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113TH CONGRESS
2D SESSION

H. R. 5576

To establish USAccounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 18, 2014

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

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A BILL

To establish USAccounts, 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; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "USAccounts: Investing in America's Future Act of 2014".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Findings.
Sec. 3. USAccount Fund.
Sec. 4. USAccounts.
Sec. 5. Assignment, alienation, and treatment of deceased individuals.
Sec. 6. Rules governing USAccounts relating to investment, accounting, and reporting.
Sec. 7. USAccount Fund Board.

Sec. 8. Fiduciary responsibilities.
Sec. 9. Accounts disregarded in determining eligibility for Federal benefits.
Sec. 10. Reports.
Sec. 11. Tax provisions.

(c) DEFINITIONS.—For purposes of this Act—

(1) USACCOUNT FUND.—The term "USAccount Fund" means the fund established under section 3.

(2) USACCOUNT.—The term "USAccount" means an account established under section 4.

(3) SECRETARY.—The term "Secretary" means the Secretary of the Treasury or the Secretary's delegate.

(4) USACCOUNT FUND BOARD.—The term "USAccount Fund Board" means the board established pursuant to section 7.

(5) EXECUTIVE DIRECTOR.—The term "Executive Director" means the executive director appointed pursuant to section 7.

SEC. 2. FINDINGS.

The Congress finds the following:

(1) There is a strong link between savings and economic opportunity. Children in the poorest fifth of households who manage to move up the income ladder as adults have almost ten times the wealth of those who remain at the bottom.

(2) Even a small amount of children's savings can have a significant impact on college success, a key driver of economic mobility. Low- and moderate-income children with less than $500 saved for college are three times more likely to enroll in college and four times more likely to graduate than children with no savings.

(3) Most working families in America lack savings and face financial insecurity as a result. 44 percent of families are "liquid asset poor," meaning they lack accessible savings to survive for three months at the Federal poverty level.

(4) Families with children face additional barriers to building savings. These families are more likely than childless households to live in asset poverty.

(5) The Great Recession has exacerbated financial insecurity for millions of American families. Between 2009 and 2011, the bottom 93 percent of households saw a drop in net worth, while the wealthiest 7 percent of households saw a significant increase in net worth.

(6) Children's savings accounts programs are evidence-based and have been tested throughout the country. In 2003, the Saving for Education, Entre-

preneurship, and Downpayment (SEED) national demonstration project was established to evaluate the policy and practice of savings accounts for children. SEED found that even very low-income parents will save and invest for their children's future if given the opportunity.

(7) Since 2009, publicly funded, universal children's savings accounts programs have launched citywide in San Francisco, California, countywide in Cuyahoga County, Ohio, and statewide in Nevada and Maine. Additional children's savings programs serving thousands of children have launched or are launching in Colorado, Hawaii, Illinois, Kansas, Michigan, Minnesota, Mississippi, New Mexico, New York, Pennsylvania, South Dakota, Texas, Washington, and Washington, DC.

(8) In order to expand economic opportunity and spur economic growth, the United States should promote savings and investments for all Americans.

SEC. 3. USACCOUNT FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the ''USAccount Fund''.

(b) AMOUNTS HELD BY FUND.—The USAccount Fund consists of the sum of all amounts paid into the

Fund under this Act, increased by the total net earnings from investments of sums held in the Fund or reduced by the total net losses from investments of sums held in the Fund, and reduced by the total amount of payments made from the Fund (including payments for administrative expenses).

(c) USE OF FUND.—

(1) IN GENERAL.—The sums in the USAccount Fund are appropriated and shall remain available without fiscal year limitation—

(A) to make contributions to USAccounts,

(B) to invest under section 6,

(C) to make distributions in accordance with this Act,

(D) to pay the administrative expenses of carrying out this Act, and

(E) to purchase insurance as provided in section 8(c)(2).

(2) EXCLUSIVE PURPOSES.—The sums in the USAccount Fund shall not be appropriated for any purpose other than the purposes specified in this section and may not be used for any other purpose.

(d) TRANSFERS TO USACCOUNT FUND.—The Secretary shall make transfers from the general fund of the Treasury to the USAccount Fund as follows:

(1) AUTOMATIC CONTRIBUTION.—Upon receipt of a certification under section 4(b)(2) with respect to an individual, the Secretary shall transfer $500 to the USAccount of the individual.

