



BILL/VERSION: SB 1802 / INTRODUCED
AUTHORS: Sen. Rosino
TAX(ES): Income Tax
SUBJECT(S): Deduction and Exemption
EFFECTIVE DATE: January 1, 2027

ANALYST: TB
DATE: 2/6/2026
Emergency ☐

ESTIMATED REVENUE IMPACT:

FY27: \$0

FY28: Unknown decrease in income tax collections

ANALYSIS: SB 1802 allows a taxpayer to establish a Catastrophe Savings Account (CSA) to save money for insurance deductibles and other costs related to damage to a primary residence resulting from catastrophic weather events, beginning in tax year 2027. Contributions are deductible from Oklahoma adjusted gross income. Interest earned on amounts held in the account is exempt from Oklahoma taxable income.

Contribution limits vary based on an individual's insurance situation and deductible amount, ranging from \$2,000 up to \$250,000. Taxpayers with insurance deductibles of \$1,000 or less may contribute up to \$2,000. Taxpayers with higher deductibles may contribute the lesser of twice the deductible amount or \$25,000. Taxpayers who are self-insured or who elect not to insure their primary residence may contribute up to \$250,000, not to exceed the market value of the residence as reported by the county assessor. Only one catastrophe savings account may be established per primary residence. Withdrawals from these accounts are tax-free when used for qualified catastrophe expenses. Distributions in excess of qualified expenses during the tax year are included in Oklahoma taxable income.

A review of other state's that have a similar statute, Alabama's 2024 tax expenditure report¹ estimates the cost of its Catastrophe Savings Account program at approximately \$120,000. Expenditure reports for Mississippi and South Carolina do not provide specific data on

¹ <https://alison.legislature.state.al.us/files/pdf/lisa/Fiscal/TaxExpenditure/ExpendReport2024.pdf>

2/6/26

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The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted. This estimate reflects current available data as of the date of issuance and is subject to revision if additional information becomes known.



catastrophe savings account-related tax impacts, suggesting a negligible effect on state revenues. Due to the lack of detailed participation data, the total revenue impact cannot be accurately determined. Given the January 1, 2027 effective date, no revenue impact is expected in FY27, with the impact reflected primarily in FY28 when tax year 2027 returns are filed.

ADMINISTRATIVE CONCERNS: While the bill authorizes the Oklahoma Tax Commission to promulgate rules, certain issues, including the treatment of catastrophe savings accounts if the taxpayer no longer owns a primary residence or upon the death of the account holder, may require statutory clarification to avoid exceeding rulemaking authority.

The legislation does not specify a minimum time period during which a taxpayer must meet the requirements to qualify for catastrophe savings account tax benefits, which may allow a taxpayer to qualify for a substantial deduction, including up to \$250,000 for self-insured individuals, by being self-insured for as little as one day during the tax year.