

119TH CONGRESS
1ST SESSION

S. 3497

To amend the Internal Revenue Code of 1986 to provide a credit against tax for disaster mitigation expenditures.

IN THE SENATE OF THE UNITED STATES

DECEMBER 16, 2025

Mr. BENNET (for himself and Mr. CASSIDY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a credit against tax for disaster mitigation expenditures.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Shelter Act”.

5 **SEC. 2. NONREFUNDABLE PERSONAL CREDIT FOR DIS-**
6 **ASTER MITIGATION EXPENDITURES.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986, as amended by section 70411 of Public Law 119–

1 21, is amended by inserting after section 25F the fol-
 2 lowing new section:

3 **“SEC. 25G. DISASTER MITIGATION EXPENDITURES.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—In the case of an indi-
 6 vidual, there shall be allowed as a credit against the
 7 tax imposed by this chapter for the taxable year an
 8 amount equal to 25 percent of the qualified disaster
 9 mitigation expenditures made by the taxpayer during
 10 such taxable year.

11 “(2) ANNUAL LIMITATION.—Subject to sub-
 12 section (b), the credit allowed to a taxpayer under
 13 paragraph (1) for any taxable year shall not exceed
 14 \$3,750 (or, in the case of a joint return, \$7,500).

15 “(3) CUMULATIVE LIMITATION PER QUALIFIED
 16 DWELLING UNIT.—Subject to subsection (b), the
 17 credit allowed under paragraph (1) with respect to
 18 a qualified dwelling unit of the taxpayer for any tax-
 19 able year shall not exceed the excess (if any) of
 20 \$15,000 over the aggregate credits allowed under
 21 such paragraph with respect to such qualified dwell-
 22 ing unit for all prior taxable years ending after De-
 23 cember 31, 2025.

24 “(b) INCOME PHASEOUT.—

1 “(1) IN GENERAL.—The amount of the credit
 2 allowed under subsection (a)(1) for the taxable year
 3 shall be reduced (but not below zero) by an amount
 4 which bears the same ratio to the amount under
 5 such subsection as—

6 “(A) the amount (not less than zero) equal
 7 to the adjusted gross income of the taxpayer for
 8 such taxable year minus \$100,000, bears to

9 “(B) \$50,000.

10 “(2) INFLATION ADJUSTMENT.—In the case of
 11 any taxable year after 2026, each of the dollar
 12 amounts under paragraph (1) shall be increased by
 13 an amount equal to—

14 “(A) such dollar amount, multiplied by

15 “(B) the cost-of-living adjustment deter-
 16 mined under section 1(f)(3) for the calendar
 17 year in which the taxable year begins, deter-
 18 mined by substituting ‘calendar year 2025’ for
 19 ‘calendar year 2016’ in subparagraph (A)(ii)
 20 thereof.

21 “(3) ROUNDING.—If any reduction determined
 22 under paragraph (1) is not a multiple of \$50, or any
 23 increase under paragraph (2) is not a multiple of
 24 \$50, such amount shall be rounded to the nearest
 25 multiple of \$50.

1 “(4) JOINT RETURN.—If a joint return is filed
 2 by the taxpayer for the taxable year, for purposes of
 3 determining the amount of any reduction under
 4 paragraph (1) for such taxable year, the dollar
 5 amounts under such paragraph (after application of
 6 paragraphs (2) and (3)) shall be doubled.

7 “(c) DEFINITIONS.—For purposes of this section—

8 “(1) QUALIFIED DISASTER MITIGATION EX-
 9 PENDITURE.—

10 “(A) IN GENERAL.—Subject to subpara-
 11 graphs (B) and (C), the term ‘qualified disaster
 12 mitigation expenditure’ means an expenditure
 13 relating to a qualified dwelling unit—

14 “(i) for property to—

15 “(I) improve the strength of a
 16 roof deck attachment,

17 “(II) create a secondary water
 18 barrier to prevent water intrusion or
 19 mitigate against potential water intru-
 20 sion from wind-driven rain,

21 “(III) improve the durability, im-
 22 pact resistance (not less than class 3
 23 or 4 rating), or fire resistance (not
 24 less than class A rating) of a roof cov-
 25 ering,

1 “(IV) brace gable-end walls,

2 “(V) reinforce the connection be-
3 tween a roof and supporting wall,

4 “(VI) protect openings from pen-
5 etration by wind-borne debris,

6 “(VII) protect exterior doors and
7 garages from natural hazards,

8 “(VIII) complete measures con-
9 tained in the publication of the Fed-
10 eral Emergency Management Agency
11 entitled ‘Wind Retrofit Guide for Res-
12 idential Buildings’ (P-804),

13 “(IX) elevate the qualified dwell-
14 ing unit, as well as utilities, machin-
15 ery, or equipment, above the base
16 flood elevation or other applicable
17 minimum elevation requirement,

