

109TH CONGRESS  
1ST SESSION

# H. R. 1041

To amend the Social Security Act to provide each American child with a KidSave Account, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2005

Mr. WELLER (for himself and Mr. BROWN of Ohio) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Social Security Act to provide each American child with a KidSave Account, and for other purposes.

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 “Social Security  
5       KidSave Accounts Act”.

6       **SEC. 2. SOCIAL SECURITY KIDSAVE ACCOUNTS.**

7       Title II of the Social Security Act (42 U.S.C. 401  
8       et seq.) is amended—

9               (1) by inserting before section 201 the fol-  
10       lowing:

1 “PART A—INSURANCE BENEFITS”;

2 and

3 (2) by adding at the end the following:

4 “PART B—KIDSAVE ACCOUNTS

5 “ESTABLISHMENT OF KIDSAVE ACCOUNTS

6 “SEC. 251. (a) IN GENERAL.—The Commissioner of  
7 Social Security, through the Federal Retirement Thrift In-  
8 vestment Board, shall establish in the name of each indi-  
9 vidual born on or after January 1, 2006, a KidSave Ac-  
10 count in the Thrift Savings Fund under subchapter III  
11 of chapter 84 of title 5, United States Code, upon the later  
12 of—

13 “(1) the date of enactment of this part; or

14 “(2) the date of the issuance of a social security  
15 account number under section 205(c)(2) to such in-  
16 dividual.

17 “(b) IDENTIFICATION OF ACCOUNT.—The KidSave  
18 Account shall be identified to the account holder by means  
19 of the account holder’s social security account number.

20 “TREATMENT OF KIDSAVE ACCOUNTS

21 “SEC. 252. (a) IN GENERAL.—For purposes of this  
22 part, except as provided in subsection (b), a KidSave Ac-  
23 count described in section 251(a) shall be treated in the  
24 same manner as an account in the Thrift Savings Fund  
25 under subchapter III of chapter 84 of title 5, United  
26 States Code.

1 “(b) EXCEPTIONS.—

2 “(1) CONTRIBUTION RULES.—

3 “(A) LOAN CONTRIBUTIONS.—

4 “(i) IN GENERAL.—In addition to any  
5 contributions to a KidSave Account by or  
6 on behalf of an individual described in sub-  
7 paragraph (B), the Secretary of the Treas-  
8 ury shall transfer \$2,000 to such Account  
9 from the Federal Old-Age and Survivors  
10 Insurance Trust Fund on the date of the  
11 establishment of such Account under sub-  
12 section (a).

13 “(ii) ADJUSTMENT FOR INFLATION.—  
14 For any calendar year after 2013, the dol-  
15 lar amount under clause (i) shall be in-  
16 creased by the cost-of-living adjustment de-  
17 termined under section 215(i) for the cal-  
18 endar year.

19 “(B) OTHER CONTRIBUTIONS.—

20 “(i) CONTRIBUTION LIMIT.—The ag-  
21 gregate amount of contributions by or on  
22 behalf of an individual (including rollover  
23 contributions) for any taxable year to the  
24 KidSave Account of such individual shall  
25 not exceed \$500 for such year (determined

1 without regard to the amount of the con-  
2 tribution made pursuant to subparagraph  
3 (A)).

4 “(ii) ROLLOVER CONTRIBUTIONS.—  
5 No rollover contribution may be made to a  
6 KidSave Account of an individual unless it  
7 is from an eligible retirement plan de-  
8 scribed in clause (i), (ii), or (iii) of section  
9 402(c)(8)(B) of the Internal Revenue Code  
10 of 1986 of such individual or of a parent  
11 or grandparent of such individual. For  
12 purposes of chapters 12 and 13 of the In-  
13 ternal Revenue Code of 1986 (relating to  
14 gift tax and tax on generation-skipping  
15 transfers), in no event shall a rollover con-  
16 tribution under this clause be treated as a  
17 taxable gift.

18 “(iii) NO CONTRIBUTIONS PAST THE  
19 AGE OF 18.—No contribution (including  
20 rollover contribution) may be made to a  
21 KidSave Account of an individual after the  
22 date on which such individual attains the  
23 age of 19.

