



July 18, 2023

The Honorable Sen. Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, DC 20510

The Honorable Sen. Michael Bennet
United States Senate
261 Russell Senate Office Building
Washington, DC 20510

The Honorable Sen. Bill Cassidy
United States Senate
455 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sen. John Hickenlooper
United States Senate
374 Russell Senate Office Building
Washington, DC 20510

The Honorable Sen. John Neely Kennedy
United States Senate
437 Russell Senate Office Building
Washington, DC 20510

The Honorable Sen. Jeff Merkley
United States Senate
531 Hart Senate Office Building
Washington, DC 20510

The Honorable Sen. Alex Padilla
United States Senate
112 Hart Senate Office Building
Washington, DC 20510

The Honorable Sen. Thom Tillis
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Rep. Doug LaMalfa
United States House of Representatives
408 Cannon House Office Building
Washington, DC 20515-0501

The Honorable Rep. Jerry Carl
United States House of Representatives
1330 Longworth House Office Building
Washington, DC 20515-0101

The Honorable Rep. Scott Fitzgerald
United States House of Representatives
1507 Longworth House Office Building
Washington, DC 20515-4905

The Honorable Rep. Clay Higgins
United States House of Representatives
572 Cannon House Office Building
Washington, DC 20515-1803

The Honorable Rep. Deborah Ross
United States House of Representatives
1221 Longworth House Office Building
Washington, DC 20515-3302

The Honorable Rep. David Rouzer
United States House of Representatives
2333 Rayburn House Office Building
Washington, DC 20515-3307

The Honorable Rep. Mike Thompson
United States House of Representatives
268 Cannon House Office Building
Washington, DC 20515-0504



Re: *Support for the Disaster Mitigation and Tax Parity Act of 2023 (S. 1953 / H.R. 4070)*

Dear Senators Feinstein, Bennet, Cassidy, Hickenlooper, Kennedy, Merkley, Padilla, and Tillis and Representatives LaMalfa, Carl, Fitzgerald, Higgins, Ross, Rouzer, and Thompson:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we write to express our support for the bicameral bipartisan Disaster Mitigation and Tax Parity Act of 2023, a bill to amend the Internal Revenue Code of 1986 to exclude from gross income amounts received from State-based catastrophe loss mitigation programs, (S. 1953 / H.R. 4070). Your legislation would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants and help provide greater incentives for homeowners to take action to protect their homes from natural disasters.

State insurance regulators recognize that natural catastrophes take a considerable financial and emotional toll on Americans every year and we strongly support efforts to encourage investments in pre-disaster mitigation to help lessen these impacts. It is critical to develop strategies today to better manage and mitigate the catastrophic events of tomorrow, particularly considering that every \$1 spent on mitigation grants saves \$6 in future disaster costs.² Significant investment in preparation and mitigation could result in substantial savings in federal disaster relief. States are leading resiliency initiatives throughout the country and establishing mitigation grant programs to support homeowners' efforts to retrofit their homes. Encouraging mitigation not only reduces risks to homeowners, but to the insurance companies who provide them coverage.

While promoting mitigation planning is a shared state and federal goal, there is inconsistent tax treatment of state and federal disaster mitigation grants. Congress has excluded grants provided through the Federal Emergency Management Agency from federal income tax, but state grants, including those offered by state established residual market mechanisms, for the same purpose are, in many cases, subject to federal income tax even if they are exempt from state income tax. This reduces both the impact of the grant and the incentive to pursue them. This legislation would fix the inconsistency and provide parity for residential mitigation grants provided by state public entities. As we continue to experience the devastating effects of natural disasters, it is more important than ever to encourage residents and homeowners to utilize pre-disaster mitigation programs.

We appreciate your leadership in ensuring consistent federal tax treatment for grants received by homeowners for mitigation and encouraging state-based mitigation and resiliency programs. We look forward to continuing to work with you as you move forward with this important legislation.

¹ As part of our state-based system of insurance regulation in the United States, the NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers. The U.S. standard-setting organization is governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. For more information, visit www.naic.org.

² National Institute of Building Sciences, *Natural Hazard Mitigation Saves: 2019 Report* (December 2019), https://www.nibs.org/files/pdfs/NIBS_MMC_MitigationSaves_2019.pdf



Sincerely,

Chlora Lindley-Myers
NAIC President
Director
Missouri Department of Commerce and Insurance

Andrew N. Mais (He/Him/His)
NAIC President-Elect
Commissioner
Connecticut Insurance Department

Jon Godfread
NAIC Vice President
Commissioner
North Dakota Insurance Department

Scott White
NAIC Secretary-Treasurer
Commissioner
Virginia Insurance Department