

Catastrophe Savings Account

Prepare for out of pocket costs from a natural disaster using state income tax-free dollars



Establishing a Catastrophe Savings Account (CSA) can help you pay for your deductible and other out-of-pocket costs. Similar to health savings accounts, the money can be set aside state income tax-free and used in the future to pay for qualified catastrophe expenses that result from a hurricane, flood, or windstorm event that has been declared an emergency by the Governor.

- Qualified catastrophe expenses are expenses paid or incurred by reason of a major disaster that has been declared by the Governor to be an emergency by Executive Order.
- Qualified cat. expenses include payment of insurance deductibles and other uninsured risks of loss from hurricane, rising floodwaters or other catastrophic windstorm event damage.
- Any South Carolina resident that owns a single family residence (e.g., house, condo, townhouse or modular or mobile home) qualifying as a legal residence for SC property tax purposes can contribute to a CSA.
- Any established state or federally chartered bank can establish a CSA. The money can only be held in an interest bearing savings account and it must be labeled as a CSA.
- The account must be kept separate from all other accounts. It must be maintained specifically for the purpose of qualified catastrophe expenses incurred by the account holder.
- The money that is placed in a CSA and the annual interest earnings are not subject to state income taxation if left in the account or used for qualified catastrophe expenses.

CSAs contribution limits depend on your insurance deductible:

- If deductible is less than or equal to \$1,000... you can contribute up to \$2,000;
- If deductible is more than \$1,000... you can contribute the lesser of \$15,000 or twice the deductible;
- and For those who self-insure... you can contribute up to a max. of \$250,000, but amount may not exceed the value of the home.

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Examples of Catastrophe Savings Account contribution limits:

Example	Amount of Deductible / Home Value	Max. Contribution to CSA
Jane	\$10k deductible	\$15,000
Sally	\$6k deductible	\$12,000
Tom	\$100k home value (self-insured)	\$100,000

Additional Information:

- The account holder, not the bank, is required to maintain documentation for income tax deductions and to verify that withdrawals from the CSA were used exclusively for qualified catastrophe expenses.
- The entire amount does not have to be contributed in one year, but total contributions for all years cannot exceed the maximum.
- Any interest earned in the account will be exempt from state income tax and should be subtracted in computing your SC taxable income.
- If you withdraw funds from your CSA to pay for qualified catastrophe expenses, you do not have to include the withdrawal in your SC taxable income.
- Withdrawals for ineligible expenses are taxable and subject to an additional tax of 2.5%. Some exceptions apply, depending on the situation.

For more information, visit the South Carolina Department of Insurance website, doi.sc.gov/CSA or contact our Office of Consumer Services:

1-800-768-3467 or 1-803-737-6180

Mon - Fri 8:30 a.m. - 5:00 p.m.

As with any tax matter, consult a tax professional for specific information on your individual situation.