

114TH CONGRESS  
1ST SESSION

# S. 1262

To amend the Internal Revenue Code of 1986 to establish tax-preferred  
Small Business Start-up Savings Accounts.

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IN THE SENATE OF THE UNITED STATES

MAY 7, 2015

Ms. HIRONO 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 establish  
tax-preferred Small Business Start-up 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 “Small Business Start-  
5       up Savings Accounts Act of 2015”.

6       **SEC. 2. ESTABLISHMENT OF SMALL BUSINESS START-UP**  
7       **SAVINGS ACCOUNTS.**

8       (a) IN GENERAL.—Subpart A of part I of subchapter  
9       D of chapter 1 of the Internal Revenue Code of 1986 is

1 amended by inserting after section 408A the following new  
2 section:

3 **“SEC. 408B. SMALL BUSINESS START-UP SAVINGS AC-**  
4 **COUNTS.**

5 “(a) GENERAL RULE.—Except as provided in this  
6 section, a Small Business Start-up Savings Account shall  
7 be treated for purposes of this title in the same manner  
8 as an individual retirement plan.

9 “(b) SMALL BUSINESS START-UP SAVINGS AC-  
10 COUNT.—For purposes of this title, the term ‘Small Busi-  
11 ness Start-up Savings Account’ means an individual re-  
12 tirement plan which is designated (in such manner as the  
13 Secretary may prescribe) at the time of establishment of  
14 the plan as a Small Business Start-up Savings Account.

15 “(c) TREATMENT OF CONTRIBUTIONS.—

16 “(1) NO DEDUCTION ALLOWED.—No deduction  
17 shall be allowed under section 219 for a contribution  
18 to a Small Business Start-up Savings Account.

19 “(2) CONTRIBUTION LIMIT.—

20 “(A) IN GENERAL.—The aggregate  
21 amount of contributions for any taxable year to  
22 all Small Business Start-up Savings Accounts  
23 maintained for the benefit of an individual shall  
24 not exceed \$10,000.

“(B) AGGREGATE LIMITATION.—The aggregate of the amount contributions for all taxable years with respect to all Small Business Start-up Savings Accounts maintained for the benefit of an individual shall not exceed \$150,000.

“(C) COST OF LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of a taxable year beginning after 2016, the \$10,000 amount in subparagraph (A) shall be increased by an amount equal to—

“(I) such dollar amount, multiplied by

“(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2015’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(ii) ROUNDING.—If any amount as adjusted under clause (i) is not a multiple of \$500, such amount shall be rounded to the next lowest multiple of \$500.

1           “(3) CONTRIBUTIONS PERMITTED AFTER AGE  
2           70½.—Contributions to a Small Business Start-up  
3           Savings Account may be made even after the indi-  
4           vidual for whom the account is maintained has at-  
5           tained age 70½.

6           “(4) ROLLOVERS FROM RETIREMENT PLANS  
7           NOT ALLOWED.—A taxpayer shall not be allowed to  
8           make a qualified rollover contribution to a Small  
9           Business Start-up Savings Account from any eligible  
10          retirement plan (as defined in section 402(c)(8)(B)),  
11          except as may be provided by the Secretary in the  
12          case of a rollover from another Small Business  
13          Start-up Savings Account.

14          “(5) INCOME BASED ON MODIFIED ADJUSTED  
15          GROSS INCOME.—

16                 “(A) IN GENERAL.—In the case of a tax-  
17                 able year in which the taxpayer’s adjusted gross  
18                 income exceeds \$150,000 (\$300,000 in the case  
19                 of a joint return), the dollar amount in effect  
20                 for such taxable year under subsection (c)(2)  
21                 shall be reduced (but not below zero) by the  
22                 amount determined under subparagraph (B).

