

114TH CONGRESS
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H. R. 4236

To promote savings by providing a tax credit for eligible taxpayers who contribute to savings products and to facilitate taxpayers receiving this credit and open a designated savings product when they file their Federal income tax returns.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 10, 2015

Mr. SERRANO (for himself, Mr. CROWLEY, Mr. ELLISON, Mr. HINOJOSA, Ms. MENG, Mr. PIERLUISI, Mr. CARTWRIGHT, Mr. NOLAN, Ms. DeLAURO, Mr. VARGAS, Ms. ROYBAL-ALLARD, Ms. MICHELLE LUJAN GRISHAM of New Mexico, Mr. BEN RAY LUJÁN of New Mexico, Mr. JEFFRIES, Ms. CLARKE of New York, Ms. VELÁZQUEZ, and Mr. HASTINGS) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To promote savings by providing a tax credit for eligible taxpayers who contribute to savings products and to facilitate taxpayers receiving this credit and open a designated savings product when they file their Federal income tax returns.

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 “Financial Security
5 Credit Act of 2015”.

1 **SEC. 2. FINDINGS.**

2 Congress finds the following:

3 (1) United States households are experiencing
4 significant levels of financial vulnerability, character-
5 ized by a lack of personal savings. The personal sav-
6 ings rate reached historic lows in the past decade,
7 and a lack of personal savings was a major contrib-
8 utor to the recession of 2007–2009, and to the slow
9 recovery of ensuing years.

10 (2) Households continue to lack the savings or
11 structures to meet short-term and long-term needs,
12 as evidenced by the following:

13 (A) According to the Employee Benefit Re-
14 search Institute, among full-time, full-year wage
15 and salary workers ages 21–64, only 54.5 per-
16 cent participated in a retirement plan in 2013.

17 (B) According to the Federal Deposit In-
18 surance Corporation 2013 Survey of Unbanked
19 and Underbanked Households, an estimated 7.7
20 percent of United States households are
21 unbanked. These households do not have a
22 checking or savings account. In total, 31.2 per-
23 cent of households do not have a savings ac-
24 count.

25 (C) According to the Pew Charitable
26 Trusts, the majority of American households

1 (55 percent) are savings-limited, meaning they
2 can replace less than one month of their income
3 through liquid savings.

4 (3) Financial shocks are common and savings
5 make households more resilient to financial shocks
6 and more upwardly mobile, as evidenced by the fol-
7 lowing:

8 (A) Substantial fluctuations in family in-
9 come are the norm. In any given 2-year period,
10 nearly half of households experience an income
11 gain or drop of more than 25 percent, a rate
12 of volatility that has been relatively constant
13 since 1979.

14 (B) Even small sums of savings, \$2,000 or
15 less, have been shown to significantly reduce
16 the incidence of negative financial or material
17 outcomes, such as foregoing adequate nutrition.

18 (C) Children born to low-income, high-sav-
19 ing parents are much more likely (71 percent)
20 to move up the economic ladder than children
21 born to low-income, low-saving parents (50 per-
22 cent) over a generation.

23 (4) Emergency savings are necessary to protect
24 retirement savings from early, penalized withdrawals
25 and to support long-term retirement security.

1 (5) Successful pilot programs administered
 2 through local Volunteer Income Tax Assistance sites
 3 in cities as diverse as Houston, Texas; Newark, New
 4 Jersey; New York City, New York; San Antonio,
 5 Texas; and Tulsa, Oklahoma, have shown that tax
 6 filers with low incomes can and will save when pre-
 7 sented with the right incentive at the right moment
 8 and access to an account. The potential of increas-
 9 ing savings at tax time among low- and moderate-
 10 income households has been further validated by the
 11 low-touch, large-scale pilot Refund to Savings.

12 (6) It is in the economic interests of the United
 13 States to promote savings among all members of so-
 14 ciety, regardless of income.

15 **SEC. 3. FINANCIAL SECURITY CREDIT.**

16 (a) IN GENERAL.—Subpart C of part IV of sub-
 17 chapter A of chapter 1 of the Internal Revenue Code of
 18 1986 is amended by inserting after section 36B the fol-
 19 lowing new section:

20 **“SEC. 36C. FINANCIAL SECURITY CREDIT.**

21 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 22 lowed as a credit against the tax imposed by this subtitle
 23 for a taxable year an amount equal to the lesser of—

24 “(1) \$500, or

1 “(2) 50 percent of the total amount deposited
2 or contributed by the taxpayer in accordance with
3 subsection (b)(1) into designated savings products
4 during such taxable year.

