

113TH CONGRESS
2D SESSION

H. R. 4333

To amend the Internal Revenue Code of 1986 to improve 529 plans.

IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 2014

Ms. JENKINS (for herself, Mr. KIND, and Mr. YOUNG of Indiana) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to improve
529 plans.

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. COMPUTER TECHNOLOGY AND EQUIPMENT AL-**
4 **LOWED AS A QUALIFIED HIGHER EDUCATION**
5 **EXPENSE FOR SECTION 529 ACCOUNTS.**

6 (a) MADE PERMANENT.—Clause (iii) of section
7 529(e)(3)(A) of the Internal Revenue Code of 1986 is
8 amended by striking “in 2009 or 2010”.

9 (b) ONLY FOR USE PRIMARILY BY THE BENE-
10 FICIARY.—Clause (iii) of section 529(e)(3)(A) of such
11 Code is amended by striking “used by the beneficiary and

1 the beneficiary's family" and inserting "used primarily by
2 the beneficiary".

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to expenses paid or incurred after
5 December 31, 2010.

6 **SEC. 2. INVESTMENT DIRECTION UNDER QUALIFIED TUI-**
7 **TION PROGRAMS.**

8 (a) IN GENERAL.—Paragraph (4) of section 529(b)
9 of the Internal Revenue Code of 1986 is amended by strik-
10 ing the period at the end and inserting "more frequently
11 than 4 times per calendar year."

12 (b) CLERICAL AMENDMENT.—The heading for para-
13 graph (4) of section 529(b) of such Code is amended by
14 striking "NO INVESTMENT DIRECTION" and inserting
15 "LIMITED INVESTMENT DIRECTION".

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to years beginning after December
18 31, 2013.

19 **SEC. 3. ELIMINATION OF DISTRIBUTION AGGREGATION RE-**
20 **QUIREMENTS.**

21 (a) IN GENERAL.—Clause (ii) of section
22 529(c)(3)(D) of the Internal Revenue Code of 1986 is
23 amended by inserting before the comma at the end the
24 following: " , except for purposes of calculating the earn-
25 ings portion of any distribution."

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to distributions after December 31,
3 2013.

4 **SEC. 4. CONTRIBUTION OF AMOUNTS PREVIOUSLY DIS-**
5 **TRIBUTED IN CASE OF WITHDRAWAL FROM**
6 **SCHOOL.**

7 (a) IN GENERAL.—Paragraph (3) of section 529(c)
8 of the Internal Revenue Code of 1986 is amended by add-
9 ing at the end the following new subparagraph:

10 “(E) SPECIAL RULE FOR CONTRIBUTIONS
11 RELATING TO WITHDRAWAL FROM SCHOOL.—In
12 the case of a beneficiary who receives a refund
13 of any qualified higher education expenses from
14 an eligible educational institution in connection
15 with withdrawal from enrollment at such insti-
16 tution, subparagraph (A) shall not apply to that
17 portion of any distribution for the taxable year
18 which is recontributed to a qualified tuition pro-
19 gram of which such individual is a beneficiary,
20 but only to the extent such retribution is
21 made not later than 60 days after the date of
22 such refund and does not exceed the refunded
23 amount.”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply with respect to distributions after
 3 December 31, 2013.

4 **SEC. 5. SPECIAL ROLLOVER TO ROTH IRA FROM LONG-**
 5 **TERM QUALIFIED TUITION PROGRAM.**

6 (a) IN GENERAL.—Paragraph (3) of section 529(c)
 7 of the Internal Revenue Code of 1986, as amended by this
 8 Act, is amended by adding at the end the following new
 9 subparagraph:

10 “(F) SPECIAL ROLLOVER TO ROTH IRA
 11 FROM LONG-TERM QUALIFIED TUITION PRO-
 12 GRAM.—For purposes of this section—

13 “(i) IN GENERAL.—In the case of a
 14 distribution from a qualified tuition pro-
 15 gram which has been maintained by an ac-
 16 count owner for the 10-year period ending
 17 on the date of such distribution—

18 “(I) subparagraph (A) shall not
 19 apply to any portion of such distribu-
 20 tion which, not later than 60 days
 21 after such distribution, is paid into a
 22 Roth IRA maintained for the benefit
 23 of such account owner or the des-
 24 ignated beneficiary under such quali-
 25 fied tuition program, and

1 “(II) such portion shall be treat-
 2 ed as a rollover contribution for pur-
 3 poses of section 408A(e).

4 “(ii) LIMITATION.—Clause (i) shall
 5 only apply to so much of any distribution
 6 as does not exceed the lesser of—

7 “(I) \$25,000, or

8 “(II) the aggregate amount con-
 9 tributed to the program (and earnings
 10 attributable thereto) before the 5-year
 11 period ending on the date of the dis-
 12 tribution.”.

13 (b) QUALIFIED ROLLOVER CONTRIBUTION.—Para-
 14 graph (1) of section 408A(e) of such Code is amended by
 15 striking the period at the end of subparagraph (B) and
 16 inserting “, and” and by inserting after subparagraph (B)
 17 the following new subparagraph:

18 “(C) from a covered qualified tuition pro-
 19 gram (as defined in section 529(c)(3)(F)(ii)).”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply with respect to distributions after
 22 December 31, 2013.

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