(2) MATCHING CONTRIBUTIONS.—Upon receipt of each certification under section 4(d) with respect to an individual, the Secretary shall transfer the matching amount to the USAccount of the individual.

(e) PRIVATE CONTRIBUTIONS.—The Executive Director shall pay into the USAccount Fund such amounts as are contributed under section 4(c).

(f) PROHIBITION ON USE OF PAYROLL TAXES TO FUND USACCOUNTS.—The USAccount Fund and USAccounts are wholly separate and unique from the Social Security system. No amount from any tax on employment may be contributed to the USAccount Fund or USAccounts.

SEC. 4. USACCOUNTS.

(a) IN GENERAL.—

(1) ESTABLISHMENT.—The Executive Director shall establish in the USAccount Fund an account (to be known as a ''USAccount'') for each qualifying child certified under subsection (b). Each such account shall be identified to its account holder by

means of a unique personal identifier currently recognized by the Internal Revenue Service and shall remain in the USAccount Fund unless transferred to private management under subsection (g).

(2) ACCOUNT BALANCE.—The balance in an account holder's USAccount at any time is the excess of—

(A) the sum of—

(i) all deposits made into the USAccount Fund and credited to the account under paragraph (3), and

(ii) the total amount of allocations made to and reductions made in the account pursuant to paragraph (4), over

(B) the amounts paid out of the account with respect to such individual under subsection (d).

(3) CREDITING OF CONTRIBUTIONS.—Pursuant to regulations which shall be prescribed by the Executive Director, the Executive Director shall credit to each USAccount the amounts paid into the USAccount Fund under section 3(d) which are attributable to the account holder of such account.

(4) ALLOCATION OF EARNINGS AND LOSSES.—The Executive Director shall allocate to each

USAccount an amount equal to the net earnings and net losses from each investment of sums in the USAccount Fund which are attributable, on a pro rata basis, to sums credited to such account, reduced by an appropriate share of the administrative expenses paid out of the net earnings, as determined by the Executive Director.

(b) QUALIFYING CHILD.—For purposes of this Act—

(1) IN GENERAL.—The term ''qualifying child'' has the meaning given such term by section 24(c) of the Internal Revenue Code of 1986.

(2) CERTIFICATION OF ACCOUNT HOLDERS.—On the date on which a qualifying child is registered for a USAccount, the Secretary shall certify to the Executive Director the name of such qualifying child.

(c) PRIVATE CONTRIBUTIONS.—

(1) IN GENERAL.—The Executive Director shall accept cash contributions for payment into the USAccount Fund if such contribution is identified (in such manner as the Executive Director may require) with the account holder of a USAccount to whom it is to be credited at the time the contribution is made.

(2) ALTERNATIVE METHODS OF CONTRIBUTION.—

(A) PAYROLL DEDUCTION.—Under regulations prescribed by the Executive Director and at the election of the employer, contributions under paragraph (1) may be made through payroll deductions.

(B) TAX REFUNDS.—Under regulations prescribed by the Secretary, contributions under paragraph (1) may be made by an election to contribute all or a portion of the tax refund of the contributor.

(3) ANNUAL LIMITATION.—No contribution may be accepted under paragraph (1)—

(A) unless it is in cash,

(B) after the date on which the USAccount holder ceases to be a qualifying child, and

(C) except in the case of matching contributions under subsection (d), if such contribution would result in aggregate contributions for the calendar year exceeding $2,000.

(d) GOVERNMENT MATCHING CONTRIBUTION.—

(1) IN GENERAL.—Upon such showing as the Executive Director may require to establish the basis for certification, the Executive Director shall, with

respect to each private contribution to the account of an account holder which is made before such account holder attains age 18, certify to the Secretary the matching amount with respect to such contribution.

(2) MATCHING AMOUNT.—

(A) IN GENERAL.—For purposes of this subsection, the term ''matching amount'' means, an amount equal to 100 percent of private contributions to the USAccount of an individual during any calendar year beginning after the calendar year in which the USAccount is established, not in excess of $500 for the calendar year.

(B) PHASEOUT BASED ON EARNED INCOME CREDIT PHASEOUT.—The $500 in subparagraph (A) shall be reduced (but not below zero) by an amount equal to the phaseout percentage of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds the phaseout amount. For purposes of this paragraph, terms used in the preceding sentence which are used in section 32 of the Internal

Revenue Code of 1986 shall have the meanings given such terms by such section 32.