5 “(b) LIMITATIONS.—

6 “(1) CREDIT MUST BE DEPOSITED IN OR CON-
7 TRIBUTED TO DESIGNATED SAVINGS PRODUCT.—No
8 amount shall be allowed as a credit under subsection
9 (a) for a taxable year unless the taxpayer designates
10 on the taxpayer’s return of tax for the taxable year
11 that the amount of the credit for such taxable year
12 be deposited in or contributed to one or more des-
13 ignated savings products of the taxpayer and the
14 Secretary makes such deposits or contributions to
15 the designated savings products.

16 “(2) LIMITATION BASED ON ADJUSTED GROSS
17 INCOME.—

18 “(A) IN GENERAL.—The amount of the
19 credit allowable under subsection (a) shall be
20 reduced (but not below zero) by an amount
21 which bears the same ratio to the amount of
22 such credit (determined without regard to this
23 paragraph) as—

1 “(i) the amount by which the tax-
2 payer’s adjusted gross income exceeds the
3 threshold amount, bears to

4 “(ii) \$15,000.

5 “(B) THRESHOLD AMOUNT.—For purposes
6 of subparagraph (A), the term ‘threshold
7 amount’ means—

8 “(i) \$55,500 in the case of a joint re-
9 turn,

10 “(ii) \$41,625 in the case of an indi-
11 vidual who is not married, and

12 “(iii) 50 percent of the dollar amount
13 in effect under clause (i) in the case of a
14 married individual filing a separate return.

15 For purposes of this subparagraph, marital sta-
16 tus shall be determined under section 7703.

17 “(c) DESIGNATED SAVINGS PRODUCT.—For pur-
18 poses of this section, the term ‘designated savings product’
19 means any of the following:

20 “(1) A qualified retirement plan (as defined in
21 section 4974(c)).

22 “(2) A qualified tuition program (as defined in
23 section 529).

24 “(3) A Coverdell education savings account (as
25 defined in section 530).

1 “(4) A United States savings bond.

2 “(5) A certificate of deposit (or similar class of
3 deposit) with a duration of at least 8 months.

4 “(6) A savings account.

5 “(7) Any other type of savings product consid-
6 ered to be appropriate by the Secretary for the pur-
7 poses of this section.

8 “(d) SPECIAL RULES.—

9 “(1) TAX REFUNDS TREATED AS DEPOSITED
10 OR CONTRIBUTED IN CURRENT TAXABLE YEAR.—

11 For purposes of subsection (a)(2), the amount of
12 any overpayment of taxes refunded to the taxpayer
13 (reduced by any amount attributable to the credit al-
14 lowed under this section by reason of being consid-
15 ered as an overpayment by section 6401(b)) and
16 designated for deposit in or contribution to a des-
17 ignated savings product of the taxpayer shall be
18 treated as an amount deposited or contributed in the
19 taxable year in which so deposited or contributed.

20 “(2) MAINTENANCE OF DEPOSIT.—No con-
21 tribution or deposit shall be taken into account
22 under subsection (a) unless such contribution or de-
23 posit remains in the designated savings product for
24 not less than 8 continuous months.

1 “(3) REDUCTION IN DEPOSITS IN DESIGNATED
2 SAVINGS PRODUCTS.—

3 “(A) IN GENERAL.—The amount of depos-
4 its or contributions taken into account under
5 subsection (a) shall be reduced (but not below
6 zero) by the aggregate amount of distributions
7 (other than interest from designated savings
8 products specified in paragraphs (4), (5), (6),
9 and (7) of subsection (c)) from all designated
10 savings products of the taxpayer during the
11 testing period. The preceding sentence shall not
12 apply to the portion of any distribution which
13 is not includible in gross income by reason of
14 a trustee-to-trustee transfer or a rollover dis-
15 tribution.

16 “(B) TESTING PERIOD.—For purposes of
17 subparagraph (A), the testing period, with re-
18 spect to a taxable year, is the period which in-
19 cludes—

20 “(i) such taxable year,

21 “(ii) the 2 preceding taxable years,

22 and

23 “(iii) the period after such taxable
24 year and before the due date (including ex-

1 tensions) for filing the return of tax for
2 such taxable year.

3 “(C) OTHER RULES.—Rules similar to
4 subparagraphs (C) and (D) of section
5 25B(d)(2) shall apply for purposes of this para-
6 graph.

7 “(4) DENIAL OF DOUBLE BENEFIT.—No credit
8 shall be allowed under section 25B with respect to
9 any deposit for which a credit is allowed under this
10 section.

11 “(5) COORDINATION WITH OTHER REFUND-
12 ABLE CREDITS.—The credit allowed by subsection
13 (a) shall be taken into account after taking into ac-
14 count the credits allowed by (or treated as allowed
15 by) this subpart (other than this section).