18 “(X) seal walls in the basement
19 of the qualified dwelling unit using
20 waterproofing compounds, or

21 “(XI) protect propane tanks or
22 other external fuel sources,

23 “(ii) to install—

24 “(I) check valves to prevent flood
25 water from backing up into drains,

1 “(II) flood vents, breakaway
2 walls or open lattice for homes located
3 in V zones,

4 “(III) a stormwater drainage sys-
5 tem or improve an existing system,

6 “(IV) natural or nature-based
7 features for flood control, including
8 living shorelines,

9 “(V) roof coverings, sheathing,
10 flashing, roof and attic vents, eaves,
11 or gutters that conform to ignition-re-
12 sistant construction standards,

13 “(VI) wall components for wall
14 assemblies that conform to ignition-re-
15 sistant construction standards,

16 “(VII) a wall-to-foundation an-
17 chor or connector, or a shear transfer
18 anchor or connector,

19 “(VIII) wood structural panel
20 sheathing for strengthening cripple
21 walls,

22 “(IX) anchorage of the masonry
23 chimney to the framing,

24 “(X) prefabricated lateral resist-
25 ing systems,

1 “(XI) a standby generator sys-
2 tem consisting of a standby generator
3 and an automatic transfer switch,

4 “(XII) a storm shelter that meets
5 the design and construction standards
6 established by the International Code
7 Council and the National Storm Shel-
8 ter Association (ICC–500), or a safe
9 room that satisfies the criteria con-
10 tained in—

11 “(aa) the publication of the
12 Federal Emergency Management
13 Agency entitled ‘Safe Rooms for
14 Tornadoes and Hurricanes’ (P–
15 361), or

16 “(bb) the publication of the
17 Federal Emergency Management
18 Agency entitled ‘Taking Shelter
19 from the Storm’ (P–320),

20 “(XIII) a lightning protection
21 system,

22 “(XIV) exterior walls, doors, win-
23 dows, or other exterior dwelling unit
24 elements that conform to ignition-re-
25 sistant construction standards,

1 “(XV) exterior deck or fence
2 components that conform to ignition-
3 resistant construction standards,

4 “(XVI) structure-specific water
5 hydration systems, including fire miti-
6 gation systems such as interior and
7 exterior sprinkler systems,

8 “(XVII) water capture and deliv-
9 ery systems to accommodate drought
10 events or to decrease water use, in-
11 cluding the design of such systems,

12 “(XVIII) flood openings for fully
13 enclosed areas below the lowest floor
14 of the dwelling unit,

15 “(XIX) lateral bracing for wall
16 elements, foundation elements, and
17 garage doors or other large openings
18 to resist seismic loads, or

19 “(XX) automatic shutoff valves
20 for water and gas lines, or

21 “(iii) for services or equipment to—

22 “(I) create buffers around the
23 qualified dwelling unit through the re-
24 moval or reduction of flammable vege-

1 tation, including vertical clearance of
2 tree branches,

3 “(II) create buffers around the
4 dwelling unit through—

5 “(aa) the removal of exterior
6 deck or fence components or igni-
7 tion-prone landscape features, or

8 “(bb) replacement of the
9 components or features described
10 in item (aa) with components or
11 features that conform to ignition-
12 resistant construction standards,

13 “(III) perform fire maintenance
14 procedures identified by the Federal
15 Emergency Management Agency or
16 the United States Forest Service, in-
17 cluding fuel management techniques
18 such as creating fuel and fire breaks,

19 “(IV) replace flammable vegeta-
20 tion with less flammable species, or

21 “(V) prevent smoke inhalation,
22 such as air filters or other equipment
23 designed to prevent smoke from enter-
24 ing the dwelling unit,

“(iv) for property relating to satisfying the standards required for receipt of a FORTIFIED designation or a Wildfire Prepared designation from the Insurance Institute for Business and Home Safety, or any third-party verified certification demonstrating compliance with nationally recognized and consensus-based hazard mitigation or resilience standards, provided that the qualified dwelling unit receives such designation or certifications following installation of such property, or

“(v) for any other hazard mitigation activity which has been identified by the Secretary, in consultation with the Administrator of the Federal Emergency Management Agency, for mitigation of a natural hazard or compliance with other consensus-based resiliency standards.

“(B) HAZARD-SPECIFIC APPLICABILITY.—

“(i) IN GENERAL.—Subject to clause (ii), the term ‘qualified disaster mitigation expenditure’ shall only apply to expenditures relating to a qualified dwelling unit which are described in subparagraph (A) if

1 such expenditures address a hazard type
2 identified in the applicable State or tribal
3 Standard State Mitigation Plans or En-
4 hanced State Mitigation Plans, as prepared
5 under section 201.4 or 201.5 of title 44,
6 Code of Federal Regulations (as in effect
7 on the date of enactment of this section).

