SHELTER ACT

U.S. Senators Michael Bennet (D-Colo.) and Bill Cassidy (R-La.)
U.S. Representatives Brittany Pettersen (D-Colo.), Maria Elvira Salazar (R-Fla.),
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Hundreds of billions of taxpayer dollars are spent on recovery efforts after natural disasters, yet there are currently no federal tax incentives to encourage mitigation or activities that strengthen resilience before disasters occur. The bipartisan, bicameral Shelter Act establishes a new tax credit for households and small businesses to invest in disaster mitigation to protect their homes and property ahead of time.

Summary of the Legislation

The Shelter Act allows a taxpayer to write off 25 percent of qualifying mitigation expenses, from strengthening the durability of a roof to elevating a housing unit to reduce potential flood damage. The tax credit has an annual limit of up to $2,500 per taxpayer. The credit begins to phase down for households that earn more than $200,000 for joint filers and phases out entirely for households that earn more than $300,000. For businesses, the credit begins to phase down when a business earns $5 million and phases out completely when its revenue is more than $10 million.

Eligible properties include homes, apartments, and mobile home trailers:

- In or adjacent to an area that the federal government has declared a disaster within the past 5 years;
- In an area that has received hazard mitigation assistance through the Federal Emergency Management Agency (FEMA); or
- In an area that FEMA has designated a "community disaster resilience zone".

Examples of qualifying disaster mitigation expenditures:

- Improving the durability, impact- or fire-resistance of a roof covering;
- Implementing activities in FEMA's Publication 804, Wind Retrofit Guide for Residential Buildings;
- Elevating a qualified dwelling unit above the base flood elevation or other applicable minimum elevation requirement;
- Checking valves to prevent flood water from backing up into drains;
- Installing flood vents or breakaway walls for homes located in flood zones or automatic shutoff valves for water or gas lines;
- Constructing exterior walls, doors, windows, or other exterior dwelling unit elements that conform to ignition-resistant construction standards;
- Performing fire maintenance procedures identified by FEMA or the U.S. Forest Service, including fuel management techniques such as creating fuel and fire breaks;
- Purchasing equipment to gather and analyze weather data to better understand the local climate and drought history;
- Building property with a FORTIFIED designation from the Insurance Institute for Business and Home Safety.

The installation and operation of any disaster mitigation expenditure must be completed in compliance with the latest published editions of relevant consensus-based codes, specifications, and standards or any more restrictive federal, state, or local floodplain management standards and consistent with floodplain management regulations.