16 “(e) INFLATION ADJUSTMENTS.—

17 “(1) CREDIT LIMIT.—In the case of any taxable
18 year beginning in a calendar year after 2016, the
19 dollar amount in subsection (a)(1) shall be increased
20 by an amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for the calendar
24 year in which the taxable year begins, deter-
25 mined by substituting ‘calendar year 2015’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 “(2) AGI THRESHOLDS.—In the case of any
4 taxable year beginning in a calendar year after
5 2016, each of the dollar amounts in clauses (i) and
6 (ii) of subsection (b)(2)(B) shall be increased by an
7 amount equal to—

8 “(A) such dollar amount, multiplied by

9 “(B) the cost-of-living adjustment deter-
10 mined under section 1(f)(3) for the calendar
11 year in which the taxable year begins, deter-
12 mined by substituting ‘calendar year 2015’ for
13 ‘calendar year 1992’ in subparagraph (B)
14 thereof.

15 “(3) ROUNDING.—

16 “(A) CREDIT LIMIT.—If any increase
17 under paragraph (1) is not a multiple of \$10,
18 such increase shall be rounded to the next low-
19 est multiple of \$10.

20 “(B) AGI THRESHOLDS.—If any increase
21 under paragraph (1) is not a multiple of \$100,
22 such increase shall be rounded to the next low-
23 est multiple of \$100.

24 “(f) REGULATIONS.—Not later than 12 months from
25 date of enactment of this section, the Secretary shall issue

1 such regulations or other guidance as the Secretary deter-
 2 mines necessary or appropriate to carry out this section,
 3 including regulations or guidance—

4 “(1) to ensure that designated savings products
 5 are subject to appropriate reporting requirements,
 6 including the reporting of contributions and other
 7 deposits during the calendar year, end of calendar
 8 year account balances, and earnings from designated
 9 savings products specified in paragraphs (4), (5),
 10 (6), and (7) of subsection (c),

11 “(2) to carry out the maintenance of deposit
 12 provisions under subsection (d)(2), and

13 “(3) to prevent avoidance of the purposes of
 14 this subsection.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 1324(b)(2) of title 31, United
 17 States Code, is amended by inserting “36C,” after
 18 “36B,”.

19 (2) The table of sections for subpart C of part
 20 IV of subchapter A of chapter 1 of the Internal Rev-
 21 enue Code of 1986 is amended by inserting after the
 22 item relating to section 36C the following new item:

“Sec. 36C. Financial security credit.”.

23 (c) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to taxable years beginning after
 25 December 31, 2015.

1 **SEC. 4. OPENING OF ACCOUNTS ON FEDERAL INCOME TAX**
2 **RETURNS TO FACILITATE SAVINGS.**

3 (a) NOTIFICATION OF OPTION.—

4 (1) IN GENERAL.—The Commissioner of Inter-
5 nal Revenue shall notify individuals who may qualify
6 for a credit under section 36C of the Internal Rev-
7 enue Code of 1986 but fail to provide sufficient in-
8 formation to allow the Secretary to deposit or con-
9 tribute the credit amount to a designated savings
10 product that they have the option of an electronic di-
11 rect deposit and that they may be eligible for the fi-
12 nancial security credit under section 36C of such
13 Code if they deposit a refund or a portion of their
14 refund in any designated savings product.

15 (2) METHOD OF NOTIFICATION.—The notifica-
16 tion under paragraph (1) shall be made through—

17 (A) a public awareness program under-
18 taken by the Secretary of the Treasury, in con-
19 cert with the Commissioner of Internal Revenue
20 and others as necessary, beginning not later
21 than 6 months after the date of the enactment
22 of this Act;

23 (B) tax return preparers and low-income
24 taxpayer clinics; and

1 (C) the inclusion of such a notice in the in-
2 struction material for any Federal income tax
3 return.

4 (b) ESTABLISHMENT OF DESIGNATED ACCOUNT
5 PROGRAM.—The Secretary of the Treasury shall develop,
6 in consultation with the Federal Management System, a
7 program to minimize the delivery of non-electronic Federal
8 income tax refunds by depositing refunds electronically to
9 a safe, low-cost account held by a depository institution.
10 This program shall include—

11 (1) provisions for such tax refunds to be depos-
12 ited into a designated account;

13 (2) establishment of account parameters with
14 respect to minimum balance requirements, limita-
15 tions on overdrafts, overdraft fees, other fees, and
16 additional requirements;

17 (3) establishment of means for the taxpayer to
18 access the account electronically and to have timely,
19 direct access to the funds in the account; and

20 (4) provisions to allow taxpayers to open an ac-
21 count with their Federal income tax refunds through
22 financial service providers, so long such account is
23 held at a depository institution insured under the
24 Federal Deposit Insurance Act or a credit union in-
25 sured under the Federal Credit Union Act.

1 (c) EFFECTIVE DATE.—The notification under sub-
2 section (a) and the program under subsection (b) shall be
3 effective with respect to Federal income tax returns for
4 taxable years beginning after December 31, 2015.

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