(3) PRIVATE CONTRIBUTION.—For purposes of this subsection, the term ''private contribution'' means a contribution accepted under subsection (c).

(e) DISTRIBUTIONS.—

(1) IN GENERAL.—No amount may be distributed from a USAccount before the date on which the account holder attains the age of 18.

(2) HIGHER EDUCATION EXPENSES.—Paragraph (1) shall not apply to amounts paid for qualified tuition and related expenses (as defined in section 25A(f)(1)) of the account holder if the account holder is an eligible student (as defined in section 25A(b)(3)) with respect to such expenses.

(3) ROLLOVER.—Distributions from a USAccount after the date on which the account holder attains the age of 18 which, within 60 days of such distribution, are transferred to an individual retirement plan (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986) of the account holder shall be treated as a rollover contribution which meets the requirements of section 408(d)(3) of such Code.

(4) ACCOUNT TERMINATION.—

(A) IN GENERAL.—On the date on which the account holder attains age 19, the account shall cease to be treated as a USAccount and any remaining funds in the account shall be distributed to the account holder's retirement savings vehicle established pursuant to the Presidential Memorandum on Retirement Savings Security issued January 28, 2014.

(B) SPECIAL RULE RELATING TO MYIRA.—Amounts transferred to a savings vehicle under subparagraph (A) may be distributed from such vehicles during the 10-year period beginning on the date of such transfer without any penalty under the Internal Revenue Code of 1986.

(f) RIGHTS OF LEGAL GUARDIAN.—Until the account holder of a USAccount attains age 18, any rights or duties of the account holder under this Act with respect to such account shall be exercised or performed by the legal guardian of such account holder.

(g) PRIVATE MANAGEMENT.—

(1) IN GENERAL.—The account holder of a USAccount may elect, under regulations prescribed by the Secretary, to transfer the USAccount to a trustee who meets the requirements of paragraph (2).

(2) TRUSTEE REQUIREMENTS.—A trustee meets the requirements of this paragraph if the trustee—

(A) is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the USAccount will be consistent with the requirements of this Act or who has so demonstrated with respect to any USAccount,

(B) agrees to a cap on its fees and costs, as determined by the Treasury, for the management of USAccounts,

(C) provides an investment fund that maximizes growth over time while minimizing risk, and

(D) provides the safeguards with respect to USAccounts required by the Secretary.

(3) ADDITIONAL REQUIREMENTS.—For purposes of this subsection, rules similar to the rules of paragraphs (3), (4), and (5) of section 408 of the Internal Revenue Code of 1986 shall apply.

(h) ADJUSTMENT FOR INFLATION.—

(1) IN GENERAL.—For each calendar year beginning after 2015, the dollar amounts under sec-

tions 3(d)(1), 4(c)(3)(C), and 4(d)(2) shall each be increased by such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code of 1986 determined by substituting ''calendar year 2014'' for ''calendar year 1992'' in subparagraph (B) thereof.

(2) ROUNDING.—If any amount adjusted under clause (i) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

SEC. 5. ASSIGNMENT, ALIENATION, AND TREATMENT OF DECEASED INDIVIDUALS.

(a) ASSIGNMENT AND ALIENATION.—Under regulations which shall be prescribed by the Executive Director, rules relating to assignment and alienation applicable under chapter 84 of title 5, United States Code, with respect to amounts held in accounts in the Thrift Savings Fund shall apply with respect to amounts held in USAccounts in the USAccount Fund.

(b) TREATMENT OF ACCOUNTS OF DECEASED INDIVIDUALS.—In the case of a deceased account holder of a USAccount which has an account balance greater than zero, upon receipt of notification of such individual's death, the Executive Director shall close the account and shall transfer the balance in such account to the duly appointed legal representative of the estate of the deceased account holder, or if there is no such representative, to the person or persons determined to be entitled thereto under the laws of the domicile of the deceased account holder.

SEC. 6. RULES GOVERNING USACCOUNTS RELATING TO INVESTMENT, ACCOUNTING, AND REPORTING.

