitz
Vice President
Environmental Affairs and Sustainability Policy