

113TH CONGRESS
2D SESSION

S. 2892

To amend the Internal Revenue Code of 1986 to improve and expand
Coverdell education savings accounts.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18, 2014

Mr. KIRK (for himself and Mr. VITTER) 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 improve
and expand Coverdell education savings accounts.

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 “401(Kids) Education
5 Savings Account Act of 2014”.

6 **SEC. 2. ELIMINATION OF INCOME-BASED REDUCTION IN**
7 **PERMITTED CONTRIBUTIONS TO COVERDELL**
8 **EDUCATION SAVINGS ACCOUNTS.**

9 Paragraph (1) of section 530(c) of the Internal Rev-
10 enue Code of 1986 is amended by striking “to an account

1 under this section” and inserting “to an account under
 2 this section in a taxable year beginning before January
 3 1, 2015,”.

4 **SEC. 3. INCREASE IN ANNUAL CONTRIBUTION LIMITATION**
 5 **FOR COVERDELL EDUCATION SAVINGS AC-**
 6 **COUNTS.**

7 (a) IN GENERAL.—Clause (iii) of section
 8 530(b)(1)(A) of the Internal Revenue Code of 1986 is
 9 amended by striking “\$2,000” and inserting “the dollar
 10 amount in effect under section 2503(b) (relating to exclu-
 11 sion from gifts) for the taxable year”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 this section shall apply to contributions made in taxable
 14 years beginning after December 31, 2014.

15 **SEC. 4. ALLOWANCE OF HOME SCHOOL EXPENSES AS**
 16 **QUALIFIED EDUCATION EXPENSES FOR PUR-**
 17 **POSES OF A COVERDELL EDUCATION SAV-**
 18 **INGS ACCOUNT.**

19 (a) IN GENERAL.—Paragraph (3) of section 530(b)
 20 of the Internal Revenue Code of 1986 is amended by add-
 21 ing at the end the following new subparagraph:

22 “(C) PRIVATE SCHOOL.—For purposes of
 23 this section, the term ‘private school’ includes
 24 any home school that meets the requirements of
 25 State law applicable to such home schools,

1 whether or not such school is deemed a private
2 school for purposes of State law.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 2014.

6 **SEC. 5. QUALIFIED DISTRIBUTIONS FROM A COVERDELL**
7 **EDUCATION SAVINGS ACCOUNT FOR FIRST**
8 **HOME PURCHASES.**

9 (a) **IN GENERAL.**—Paragraph (1) of section 530(b)
10 of the Internal Revenue Code of 1986 is amended by strik-
11 ing “qualified education expenses” and inserting “quali-
12 fied expenses”.

13 (b) **QUALIFIED EXPENSES.**—Subsection (b) of sec-
14 tion 530 of the Internal Revenue Code of 1986, as amend-
15 ed by this Act, is amended by redesignating paragraphs
16 (2), (3), and (4) as paragraphs (4), (5), and (6), respec-
17 tively, and by inserting after paragraph (1) the following
18 new paragraphs:

19 “(2) **QUALIFIED EXPENSES.**—The term ‘quali-
20 fied expenses’ means—

21 “(A) qualified first-time homebuyer ex-
22 penses, and

23 “(B) qualified education expenses.

24 “(3) **QUALIFIED FIRST-TIME HOMEBUYER EX-**
25 **PENSES.**—

1 “(A) IN GENERAL.—The term ‘qualified
2 first-time homebuyer expenses’ means, in the
3 case of a designated beneficiary who is a first-
4 time homebuyer, the qualified acquisition costs
5 with respect to a principal residence of such
6 beneficiary.

7 “(B) DEFINITIONS.—The terms ‘first-time
8 homebuyer’, ‘qualified acquisition costs’, and
9 ‘principal residence’ have the same meaning as
10 when used in section 72(t)(8).”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) Paragraph (4)(A)(ii) of section 530(b) of
13 the Internal Revenue Code of 1986, as redesignated
14 by subsection (b), is amended by striking “as de-
15 fined in paragraph (3)” and inserting “as defined in
16 paragraph (5)”.

17 (2) Subparagraphs (A), (B), and (D) of section
18 530(d)(1) of such Code are each amended by strik-
19 ing “qualified education expenses” each place it ap-
20 pears and inserting “qualified expenses”.

21 (3) The heading of paragraph (2) of section
22 530(d) of such Code is amended by striking “EDU-
23 CATION EXPENSES” and inserting “EXPENSES”.

1 (4) The heading of paragraph (4) of section
 2 530(d) of such Code is amended by striking “EDU-
 3 CATIONAL EXPENSES” and inserting “EXPENSES”.

4 (5) Subclause (I) of section 529(c)(3)(B)(vi) of
 5 such Code is amended by striking “to which clauses
 6 (i) and (ii) and section 530(d)(2)(A) apply” and in-
 7 serting “for qualified higher education expenses to
 8 which clauses (i) and (ii) apply and for qualified
 9 education expenses to which section 530(d)(2)(A)
 10 applies”.

11 (6) Clause (vi) of section 529(c)(3)(B) of such
 12 Code is amended by striking “and section
 13 530(d)(2)(A).” and inserting “and the amount of
 14 the exclusion with respect to qualified education ex-
 15 penses under section 530(d)(2)(A).”.

16 (d) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to distributions made in taxable
 18 years beginning after December 31, 2014.

19 **SEC. 6. QUALIFIED ROLLOVER CONTRIBUTIONS FROM**
 20 **COVERDELL EDUCATION SAVINGS ACCOUNTS**
 21 **TO ROTH IRAS.**

22 (a) IN GENERAL.—Paragraph (5) of section 530(d)
 23 of the Internal Revenue Code of 1986 is amended by in-
 24 serting “, or into a Roth IRA of the beneficiary” after
 25 “as of such date”.

1 (b) CONFORMING AMENDMENT; TECHNICAL COR-
 2 RECTION.—Paragraph (1) of section 408A(e) of the Inter-
 3 nal Revenue Code of 1986 is amended to read as follows:

4 “(1) IN GENERAL.—The term ‘qualified rollover
 5 contribution’ means a rollover contribution to a Roth
 6 IRA from another such account, from an eligible re-
 7 tirement plan (as defined in section 402(c)(8)(B)),
 8 or from a Coverdell education savings account (as
 9 defined in section 530(b)(1)), but only if—

10 “(A) such rollover contribution meets the
 11 requirements of section 408(d)(3),

12 “(B) in the case of a rollover contribution
 13 from an eligible retirement plan described in
 14 clause (iii), (iv), (v), or (vi) of section
 15 402(c)(8)(B), such contribution meets the re-
 16 quirements of section 402(c), 403(b)(8), or
 17 457(e)(16), whichever is applicable, and

18 “(C) in the case of a rollover contribution
 19 from a Coverdell education savings account,
 20 such contribution meets the requirements of
 21 section 530(d)(5).

22 For purposes of section 408(d)(3)(B), there shall be
 23 disregarded any qualified rollover contribution from
 24 an individual retirement plan (other than a Roth
 25 IRA) to a Roth IRA.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to rollover contributions made in
3 taxable years beginning after December 31, 2014.

