

# Catastrophe Savings Accounts

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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 account holder, not the financial institution, is **required to maintain documentation for income tax deductions and to verify withdrawals** from the CSA were used exclusively for qualified catastrophe expenses.

• 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.

*More info. on reverse*

• 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.**

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

Examples:

• 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 by 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, [www.doi.sc.gov](http://www.doi.sc.gov), and **search for "Catastrophe Savings Account"** or contact our Office of Consumer Services:

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

Mon -Th 8:00 a.m. - 6:00 p.m. | Fri 8:00 a.m. - 5:00 p.m.