

114TH CONGRESS
1ST SESSION

H. R. 1125

To amend the Internal Revenue Code of 1986 to provide for tax preferred savings accounts for individuals under age 18, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2015

Mr. HANNA (for himself and Mr. KIND) 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 provide for tax preferred savings accounts for individuals under age 18, 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 “Start Saving Sooner
5 Act of 2015”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Studies indicate that children as young as
9 3 years old are able to grasp financial concepts and

1 that basic financial habits are largely formulated by
2 age 7.

3 (2) Research shows that children born to low-
4 income parents who are good financial savers are
5 more likely to move up the economic ladder than
6 children from low-income households that do not
7 save. According to a 2011 study controlled for in-
8 come and demographic factors, youth who own fi-
9 nancial accounts are 7 times more likely to attend
10 college.

11 (3) If tax-advantaged retirement accounts such
12 as Roth IRAs could be opened for children between
13 the ages of zero and 18, these individuals are likely
14 to acquire substantially more tax-free assets by re-
15 tirement age than their peers.

16 (4) Children who possess retirement accounts
17 from a young age will benefit from longer exposure
18 to compound interest and can be expected to attain
19 higher levels of financial literacy, college graduation
20 and retirement security in adulthood.

21 (5) Greater private retirement savings for
22 Americans of all ages will increase personal financial
23 security and responsibility, reducing the likelihood
24 that seniors will need to rely solely on Social Secu-
25 rity for their retirement income.

1 (6) Federal policy should better enable parents,
 2 guardians and families of all income levels to encour-
 3 age youth saving and investment for retirement at
 4 an earlier age.

5 (7) Federal policy should help create retirement
 6 savings incentives for low-income Americans because
 7 studies show that low-income Americans will save
 8 more for retirement if there are incentives and
 9 structures in place to help them do so. A refundable
 10 incentive like the Saver’s Credit would reach 50 mil-
 11 lion low-income households—nearly 10 times the
 12 number a non-refundable credit reaches.

13 **SEC. 3. YOUNG SAVERS ACCOUNT.**

14 (a) ESTABLISHMENT OF ACCOUNTS.—

15 (1) IN GENERAL.—Section 408A of the Internal
 16 Revenue Code of 1986 is amended by adding at the
 17 end the following new subsection:

18 “(g) YOUNG SAVERS ACCOUNT.—

19 “(1) IN GENERAL.—Except as provided in this
 20 subsection, a young savers account shall be treated
 21 in the same manner as a Roth IRA.

22 “(2) YOUNG SAVERS ACCOUNT.—For purposes
 23 of this subsection, the term ‘young savers account’
 24 means, with respect to any taxable year, a Roth IRA
 25 which is maintained on behalf of an individual who

1 has not attained age 18 before the close of the tax-
2 able year and which is designated (in such manner
3 as the Secretary may prescribe) at the time of estab-
4 lishment as a young savers account.

5 “(3) CONTRIBUTION LIMITS.—In the case of
6 any contributions for any taxable year to 1 or more
7 young savers accounts maintained on behalf of an
8 individual, each of the following contribution limits
9 for the taxable year shall be increased as follows:

10 “(A) The contribution limit applicable to
11 the individual under subsection (c)(2) shall be
12 increased by the aggregate amount of qualified
13 young saver contributions to such accounts for
14 the taxable year.

15 “(B) The contribution limits applicable to
16 the young savers accounts under subsection
17 (a)(1) or (b)(2)(B) of section 408, whichever is
18 applicable, shall be increased by the deductible
19 amount in effect under section 219(b)(5) for
20 such taxable year (determined without regard to
21 subparagraph (B) thereof).

22 “(4) QUALIFIED YOUNG SAVER CONTRIBU-
23 TIONS.—For purposes of this subsection—

24 “(A) IN GENERAL.—The term ‘qualified
25 young saver contribution’ means a contribution

1 by an individual (with respect to whom a young
2 savers account is not maintained during the
3 taxable year) to a young savers account main-
4 tained on behalf of another individual.

5 “(B) LIMITATIONS.—

6 “(i) LIMIT ON ACCOUNTS WITH RE-
7 SPECT TO INDIVIDUAL.—The aggregate
8 amount of contributions which may be
9 made for any taxable year to all young sav-
10 ers accounts maintained on behalf of an in-
11 dividual shall not exceed the deductible
12 amount in effect for the taxable year under
13 section 219(b)(5) (determined without re-
14 gard to subparagraph (B) thereof).

15 “(ii) LIMIT ON CONTRIBUTORS.—The
16 aggregate amount of qualified young saver
17 contributions an individual may make for
18 any taxable year to all young savers ac-
19 counts shall not exceed the deductible
20 amount in effect for the taxable year under
21 section 219(b)(5) (determined without re-
22 gard to subparagraph (B) thereof), re-
23 duced by any contributions made by or on
24 behalf of the individual to any Roth IRA
25 maintained on behalf of the individual.”.

1 (b) ELIGIBLE FOR SAVERS CREDIT.—Paragraph (1)
 2 of section 25B(d) of such Code is amended by striking
 3 “and” at the end of subparagraph (B)(ii), by striking the
 4 period at the end of subparagraph (C) and inserting “,
 5 and”, and by adding at the end the following new subpara-
 6 graph:

7 “(D) the amount of any contribution to a
 8 young savers account.”.

9 (c) REFUND PAYABLE TO YOUNG SAVERS AC-
 10 COUNT.—

11 (1) IN GENERAL.—Subchapter B of chapter 65
 12 of the Internal Revenue Code of 1986 is amended by
 13 adding at the end the following new section:

14 **“SEC. 6433. YOUNG SAVERS ACCOUNT REFUND PAYMENT.**

15 “In the case of any overpayment (or portion thereof)
 16 which is attributable to a credit allowed to an individual
 17 under section 25B by reason of a contribution to a young
 18 savers account, the Secretary shall pay the amount of such
 19 overpayment (or such portion) into the young savers ac-
 20 count to which such contribution was made. The Secretary
 21 shall prescribe such regulations as may be necessary to
 22 carry out the purposes of this section.”.

23 (2) CLERICAL AMENDMENT.—The table of sec-
 24 tions for subchapter B of chapter 65 of such Code

1 is amended by adding at the end the following new
2 item:

“Sec. 6433. Young savers account refund payment.”.

3 (d) YOUNG SAVERS ACCOUNT INFORMATION IN-
4 CLUDED WITH APPLICATION FOR SOCIAL SECURITY
5 CARD.—The Commissioner of Social Security, in consulta-
6 tion with the Secretary of the Treasury, shall include with
7 materials relating to the application for a social security
8 card information describing young savers accounts (as de-
9 fined in section 408A(g)(2) of the Internal Revenue Code
10 of 1986) and related tax benefits.

11 (e) ACCOUNT FUNDS DISREGARDED FOR PURPOSES
12 OF ALL MEANS TESTED FEDERAL PROGRAMS.—Notwith-
13 standing any other provision of Federal law, assets accu-
14 mulated in young savers accounts (within the meaning of
15 section 408A(g) of the Internal Revenue Code of 1986)
16 shall not be taken into account in determining any individ-
17 ual’s or household’s financial eligibility for, or amount of,
18 any benefit or service, paid for in whole or in part with
19 Federal funds, including student financial aid.

20 (f) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2014.

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