

113TH CONGRESS  
2D SESSION

# S. 2882

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for contributions to 529 plans, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18, 2014

Mr. McCONNELL introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow certain individuals a credit against income tax for contributions to 529 plans, 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 “Enhanced 529 - Set-  
5       ting Aside for a Valuable Education Act” or the “En-  
6       hanced 529 - S.A.V.E. Act”.

7       **SEC. 2. CREDIT FOR CONTRIBUTIONS TO 529 PLANS.**

8       (a) IN GENERAL.—Paragraph (1) of section 25B(d)  
9       of the Internal Revenue Code of 1986 is amended by strik-

1 ing “and” at the end of subparagraph (B)(ii), by striking  
 2 the period at the end of subparagraph (C) and inserting  
 3 “, and”, and by adding at the end the following new sub-  
 4 paragraph:

5                   “(D) the amount of the contributions to  
 6                   qualified tuition programs described in para-  
 7                   graph (2) made by the eligible individual.”.

8           (b) CONTRIBUTIONS TO QUALIFIED TUITION PRO-  
 9 GRAMS.—Subsection (d) of section 25B of the Internal  
 10 Revenue Code of 1986 is amended by redesignating para-  
 11 graph (2) as paragraph (3) and by inserting after para-  
 12 graph (1) the following new paragraph:

13                   “(2) CONTRIBUTIONS TO QUALIFIED TUITION  
 14                   PROGRAMS.—

15                   “(A) IN GENERAL.—The term ‘contribu-  
 16                   tions to qualified tuition programs’ means any  
 17                   purchase or contribution described in paragraph  
 18                   (1)(A) of section 529(b) to a qualified tuition  
 19                   program (as defined in such section) if—

20                   “(i) the eligible individual has the  
 21                   power to authorize distributions and other-  
 22                   wise administer the account, and

23                   “(ii) the designated beneficiary of  
 24                   such purchase or contribution is the eligi-  
 25                   ble individual, the eligible individual’s

1 spouse, or an individual with respect to  
2 whom the eligible individual is allowed a  
3 deduction under section 151.

4 “(B) LIMITATION BASED ON COMPENSA-  
5 TION.—The amount treated as a qualified sav-  
6 ings contribution by reason of subparagraph  
7 (A) for any taxable year shall not exceed the  
8 sum of—

9 “(i) the compensation (as defined in  
10 section 219(f)(1)) includible in the eligible  
11 individual’s gross income for the taxable  
12 year, and

13 “(ii) the amount excluded from the el-  
14 igible individual’s gross income under sec-  
15 tion 112 (relating to combat pay) for such  
16 year.

17 “(C) DETERMINATION OF ADJUSTED  
18 GROSS INCOME.—Solely for purposes of deter-  
19 mining the applicable percentage under sub-  
20 section (b) which applies with respect to the  
21 amount treated as contributions to qualified  
22 tuition programs, adjusted gross income (deter-  
23 mined without regard to this subparagraph)  
24 shall be increased by the excess (if any) of—

1 “(i) the social security benefits re-  
 2 ceived during the taxable year (within the  
 3 meaning of section 86), over

4 “(ii) the amount included in gross in-  
 5 come for such year under section 86.”.

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 25B of the Internal Revenue Code  
 8 of 1986 is amended by striking “qualified retirement  
 9 savings” each place it appears and inserting “quali-  
 10 fied savings”.

11 (2) The heading of subsection (d) of section  
 12 25B of such Code is amended by striking “RETIRE-  
 13 MENT”.

14 (3) Subparagraph (A) of section 25B(d)(3) of  
 15 such Code, as redesignated by subsection (a), is  
 16 amended—

17 (A) by striking “paragraph (1)” the first  
 18 place it appears and inserting “paragraph (1)  
 19 or (2)”, and

20 (B) by striking “paragraph (1)” the sec-  
 21 ond place it appears and inserting “paragraph  
 22 (1), or (2), as the case may be,”.

23 (4) The heading for section 25B of such Code  
 24 is amended by striking “**AND IRA CONTRIBU-**  
 25 **TIONS**” and inserting “, **IRA CONTRIBUTIONS,**

1       **AND QUALIFIED TUITION PROGRAM CONTRIBU-**  
 2       **TIONS”**.

3           (5) The table of sections for subpart A of part  
 4       IV of subchapter A of chapter 1 of such Code is  
 5       amended by striking the item relating to section 25B  
 6       and inserting the following new item:

“Sec. 25B. Elective deferrals, IRA contributions, and qualified tuition program  
 contributions by certain individuals.”.

7       (d) **EFFECTIVE DATE.**—The amendments made by  
 8       this section shall apply to contributions made after De-  
 9       cember 31, 2014, in taxable years ending after such date.

