



## The Shelter Act: Tax Credits for Disaster Preparedness

Hundreds of billions of taxpayer dollars are spent on recovery efforts after natural disasters, and hardening buildings to withstand disasters can reduce or prevent property losses for a fraction of the cost of recovery. The bipartisan, bicameral Shelter Act establishes a new tax credit for households and small businesses to invest in disaster mitigation to protect their homes and property before disasters occur.

### Summary of the Legislation

The Shelter Act creates two new tax credits to incentivize disaster preparedness:

- **For Homeowners and Landlords:** A nonrefundable tax credit worth 25% of qualified disaster mitigation expenses on a home, up to \$3,750 per year for individuals (\$7,500 for married couples filing jointly), phasing out at \$100,000 in adjusted gross income.
- **For Small Businesses:** A similar 25% credit up to \$5,000 annually, with phaseout beginning at \$5 million in average gross receipts over three years.

To qualify, a home or business must be located in an area that has either:

- Received FEMA hazard mitigation assistance in the past 5 years; and
- Received a federal disaster declaration within the past 5 years; or
- Been designated as a community disaster resilience zone

The legislation covers a comprehensive range of disaster mitigation improvements, for example:

#### **Wind and Storm Protection:**

- Strengthening roof attachments and installing impact-resistant materials
- Protecting windows and doors from wind-borne debris
- Installing storm shelters and safe rooms

#### **Wildfire Prevention:**

- Installing ignition-resistant roofing, siding, and decking materials
- Creating defensible space through vegetation management
- Installing sprinkler systems and water capture systems

#### **Flood Protection:**

- Elevating homes above flood levels
- Installing flood vents and drainage systems
- Creating natural flood barriers like living shorelines

#### **A Smart Investment in Our Future**

The Shelter Act represents a shift from reactive, high-cost disaster recovery to proactive disaster resilience and mitigation. By making disaster preparedness more affordable, this legislation will save lives, reduce property damage, and ultimately save taxpayers and homeowners billions in disaster recovery costs.