(a) DEFAULT INVESTMENT PROGRAM.—The USAccount Fund Board shall establish a default investment program under which, in a manner similar to a lifecycle investment program, sums in each USAccount are allocated to investment funds in the USAccount Fund based on the amount of time before the account holder attains the age of 18. Each account holder of a USAccount shall be enrolled in such program unless such account holder, in such form and manner as prescribed by the Executive Director, elects otherwise.

(b) OTHER RULES.—

(1) IN GENERAL.—Under regulations which shall be prescribed by the Executive Director, and subject to the provisions of this Act, the following provisions shall apply with respect to the USAccount Fund and accounts maintained in such Fund in the same manner and to the same extent as such provisions relate to the Thrift Savings Fund and the accounts maintained in the Thrift Savings Fund:

(A) Section 8438 of title 5, United States Code (relating to investment of the Thrift Savings Fund).

(B) Section 8439(b) of such title (relating to engagement of independent qualified public accountant).

(C) Section 8439(c) of such title (relating to periodic statements and summary descriptions of investment options).

(D) Section 8439(d) of such title (relating to assumption of risk).

(2) APPLICATION RULES.—For purposes of paragraph (1), references in such sections 8438 and 8439 to an employee, Member, former employee, or former Member shall be deemed references to an account holder of a USAccount in the USAccount Fund.

(c) CONFIDENTIALITY AND DISCLOSURE.—

(1) IN GENERAL.—Except as otherwise authorized by Federal law, the USAccount Fund Board, the Executive Director, and any employee of the USAccount Fund Board shall not disclose information with respect to the USAccount Fund and or any account maintained in such Fund.

(2) DISCLOSURE TO DESIGNEE OF BENEFICIARY.—The Executive Director may, subject to such requirements and conditions as he may prescribe by regulations, disclose such information with respect to the USAccount of the beneficiary to such person or persons as the beneficiary may designate in a request for or consent to such disclosure, or to any other person at the beneficiary's request to the extent necessary to comply with a request for information or assistance made by the beneficiary to such other person.

SEC. 7. USACCOUNT FUND BOARD.

(a) IN GENERAL.—There is established in the executive branch of the Government a USAccount Fund Board.

(b) COMPOSITION, DUTIES, AND RESPONSIBILITIES.—Subject to the provisions of this Act, the following provisions shall apply with respect to the USAccount Fund Board in the same manner and to the same extent as such provisions relate to the Federal Retirement Thrift Investment Board:

(1) Section 8472 of title 5, United States Code (relating to composition of Federal Retirement Thrift Investment Board).

(2) Section 8474 of such title (relating to Executive Director).

(3) Section 8475 of such title (relating to investment policies).

(4) Section 8476 of such title (relating to administrative provisions).

SEC. 8. FIDUCIARY RESPONSIBILITIES.

(a) IN GENERAL.—Under regulations of the Secretary of Labor, the provisions of sections 8477 and 8478 of title 5, United States Code, shall apply in connection with the USAccount Fund and the accounts maintained in such Fund in the same manner and to the same extent as such provisions apply in connection with the Thrift Savings Fund and the accounts maintained in the Thrift Savings Fund.

(b) INVESTIGATIVE AUTHORITY.—Any authority available to the Secretary of Labor under section 504 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1134) is hereby made available to the Secretary of Labor, and any officer designated by the Secretary of Labor, to determine whether any person has violated, or is about to violate, any provision applicable under subsection (a).

(c) EXCULPATORY PROVISIONS; INSURANCE.—

(1) IN GENERAL.—Any provision in an agreement or instrument which purports to relieve a fiduciary from responsibility or liability for any responsi-

bility, obligation, or duty under this Act shall be void.

(2) INSURANCE.—Amounts in the USAccount Fund available for administrative expenses shall be available and may be used at the discretion of the Executive Director to purchase insurance to cover potential liability of persons who serve in a fiduciary capacity with respect to the Fund and accounts maintained therein, without regard to whether a policy of insurance permits recourse by the insurer against the fiduciary in the case of a breach of a fiduciary obligation.

SEC. 9. ACCOUNTS DISREGARDED IN DETERMINING ELIGIBILITY FOR FEDERAL BENEFITS.

Amounts in any USAccount 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.

SEC. 10. REPORTS.