10   **SEC. 3. EXCLUSION FROM GROSS INCOME FOR EMPLOYER**  
 11                   **CONTRIBUTIONS TO QUALIFIED TUITION**  
 12                   **PROGRAMS.**

13       (a) **IN GENERAL.**—Part III of subchapter B of chap-  
 14       ter 1 of the Internal Revenue Code of 1986 is amended  
 15       by inserting after section 127 the following new section:

16   **“SEC. 127A. EMPLOYER CONTRIBUTIONS TO QUALIFIED**  
 17                   **TUITION PROGRAMS.**

18       “(a) **IN GENERAL.**—Gross income of an employee  
 19       does not include amounts paid by the employer as con-  
 20       tributions to a qualified tuition program held by the em-  
 21       ployee or spouse of the employee if the contributions are  
 22       made pursuant to a program which is described in sub-  
 23       section (c).

1       “(b) MAXIMUM EXCLUSION.—The amount excluded  
 2 from the gross income of an employee under this section  
 3 for the taxable year shall not exceed \$600.

4       “(c) QUALIFIED TUITION ASSISTANCE PROGRAM.—  
 5 For purposes of this section, a qualified tuition assistance  
 6 program is a separate written plan of an employer for the  
 7 benefit of such employer’s employees—

8               “(1) under which the employer makes matching  
 9 contributions to qualified tuition programs of—

10                       “(A) such employees,

11                       “(B) their spouses, or

12                       “(C) any individual with respect to whom  
 13 such an employee or spouse—

14                               “(i) is allowed a deduction under sec-  
 15 tion 151, and

16                               “(ii) has the power to authorize dis-  
 17 tributions and otherwise administer such  
 18 individual’s account under the qualified  
 19 tuition program, and

20               “(2) which meets requirements similar to the  
 21 requirements of paragraphs (2), (3), (4), (5), and  
 22 (6) of section 127(b).

23       “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
 24 poses of this section—

1           “(1) QUALIFIED TUITION PROGRAM.—The term  
2           ‘qualified tuition program’ means a qualified tuition  
3           program as defined in section 529(b).

4           “(2) EMPLOYEE AND EMPLOYER.—The terms  
5           ‘employee’ and ‘employer’ shall have the meaning  
6           given such terms by paragraphs (2) and (3), respec-  
7           tively, of section 127(c).

8           “(3) APPLICABLE RULES.—Rules similar to the  
9           rules of paragraphs (4), (5), (6), and (7) of section  
10          127(c) shall apply.

11          “(e) INFLATION ADJUSTMENT.—

12           “(1) IN GENERAL.—In the case of any taxable  
13          year beginning in a calendar year after 2015, the  
14          \$600 amount contained in subsection (b)(1) shall be  
15          increased by an amount equal to—

16                   “(A) such dollar amount, multiplied by

17                   “(B) the cost-of-living adjustment deter-  
18                  mined under section 1(f)(3) for the calendar  
19                  year in which the taxable year begins, deter-  
20                  mined by substituting ‘calendar year 2014’ for  
21                  ‘calendar year 1992’ in subparagraph (B)  
22                  thereof.

23          Any increase determined under the preceding sen-  
24          tence shall be rounded to the nearest multiple of  
25          \$50.

1       “(f) CROSS REFERENCE.—For reporting and record-  
2 keeping requirements, see section 6039D.”.

3       (b) EXCLUSION FROM EMPLOYMENT TAXES.—

4           (1) Sections 3121(a)(18), 3306(b)(13), and  
5 3401(a)(18) of such Code are each amended by in-  
6 serting “, 127A” after “127” each place it appears.

7           (2) Section 3231(e)(6) of such Code is amended  
8 by striking “section 127” and inserting “section 127  
9 or 127A”.

10       (c) REPORTING AND RECORDKEEPING REQUIRE-  
11 MENTS.—Section 6039D(d)(1) of such Code is amended  
12 by inserting “, 127A” after “127”.

13       (d) OTHER CONFORMING AMENDMENTS.—

14           (1) Sections 125(f), 414(n)(3)(C), and  
15 414(t)(2) of such Code are each amended by insert-  
16 ing “, 127A” after “127” each place it appears.

17           (2) Section 132(j)(8) of such Code is amended  
18 by striking “section 127” and inserting “section 127  
19 or 127A”.

20           (3) Section 1397(a)(2)(A) of such Code is  
21 amended by inserting at the end the following new  
22 clause:

23                           “(iii) Any amount paid or incurred by  
24 an employer which is excludable from the  
25 gross income of an employee under section

1                   127A, but only to the extent paid or in-  
 2                   curred to a person not related to the em-  
 3                   ployer.”.

4                   (4) Section 209(a)(15) of the Social Security  
 5                   Act (42 U.S.C. 409(a)(15)) is amended by striking  
 6                   “or 129” and inserting “, 127A, or 129”.

7                   (e) CLERICAL AMENDMENT.—The table of sections  
 8                   for part III of subchapter B of chapter 1 of such Code  
 9                   is amended by inserting after the item relating to section  
 10                  127 the following new item:

                  “Sec. 127A. Employer contributions to qualified tuition programs.”.

11                  (f) EFFECTIVE DATE.—The amendments made by  
 12                  this section shall apply to taxable years beginning after  
 13                  the date of the enactment of this Act.

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