8 “(ii) NEGATIVE LISTS.—The Sec-
9 retary, in consultation with the Adminis-
10 trator of the Federal Emergency Manage-
11 ment Agency, may publish a list of inappli-
12 cable expenditures which are region-spe-
13 cific in order to prohibit the application of
14 subsection (a) for expenditures relating to
15 hazards which are not relevant to the loca-
16 tion of the qualified dwelling unit.

17 “(C) EXCEPTION.—The term ‘qualified
18 disaster mitigation expenditure’ shall not in-
19 clude any expenditure or portion thereof which
20 is paid, funded, or reimbursed by a Federal,
21 State, or local government entity, or any polit-
22 ical subdivision, agency, or instrumentality
23 thereof.

1 “(2) QUALIFIED DWELLING UNIT.—The term
2 ‘qualified dwelling unit’ means a dwelling unit which
3 is located—

4 “(A) in the United States or in a territory
5 of the United States, and

6 “(B) in an area—

7 “(i) which, during the taxable year or
8 the period of the 5 taxable years preceding
9 such taxable year, has received hazard
10 mitigation assistance through the Federal
11 Emergency Management Agency in regard
12 to any natural disaster which, with respect
13 to the expenditure described in paragraph
14 (1) which is made by the taxpayer, is ap-
15 plicable to such expenditure, and

16 “(ii)(I) in which a Federal natural
17 disaster declaration has been made within
18 the preceding 5-year period,

19 “(II) which is adjacent to an area de-
20 scribed in subclause (I), or

21 “(III) which, with respect to any tax-
22 able year, has been designated as a com-
23 munity disaster resilience zone (as defined
24 in section 206(a) of the Robert T. Stafford

1 Disaster Relief and Emergency Assistance
2 Act (42 U.S.C. 5136(a))).

3 “(d) LIMITATION.—

4 “(1) IN GENERAL.—In the case of an expendi-
5 ture described in clause (i) or (ii) of subsection
6 (c)(1)(A), such expenditure shall be taken into ac-
7 count in determining the qualified disaster mitiga-
8 tion expenditures made by the taxpayer during the
9 taxable year only if the onsite preparation, assembly,
10 or original installation of the property with respect
11 to which such expenditure is made has been com-
12 pleted in a manner that is deemed to be in compli-
13 ance with the latest published editions of relevant
14 consensus-based codes, specifications, and standards
15 or any more restrictive Federal, State, or local flood-
16 plain management standards and consistent with
17 floodplain management regulations for the local ju-
18 risdiction in which the qualified dwelling unit is lo-
19 cated.

20 “(2) LATEST PUBLISHED EDITIONS.—The term
21 ‘latest published editions’ means, with respect to rel-
22 evant consensus-based codes, specifications, and
23 standards, either of the 2 most recently published
24 editions.

1 “(e) LABOR COSTS.—For purposes of this section,
 2 expenditures for labor costs properly allocable to the onsite
 3 preparation, assembly, or original installation of the prop-
 4 erty described in clause (i) or (ii) of subsection (c)(1)(A)
 5 shall be taken into account in determining the qualified
 6 disaster mitigation expenditures made by the taxpayer
 7 during the taxable year.

8 “(f) INSPECTION COSTS.—For purposes of this sec-
 9 tion, expenditures for the cost of any inspection required
 10 under subsection (d) which is properly allocable to the in-
 11 spection of the preparation, assembly, or installation of
 12 the property described in clause (i) or (ii) of subsection
 13 (c)(1)(A) shall be taken into account in determining the
 14 qualified disaster mitigation expenditures made by the
 15 taxpayer during the taxable year.

16 “(g) CARRYFORWARD OF UNUSED CREDIT.—

17 “(1) IN GENERAL.—If the credit allowable
 18 under subsection (a)(1) for any taxable year exceeds
 19 the applicable tax limit for such taxable year, such
 20 excess shall be a carryover to each of the 5 suc-
 21 ceeding taxable years and, subject to the limitations
 22 of paragraph (2), shall be added to the credit allow-
 23 able by subsection (a)(1) for such succeeding taxable
 24 year.

1 “(2) LIMITATION.—The amount of the unused
 2 credit which may be taken into account under para-
 3 graph (1) for any taxable year shall not exceed the
 4 amount (if any) by which the applicable tax limit for
 5 such taxable year exceeds the sum of—

6 “(A) the credit allowable under subsection
 7 (a)(1) for such taxable year determined without
 8 regard to this subsection, and

9 “(B) the amounts which, by reason of this
 10 subsection, are carried to such taxable year and
 11 are attributable to taxable years before the un-
 12 used credit year.

13 “(3) APPLICABLE TAX LIMIT.—For purposes of
 14 this subsection, the term ‘applicable tax limit’ means
 15 the limitation imposed by section 26(a) for the tax-
 16 able year reduced by the sum of the credits allowable
 17 under this subpart (other than this section).