24 “(iv) DIRECT DEPOSITS.—The Sec-  
25 retary of the Treasury shall, under regula-

1           tions, provide for the direct deposit of any  
2           overpayment of Federal tax of an indi-  
3           vidual or of a parent or grandparent of  
4           such individual as a contribution to the  
5           KidSave Account of such individual.

6           “(2) DESIGNATIONS REGARDING KIDSAVE AC-  
7           COUNT INVESTMENTS.—

8           “(A) INITIAL DESIGNATIONS OF INVEST-  
9           MENT FUND.—A person described in subsection  
10          (c) shall, on behalf of the individual described  
11          in section 251(a), designate 1 or more invest-  
12          ment funds (established under section 8438 of  
13          title 5, United States Code) for the KidSave  
14          Account to which contributions by or on behalf  
15          of such individual are to be deposited. Such  
16          designation shall be made on the application for  
17          such individual’s social security account num-  
18          ber.

19          “(B) DEFAULT DESIGNATION.—In the ab-  
20          sence of any designation under subparagraph  
21          (A), the contributions by or on behalf of an in-  
22          dividual described in section 251(a) shall be de-  
23          posited—

24                  “(i) 60 percent in the Common Stock  
25                  Index Investment Fund established under

1 section 8438(b)(1)(C) of title 5, United  
2 States Code;

3 “(ii) 20 percent in the Fixed Income  
4 Investment Fund established under section  
5 8438(b)(1)(B) of such title; and

6 “(iii) 20 percent in the Government  
7 Securities Investment Fund established  
8 under section 8438(b)(1)(A) of such title.

9 “(C) CHANGES IN DESIGNATIONS.—An in-  
10 dividual who has attained age 18 or a person  
11 described in subsection (c) on behalf of such in-  
12 dividual may change 1 or more investment des-  
13 ignations for a KidSave Account of such indi-  
14 vidual at the same time and in the same man-  
15 ner as provided under subchapter III of chapter  
16 84 of such title.

17 “(3) DISTRIBUTIONS.—

18 “(A) IN GENERAL.—Except as provided in  
19 subparagraph (B), distributions may only be  
20 made from a KidSave Account of an individual  
21 on or after the earlier of—

22 “(i) the date on which the individual  
23 begins receiving benefits under part A; or

24 “(ii) the date of the individual’s  
25 death.

1                   “(B) REPAYMENT OF CONTRIBUTION  
2                   LOAN.—

3                   “(i) IN GENERAL.—On the date on  
4                   which an individual described in section  
5                   251(a) attains age 30 and on such date in  
6                   each succeeding calendar year (as nec-  
7                   essary), the Federal Retirement Thrift In-  
8                   vestment Board shall transfer from the  
9                   KidSave Account of such individual to the  
10                  Federal Old-Age and Survivors Insurance  
11                  Trust Fund an amount equal to the least  
12                  of the following amounts:

13                               “(I) 20 percent of the applicable  
14                               amount.

15                               “(II) 20 percent of the balance in  
16                               such KidSave Account.

17                               “(III) An amount equal to the  
18                               excess of the applicable amount over  
19                               the aggregate amount deducted under  
20                               this clause in all preceding calendar  
21                               years with respect to such individual.

22                               “(ii) APPLICABLE AMOUNT.—With re-  
23                               spect to any individual described in clause  
24                               (i), the applicable amount is equal to the  
25                               amount transferred by the Secretary of the

1 Treasury to such KidSave Account under  
2 paragraph (1)(A).

3 “(c) TREATMENT OF MINORS AND INCOMPETENT IN-  
4 DIVIDUALS.—

5 “(1) DESIGNATIONS.—Any designation under  
6 subsection (b)(2) to be made by a minor, or an indi-  
7 vidual mentally incompetent or under other legal dis-  
8 ability, may be made by the person who is con-  
9 stituted guardian or other fiduciary by the law of  
10 the State of residence of the individual or is other-  
11 wise legally vested with the care of the individual or  
12 his estate.

13 “(2) DISTRIBUTIONS.—Payment under this  
14 part due a minor, or an individual mentally incom-  
15 petent or under other legal disability, may be made  
16 to the person who is constituted guardian or other  
17 fiduciary by the law of the State of residence of the  
18 claimant or is otherwise legally vested with the care  
19 of the claimant or his estate.

