

111TH CONGRESS
2D SESSION

S. 2985

To amend the Internal Revenue Code of 1986 to establish a new Small Business Startup Savings Account.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4, 2010

Mr. PRYOR 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 establish a new Small Business Startup Savings Account.

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. ESTABLISHMENT OF SMALL BUSINESS START-**
4 **UP SAVINGS ACCOUNTS.**

5 (a) IN GENERAL.—Subpart A of part I of subchapter
6 D of chapter 1 of the Internal Revenue Code of 1986 is
7 amended by inserting after section 408A the following new
8 section:

1 **“SEC. 408B. SMALL BUSINESS STARTUP SAVINGS AC-**
 2 **COUNTS.**

3 “(a) GENERAL RULE.—Except as provided in this
 4 section, a Small Business Startup Savings Account shall
 5 be treated for purposes of this title in the same manner
 6 as an individual retirement plan.

7 “(b) SMALL BUSINESS STARTUP SAVINGS AC-
 8 COUNT.—For purposes of this title, the term ‘Small Busi-
 9 ness Startup Savings Account’ means a tax preferred sav-
 10 ings plan which is designated at the time of establishment
 11 of the plan as a Small Business Startup Savings Account.
 12 Such designation shall be made in such manner as the
 13 Secretary may prescribe.

14 “(c) TREATMENT OF CONTRIBUTIONS.—

15 “(1) NO DEDUCTION ALLOWED.—No deduction
 16 shall be allowed under section 219 for a contribution
 17 to a Small Business Startup Savings Account.

18 “(2) CONTRIBUTION LIMIT.—

19 “(A) IN GENERAL.—The aggregate
 20 amount of contributions for any taxable year to
 21 all Small Business Startup Savings Accounts
 22 maintained for the benefit of an individual shall
 23 not exceed \$10,000.

24 “(B) AGGREGATE LIMITATION.—The ag-
 25 gregate of the amounts which may be taken
 26 into account under subparagraph (A) for all

1 taxable years with respect to all Small Business
2 Startup Savings Accounts maintained for the
3 benefit of an individual shall not exceed
4 \$150,000.

5 “(C) COST OF LIVING ADJUSTMENT.—The
6 Secretary shall adjust annually the \$10,000
7 amount in subparagraph (A) for increases in
8 the cost-of-living at the same time and in the
9 same manner as adjustments under section
10 415(d); except that the base period shall be the
11 calendar quarter beginning July 1, 2010, and
12 any increase which is not a multiple of \$500
13 shall be rounded to the next lowest multiple of
14 \$500.

15 “(3) CONTRIBUTIONS PERMITTED AFTER AGE
16 70½.—Contributions to a Small Business Startup
17 Savings Account may be made even after the indi-
18 vidual for whom the account is maintained has at-
19 tained age 70½.

20 “(4) ROLLOVERS FROM RETIREMENT PLANS
21 NOT ALLOWED.—A taxpayer shall not be allowed to
22 make a qualified rollover contribution to a Small
23 Business Startup Savings Account from any quali-
24 fied retirement plan (as defined in section 4974(c)).

1 “(d) DISTRIBUTION RULES.—For purposes of this
2 title—

3 “(1) GENERAL RULES.—

4 “(A) LIMITATIONS ON DISTRIBUTIONS.—
5 All qualified distributions from a Small Busi-
6 ness Startup Savings Account—

7 “(i) shall be limited to a single busi-
8 ness, and

9 “(ii) must be disbursed not later than
10 the last day of the 5th taxable year begin-
11 ning after the initial disbursement.

12 “(B) EXCLUSIONS FROM GROSS INCOME.—
13 Any qualified distribution from a Small Busi-
14 ness Startup Savings Account shall not be in-
15 cludible in gross income.

16 “(2) QUALIFIED DISTRIBUTION.—For purposes
17 of this subsection, the term ‘qualified distribution’
18 means any payment or distribution made for oper-
19 ating capital, the purchase of equipment or facilities,
20 marketing, training, incorporation, and accounting
21 fees.

22 “(3) NONQUALIFIED DISTRIBUTIONS.—

23 “(A) IN GENERAL.—In applying section 72
24 to any distribution from a Small Business
25 Startup Savings Account which is not a quali-

1 fied distribution, such distribution shall be
 2 treated as made from contributions to the
 3 Small Business Startup Savings Account to the
 4 extent that such distribution, when added to all
 5 previous distributions from the Small Business
 6 Startup Savings Account, does not exceed the
 7 aggregate amount of contributions to the Small
 8 Business Startup Savings Account.

9 “(B) TREATMENT OF AMOUNTS REMAIN-
 10 ING IN ACCOUNT.—Any remaining amount in a
 11 Small Business Startup Savings Account fol-
 12 lowing the date described in paragraph
 13 (1)(A)(ii) shall be treated as distributed during
 14 the taxable year following such date and such
 15 distribution shall not be treated as a qualified
 16 distribution.

17 “(4) ROLLOVERS TO A ROTH IRA.—Subject to
 18 the application of the treatment of contributions in
 19 section 408A(c), distributions from a Small Business
 20 Startup Savings Account may be rolled over into a
 21 Roth IRA.”.

22 (b) EXCESS CONTRIBUTIONS.—Section 4973 of the
 23 Internal Revenue Code of 1986 is amended by adding at
 24 the end the following new subsection:

1 “(h) EXCESS CONTRIBUTIONS TO SMALL BUSINESS
 2 STARTUP SAVINGS ACCOUNTS.—For purposes of this sec-
 3 tion, in the case of contributions to all Small Business
 4 Startup Savings Accounts (within the meaning of section
 5 408B(b)) maintained for the benefit of an individual, the
 6 term ‘excess contributions’ means the sum of—

7 “(1) the excess (if any) of—

8 “(A) the amount contributed to such ac-
 9 counts for the taxable year, over

10 “(B) the amount allowable as a contribu-
 11 tion under section 408B(c)(2) for such taxable
 12 year, and

13 “(2) the amount determined under this sub-
 14 section for the preceding taxable year, reduced by
 15 the sum of—

16 “(A) the distributions out of the accounts
 17 for the taxable year, and

18 “(B) the excess (if any) of—

19 “(i) the maximum amount allowable
 20 as a contribution under section 408B(c)(2)
 21 for such taxable year, over

22 “(ii) the amount contributed to such
 23 accounts for such taxable year.”.

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

1 1 of the Internal Revenue Code of 1986 is amended by
2 inserting after the item relating to section 408A the fol-
3 lowing new item:

“Sec. 408B. Small Business Startup Savings Accounts.”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2009.