18 “(h) DOCUMENTATION.—Any taxpayer claiming the
 19 credit under this section shall provide the Secretary with
 20 adequate documentation regarding the specific qualified
 21 disaster mitigation expenditures made by the taxpayer
 22 during the taxable year, as well as such other information
 23 or documentation as the Secretary may require.”.

24 (b) CONFORMING AMENDMENT.—The table of sec-
 25 tions for subpart A of part IV of subchapter A of chapter

1 of such Code is amended by inserting after the item
 2 relating to section 25F the following new item:

“Sec. 25G. Disaster mitigation expenditures.”.

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years beginning after
 5 December 31, 2025.

6 **SEC. 3. BUSINESS-RELATED CREDIT FOR DISASTER MITIGA-**
 7 **TION.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
 9 chapter A of chapter 1 of the Internal Revenue Code of
 10 1986 is amended by inserting after section 45AA the fol-
 11 lowing new section:

12 **“SEC. 45BB. DISASTER MITIGATION CREDIT.**

13 “(a) GENERAL RULE.—For purposes of section 38,
 14 the disaster mitigation credit determined under this sec-
 15 tion for any taxable year is an amount equal to 25 percent
 16 of the qualified disaster mitigation expenditures made by
 17 the taxpayer during the taxable year.

18 “(b) MAXIMUM CREDIT.—

19 “(1) IN GENERAL.—Subject to paragraph (2),
 20 the amount of the credit determined under sub-
 21 section (a) for any taxable year shall not exceed
 22 \$5,000.

23 “(2) PHASEOUT.—

24 “(A) IN GENERAL.—The amount under
 25 paragraph (1) for the taxable year shall be re-

duced (but not below zero) by an amount which bears the same ratio to the amount under such paragraph as—

“(i) the amount (not less than zero) equal to the average gross receipts of the taxpayer over the 3 preceding taxable years minus \$5,000,000, bears to

“(ii) \$5,000,000.

“(B) INFLATION ADJUSTMENT.—In the case of any taxable year after 2026, each of the dollar amounts under subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2025’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(C) ROUNDING.—If any reduction determined under subparagraph (A) is not a multiple of \$50, or any increase under subparagraph (B) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.

1 “(c) QUALIFIED DISASTER MITIGATION EXPENDI-
2 TURE.—

3 “(1) IN GENERAL.—For purposes of this sec-
4 tion, the term ‘qualified disaster mitigation expendi-
5 ture’ has the same meaning given such term under
6 paragraph (1) of section 25G(c), except that ‘place
7 of business’ shall be substituted for ‘qualified dwell-
8 ing unit’ each place it appears in such paragraph.

9 “(2) PLACE OF BUSINESS.—For purposes of
10 this section, an expenditure shall not be treated as
11 a qualified disaster mitigation expenditure (as de-
12 fined in paragraph (1)) unless the taxpayer’s place
13 of business is located—

14 “(A) in the United States or in a territory
15 of the United States, and

16 “(B) in an area—

17 “(i) in which a Federal natural dis-
18 aster declaration has been made within the
19 preceding 5-year period,

20 “(ii) which is adjacent to an area de-
21 scribed in clause (i),

22 “(iii) which, during the taxable year
23 or the period of the 5 taxable years pre-
24 ceding such taxable year, has received haz-
25 ard mitigation assistance through the Fed-

1 eral Emergency Management Agency in re-
 2 gard to any natural disaster which, with
 3 respect to the expenditure described in sec-
 4 tion 25G(c)(1) which is made by the tax-
 5 payer, is applicable to such expenditure, or

6 “(iv) which, with respect to any tax-
 7 able year, has been designated as a com-
 8 munity disaster resilience zone (as defined
 9 in section 206(a) of the Robert T. Stafford
 10 Disaster Relief and Emergency Assistance
 11 Act (42 U.S.C. 5136(a))).

12 “(d) SPECIAL RULES.—Rules similar to the rules of
 13 subsections (d) through (g) of section 25G shall apply for
 14 purposes of this section.

15 “(e) NO DOUBLE BENEFIT.—No credit shall be de-
 16 termined under this section with respect to any expendi-
 17 tures for which a credit was allowed under section 25G.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 38(b) of such Code is amended by
 20 striking “plus” at the end of paragraph (40), by
 21 striking the period at the end of paragraph (41) and
 22 inserting “, plus”, and by adding at the end the fol-
 23 lowing new paragraph:

24 “(42) the disaster mitigation credit determined
 25 under section 45BB(a).”.

1 (2) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1 of such Code is
3 amended by inserting after the item relating to sec-
4 tion 45AA the following new item:

“Sec. 45BB. Disaster mitigation credit.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2025.

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