The Shelter Act

Disaster Mitigation Tax Credit

The bipartisan Shelter Act provides a tax credit to working families and small businesses for investing in disaster mitigation. Hundreds of billions of taxpayer dollars are spent on recovery efforts after disasters, yet there are currently no federal tax incentives for investing in efforts to protect property ahead of time. With climate change accelerating the frequency and severity of natural disasters across the country, the Shelter Act will help Americans act now to safeguard their property, families, and livelihoods.

Summary of the Legislation

Despite hundreds of billions of taxpayer dollars spent on disaster recovery each year, there are currently no federal tax incentives to plan ahead for natural disasters and encourage mitigation. The Shelter Act allows Americans 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 and clearing ignition-prone sources around properties to reduce wildfire risk. The tax credit has an annual limit of up to $5,000 per taxpayer. Eligible properties include homes or businesses in or adjacent to an area that the federal government has declared a disaster within the past 10 years. Taxpayers who rent a property in eligible areas can also receive the credit.

The credit, establishing section 25E and 45U in the tax code, begins to phase down for households that earn more than $168,000 for joint filers and phases out entirely for households that earn more than $250,000. 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.

Examples of Qualifying Disaster Mitigation Expenditures:

- Improving the durability of a roof covering, impact-resistance (minimum class 3 or 4), or fire-resistance of a roof covering (minimum class A).
- Compensating for activities in FEMA's Publication 804, *Wind Retrofit Guide for Residential Buildings*.
- Elevating the qualified dwelling unit above the base flood elevation or other applicable minimum elevation requirement.
- Purchasing and installing check valves to prevent flood water from backing up into drains.
- Purchasing and installing flood vents, breakaway walls or open lattice for homes located in V zones, designed and certified flood resistant buildings, and automatic shutoff valves for water and gas lines.
- Purchasing and installing exterior walls, doors, windows, or other exterior dwelling unit elements that conform to ignition-resistant construction standards.
- Performing fire maintenance procedures identified by the Federal Emergency Management Agency or the United States Forest Service, including fuel management techniques such as creating fuel and fire breaks.
- Acquiring weather data to better understand the local climate and drought history.

- Compensating for properties that received the Department of Homeland Security's Resilience Star or a FORTIFIED home or FORTIFIED commercial designation from the Insurance Institute for Business and Home Safety.

The hazard mitigation expenditure must 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. Taxpayers would be required to submit a summary of their hazard mitigation investment to the Internal Revenue Service.

Support for the Shelter Act

American Institute of Architects, National Association of Home Builders, National Institute of Building Sciences, The National Association of REALTORS®, and The Home Depot.