20 “(3) OTHER PERSONS DESIGNATED.—In any  
21 case in which a guardian or other fiduciary of the  
22 individual under legal disability has not been ap-  
23 pointed under the law of the State of residence of  
24 the individual, if any other person, in the judgment  
25 of the Commissioner, is responsible for the care of

1 such individual, any designation under subsection  
2 (b)(2) which may otherwise be made by such indi-  
3 vidual may be made by such person, any payment  
4 under this part which is otherwise payable to such  
5 individual may be made to such person, and the pay-  
6 ment of an annuity payment under this part to such  
7 person bars recovery by any other person.

8 “TREATMENT OF THRIFT SAVINGS FUND

9 “SEC. 253. For purposes of subchapter III of chapter  
10 84 of title 5, United States Code, the KidSave Accounts  
11 established in the Thrift Savings Fund under section 251  
12 shall be separately maintained and accounted for by the  
13 Federal Retirement Thrift Investment Board from the ac-  
14 counts established under such subchapter in such Fund.”.

15 **SEC. 3. CONFORMING AMENDMENTS.**

16 (a) AMENDMENTS RELATING TO ROLLOVERS.—

17 (1) Section 402(c)(1) of the Internal Revenue  
18 Code of 1986 is amended by adding at the end the  
19 following new sentence: “For purposes of the pre-  
20 ceding sentence, a rollover contribution to a KidSave  
21 Account under section 252(b)(1)(B)(ii) of the Social  
22 Security Act with respect to an employee who is a  
23 parent or grandparent of the beneficiary of such ac-  
24 count shall be treated as a distribution to such em-  
25 ployee.”.

1           (2) Section 402(c)(5) of such Code is amended  
2 by striking “(i) or (ii)” and inserting “(i), (ii), or  
3 (vii)”.

4           (3) Section 402(c)(8)(B) of such Code is  
5 amended by striking “and” at the end of clause (v),  
6 by striking the period at the end of clause (vi) and  
7 inserting “, and”, and by adding at the end the fol-  
8 lowing new clause:

9                   “(vii) a KidSave Account established  
10                   under section 251(a) of the Social Security  
11                   Act.”.

12           (4) Section 408(d)(3)(A)(i) of such Code is  
13 amended by inserting “, or is paid into a KidSave  
14 Account of a beneficiary under section  
15 252(b)(1)(B)(ii) of the Social Security Act with re-  
16 spect to whom such individual is the parent or  
17 grandparent,” after “such individual”.

18 (b) CROSS REFERENCES.—

19           (1) IN GENERAL.—

20                   (A) The Social Security Act is amended—

21                           (i) in part A of title II (as redesign-  
22                           nated by section 2), by striking “this title”  
23                           each place it appears and inserting “this  
24                           part”;

1 (ii) by striking “title II” each place it  
2 appears (except in sections 1110(a)(3),  
3 1110(c)(1), 1129A(d)(2), 1136(g),  
4 1147(b)(1)(A), 1148(h)(4)(A),  
5 1148(j)(1)(A), 1148(k), 1612(b)(18), and  
6 1613(a)(10)) and inserting “part A of title  
7 II”;

8 (iii) by striking “title II or XVI” each  
9 place it appears in sections 1110(a)(3),  
10 1110(c)(1), 1129A(d)(2), and 1136(g) and  
11 inserting “part A of title II or title XVI”;

12 (iv) by striking “title II, VIII, or” in  
13 section 1129(a)(3) and inserting “part A  
14 of title II or title VIII or”; and

15 (v) by striking “title II or VIII” in  
16 section 1147(b)(1)(A) and inserting “part  
17 A of title II or title VIII”.

18 (B) The Internal Revenue Code of 1986 is  
19 amended by striking “title II” each place it ap-  
20 pears (except in sections 35(e)(2), 142(h)(1),  
21 410(b)(3)(B), 451(d), 912(1)(C), 912(2), and  
22 7442) and inserting “part A of title II”.

23 (C) The Railroad Retirement Act of 1974  
24 is amended by striking “title II” each place it

1 appears (except in sections 15(a) and 19(c)(3))  
2 and inserting “part A of title II”.

3 (2) RULE OF CONSTRUCTION.—In each provi-  
4 sion of Federal law (other than provisions amended  
5 or added by the amendments made by this Act), any  
6 reference to title II of the Social Security Act shall  
7 be deemed a reference to part A of title II of such  
8 Act (as redesignated by section 2).

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