Deductions for Certain Retrofitting or Upgrades to Homes in Alabama

What is the deduction for retrofitting or upgrades to homes in Alabama?

Beginning with the 2011 tax year, Alabama residents with a home located in Alabama shall be allowed a deduction on their tax return for certain costs associated with upgrading or retrofitting their Alabama home to resist against damages or losses that could arise from tornado, hurricane, other catastrophic windstorm event, or rising flood waters. Taxpayers must claim the homestead exemption for the home being upgraded which cannot be a rental home.

What amount of deduction are qualifying taxpayers allowed to take on their tax return for costs associated with the retrofitting or upgrades made to their Alabama residence?

The amount of deduction allowed an Alabama taxpayer for the preventive upgrades to their Alabama residence shall be the lesser of:

- $3,000, or
- 50% of the actual retrofitting cost incurred

What type of upgrades or retrofitting to an Alabama residence will qualify for a deduction?

- Fortification upgrades to an Alabama residence for hurricane, tornado, or other catastrophic wind event that qualify for a deduction include those homes retrofitted to Level One, Level Two, or Level Three, all as defined in the Fortified Existing Homes requirements per Section 40-18-15.4, Code of Alabama 1975. The property must be certified as conforming to Fortified Existing Home requirements only after inspection and certification by a Fortified for Safe Living Standards (FFSLS) certified inspector. A list of certified FFSLS inspectors in Alabama can be found at the Insurance Institute for Business and Home Safety website under FORTIFIED (http://www.disastersafety.org/fortified/fortified-home-evaluators/)

Certification shall be by a fully licensed home builder as recognized by the Alabama Home Builders Licensure Board, a licensed Professional Engineer or licensed Architect registered in the state of Alabama, or other local authority having jurisdiction. Certification should accompany return in which the deduction is claimed.

- Voluntary upgrades made by an Alabama homeowner for costs associated with making their residence more resistant to loss due to hurricane, tornado, other catastrophic windstorm event, or rising floodwaters that qualify under Section 40-18-15.5, Code of Alabama 1975 for a deduction include costs set forth in the most recent editions of the Institute for Business and Home Safety published Fortified for Safer Living, the Institute for Business and Home Safety published Fortified for Existing Homes, the International Code Council published ICC 600, the International Code Council ICC 500, or any specifically designated wind resistant feature, technology, or code approved by the Alabama Residential and Energy Codes Board.
Taxpayers claiming a deduction under Section 40-18-15.5, Code of Alabama 1975 shall include certification of costs with their return to document they are entitled to the deduction.

Are Alabama residents entitled to a deduction for retrofitting or upgrading their homes if the upgrades were made with available grant funds?

No. Taxpayers are not entitled to a deduction for upgrades that were purchased with available grant funds. Any qualifying deduction must be for upgrades purchased by the homeowner and shall not include any upgrades made with available grant funds.

Can the deduction for retrofitting or upgrading a residence in Alabama against storm damages apply to new construction?

No. The deduction is only available for retrofits made to an existing residential structure that would make the existing structure more resistant to loss due to tornado, hurricane, other catastrophic windstorm event, or rising flood waters.

In what years may the deduction be taken?

The deduction may be taken in the year that the upgrades are completed.

Are any deductible costs refundable or allowed to be carried forward?

There are no carryforwards of unused amounts and the deduction is non-refundable.