The Executive Director, in consultation with the Secretary, shall annually transmit a written report to the Congress. Such report shall include—

(1) a detailed description of the status and operation of the USAccount Fund and the management of the USAccounts, and

(2) a detailed accounting of the administrative expenses in carrying out this Act, including the ratio of such administrative expenses to the balance of the USAccount Fund and the methodology adopted by the Executive Director for allocating such expenses among the USAccounts.

SEC. 11. TAX PROVISIONS.

(a) TAX TREATMENT OF USACCOUNTS.—Subchapter F of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

"PART IX—USACCOUNT FUND AND USACCOUNTS

"Sec. 530A. USAccount Fund and USAccounts.

"SEC. 530A. USACCOUNT FUND AND USACCOUNTS.

"(a) GENERAL RULE.—The USAccount Fund and USAccounts shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, a USAccount shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) DEFINITIONS.—For purposes of this section, the terms 'USAccount Fund' and 'USAccount' have the meanings given such terms by the USAccounts: Investing in America's Future Act of 2014.

"(c) TAX TREATMENT OF DISTRIBUTIONS.—Any amount paid or distributed out of a USAccount—

"(1) which meets the distribution rules of the USAccounts: Investing in America's Future Act of 2014 shall not be includible in gross income, and

"(2) which does not meet the distribution rules of section 4(d) of such Act shall be included in the gross income of the account holder.".

(b) ENFORCEMENT PROVISIONS RELATING TO PRIVATE MANAGEMENT OF USACCOUNTS.—

(1) EXCESS CONTRIBUTIONS.—Section 4973 of the Internal Revenue Code of 1986 is amended—

(A) by striking "or" at the end of subsection (a)(4), by inserting "or" at the end of subsection (a)(5), and by inserting after subsection (a)(5) the following new paragraph:

"(5) a USAccount subject to management under section 4(g) of the USAccounts: Investing in America's Future Act of 2014,", and

(B) by adding at the end the following new subsection:

"(h) EXCESS CONTRIBUTIONS TO PRIVATELY MANAGED USACCOUNTS.—For purposes of this section, in the case of a USAccount subject to management under section 4(g) of the USAccounts: Investing in America's Future Act of 2014, the term 'excess contributions' means the sum of—

"(1) the aggregate amount contributed for the taxable year to the account, and

"(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(A) the distributions out of the account, and

"(B) the excess (if any) of—

"(i) the maximum amount allowable as a contribution under section 4(c)(3)(C) of the USAccounts: Investing in America's Future Act of 2014 for the taxable year, over

"(ii) the amount contributed to the account for the taxable year.".

(2) PROHIBITED TRANSACTIONS.—Section 4975 of the Internal Revenue Code of 1986 is amended—

(A) by adding at the end of subsection (c) the following new paragraph:

"(7) SPECIAL RULE FOR USACCOUNTS.—An individual for whose benefit a USAccount subject to management under section 4(g) of the USAccounts: Investing in America's Future Act of 2014 shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a USAccount by reason of the application of section 530A(c)(2) to such account.'', and

(B) in subsection (e)(1) by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

''(G) a USAccount subject to management under section 4(g) of the USAccounts: Investing in America's Future Act of 2014,''.

(c) INCREASE IN CHILD TAX CREDIT.—

(1) IN GENERAL.—Section 24 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(g) USACCOUNT CONTRIBUTIONS.—For purposes of this section—

''(1) IN GENERAL.—The amount allowed as a credit under subsection (a) shall be increased by the USAccount contribution amount.

"(2) USACCOUNT CONTRIBUTION AMOUNT.—The term 'USAccount contribution amount' means with respect to each qualifying child the amount contributed by the taxpayer to the USAccount of the taxpayer for the taxable year which is taken into account under section 4(d)(2)(B)(i) of the USAccounts: Investing in America's Future Act of 2014.

"(3) LIMITATION.—The amount under paragraph (2) shall be reduced (but not below zero) under subsection (b)(1) in the same manner as the credit under subsection (a) is reduced under subsection (b)(1).

"(4) AMOUNT FULLY REFUNDABLE.—The aggregate credits allowed to the taxpayer under subpart C shall be increased by the amount of the increase under this subsection and such amount—

"(A) shall not be treated as a credit allowed under this subpart, and

"(B) shall reduce the amount of credit otherwise allowable under subsection (a) without regard to section 26(a).".

(2) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2014.

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