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114TH CONGRESS
1ST SESSION

# H. R. 1125

To amend the Internal Revenue Code of 1986 to provide for tax preferred savings accounts for individuals under age 18, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2015

Mr. HANNA (for himself and Mr. KIND) introduced the following bill; which was referred to the Committee on Ways and Means

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# A BILL

To amend the Internal Revenue Code of 1986 to provide for tax preferred savings accounts for individuals under age 18, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Start Saving Sooner Act of 2015''.

**SEC. 2. FINDINGS.**

Congress finds the following:

(1) Studies indicate that children as young as 3 years old are able to grasp financial concepts and

that basic financial habits are largely formulated by age 7.

(2) Research shows that children born to low-income parents who are good financial savers are more likely to move up the economic ladder than children from low-income households that do not save. According to a 2011 study controlled for income and demographic factors, youth who own financial accounts are 7 times more likely to attend college.

(3) If tax-advantaged retirement accounts such as Roth IRAs could be opened for children between the ages of zero and 18, these individuals are likely to acquire substantially more tax-free assets by retirement age than their peers.

(4) Children who possess retirement accounts from a young age will benefit from longer exposure to compound interest and can be expected to attain higher levels of financial literacy, college graduation and retirement security in adulthood.

(5) Greater private retirement savings for Americans of all ages will increase personal financial security and responsibility, reducing the likelihood that seniors will need to rely solely on Social Security for their retirement income.

(6) Federal policy should better enable parents, guardians and families of all income levels to encourage youth saving and investment for retirement at an earlier age.

(7) Federal policy should help create retirement savings incentives for low-income Americans because studies show that low-income Americans will save more for retirement if there are incentives and structures in place to help them do so. A refundable incentive like the Saver's Credit would reach 50 million low-income households—nearly 10 times the number a non-refundable credit reaches.

**SEC. 3. YOUNG SAVERS ACCOUNT.**

(a) ESTABLISHMENT OF ACCOUNTS.—

(1) IN GENERAL.—Section 408A of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) YOUNG SAVERS ACCOUNT.—

''(1) IN GENERAL.—Except as provided in this subsection, a young savers account shall be treated in the same manner as a Roth IRA.

''(2) YOUNG SAVERS ACCOUNT.—For purposes of this subsection, the term 'young savers account' means, with respect to any taxable year, a Roth IRA which is maintained on behalf of an individual who has not attained age 18 before the close of the taxable year and which is designated (in such manner as the Secretary may prescribe) at the time of establishment as a young savers account.

"(3) CONTRIBUTION LIMITS.—In the case of any contributions for any taxable year to 1 or more young savers accounts maintained on behalf of an individual, each of the following contribution limits for the taxable year shall be increased as follows:

"(A) The contribution limit applicable to the individual under subsection (c)(2) shall be increased by the aggregate amount of qualified young saver contributions to such accounts for the taxable year.

"(B) The contribution limits applicable to the young savers accounts under subsection (a)(1) or (b)(2)(B) of section 408, whichever is applicable, shall be increased by the deductible amount in effect under section 219(b)(5) for such taxable year (determined without regard to subparagraph (B) thereof).

"(4) QUALIFIED YOUNG SAVER CONTRIBUTIONS.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified young saver contribution' means a contribution by an individual (with respect to whom a young savers account is not maintained during the taxable year) to a young savers account maintained on behalf of another individual.

"(B) LIMITATIONS.—

"(i) LIMIT ON ACCOUNTS WITH RESPECT TO INDIVIDUAL.—The aggregate amount of contributions which may be made for any taxable year to all young savers accounts maintained on behalf of an individual shall not exceed the deductible amount in effect for the taxable year under section 219(b)(5) (determined without regard to subparagraph (B) thereof).

"(ii) LIMIT ON CONTRIBUTORS.—The aggregate amount of qualified young saver contributions an individual may make for any taxable year to all young savers accounts shall not exceed the deductible amount in effect for the taxable year under section 219(b)(5) (determined without regard to subparagraph (B) thereof), reduced by any contributions made by or on behalf of the individual to any Roth IRA maintained on behalf of the individual.".

(b) ELIGIBLE FOR SAVERS CREDIT.—Paragraph (1) of section 25B(d) of such Code is amended by striking ''and'' at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

''(D) the amount of any contribution to a young savers account.''.

(c) REFUND PAYABLE TO YOUNG SAVERS ACCOUNT.—

(1) IN GENERAL.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

**''SEC. 6433. YOUNG SAVERS ACCOUNT REFUND PAYMENT.**

''In the case of any overpayment (or portion thereof) which is attributable to a credit allowed to an individual under section 25B by reason of a contribution to a young savers account, the Secretary shall pay the amount of such overpayment (or such portion) into the young savers account to which such contribution was made. The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 65 of such Code

is amended by adding at the end the following new item:

"Sec. 6433. Young savers account refund payment.".

(d) YOUNG SAVERS ACCOUNT INFORMATION INCLUDED WITH APPLICATION FOR SOCIAL SECURITY CARD.—The Commissioner of Social Security, in consultation with the Secretary of the Treasury, shall include with materials relating to the application for a social security card information describing young savers accounts (as defined in section 408A(g)(2) of the Internal Revenue Code of 1986) and related tax benefits.

(e) ACCOUNT FUNDS DISREGARDED FOR PURPOSES OF ALL MEANS TESTED FEDERAL PROGRAMS.—Notwithstanding any other provision of Federal law, assets accumulated in young savers accounts (within the meaning of section 408A(g) of the Internal Revenue Code of 1986) shall not be taken into account in determining any individual's or household's financial eligibility for, or amount of, any benefit or service, paid for in whole or in part with Federal funds, including student financial aid.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

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