23                 “(B) AMOUNT OF REDUCTION.—The  
24                 amount determined under this subparagraph

shall be the amount which bears the same ratio  
to such limitation as—

“(i) the excess of—

“(I) the taxpayer’s adjusted  
gross income for such taxable year,  
over

“(II) \$150,000 (\$300,000 in the  
case of a joint return), bears to

“(ii) \$25,000.

“(C) MODIFIED ADJUSTED GROSS IN-  
COME.—The term ‘modified adjusted gross in-  
come’ means the adjusted gross income of the  
taxpayer for the taxable year increased by any  
amount excluded from gross income under sec-  
tion 911, 931, or 933.

“(d) TREATMENT OF DISTRIBUTIONS.—

“(1) TAX TREATMENT.—

“(A) EXCLUSION OF QUALIFIED DISTRIBUTIONS.—Any qualified distribution from a  
Small Business Start-up Savings Account shall  
not be includible in gross income.

“(B) INCLUSION OF OTHER DISTRIBUTIONS.—Distributions from a Small Business  
Start-up Savings Account which is not a quali-  
fied distribution shall be included in gross in-

1           come and, for purposes of section 1, treated as  
2           a net capital gain.

3           “(2) QUALIFIED DISTRIBUTION.—For purposes  
4           of this subsection, the term ‘qualified distribution’  
5           means, with respect to any taxable year, any pay-  
6           ment or distribution from a Small Business Start-up  
7           Savings Account—

8                   “(A) to the extent the amount of such pay-  
9                   ment or distribution does not exceed the sum  
10                  of—

11                           “(i) the aggregate amounts paid or in-  
12                           curred by the taxpayer for such taxable  
13                           year with respect to a trade or business for  
14                           the purchase of equipment or facilities,  
15                           marketing, training, incorporation, and ac-  
16                           counting fees, and

17                           “(ii) the aggregate capital contribu-  
18                           tions of the taxpayer with respect to a  
19                           trade or business for the taxable year (but  
20                           only to the extent such amounts are used  
21                           in such trade or business for purposes de-  
22                           scribed in clause (i)), and

23                   “(B) which, in the case of a payment or  
24                   distribution subsequent to the first payment or

1 distribution from such account (or any prede-  
 2 cessor to such account)—

3 “(i) is made not later than the close  
 4 of the 5th taxable year beginning after the  
 5 date of such first payment or distribution,  
 6 and

7 “(ii) is made with respect to the same  
 8 trade or business with respect to which  
 9 such first payment or distribution was  
 10 made.

11 “(3) TREATMENT AFTER DEATH OF ACCOUNT  
 12 BENEFICIARY.—If, by reason of the death of the ac-  
 13 count beneficiary, any person acquires the account  
 14 beneficiary’s interest in a Small Business Start-up  
 15 Savings Account—

16 “(A) such account shall cease to be a  
 17 Small Business Start-up Savings Account as of  
 18 the date of death, and

19 “(B) an amount equal to the fair market  
 20 value of the assets in such account on such date  
 21 shall be includible—

22 “(i) in the case of a person who is not  
 23 the estate of such beneficiary, in such per-  
 24 son’s gross income for the taxable year  
 25 which includes such date, or

1                   “(ii) in the case of a person who is  
 2                   the estate of such beneficiary, in such  
 3                   beneficiary’s gross income for the last tax-  
 4                   able year of such beneficiary.

5                   “(C) SPECIAL RULES.—

6                   “(i) REDUCTION OF INCLUSION FOR  
 7                   PREDEATH EXPENSES.—The amount in-  
 8                   cludible in gross income under subpara-  
 9                   graph (B) shall be reduced by the amounts  
 10                  described in paragraph (2) which were in-  
 11                  curred by the decedent before the date of  
 12                  the decedent’s death and paid by such per-  
 13                  son within 1 year after such date.

14                  “(ii) DEDUCTION FOR ESTATE  
 15                  TAXES.—An appropriate deduction shall be  
 16                  allowed under section 691(c) to any person  
 17                  (other than the decedent) with respect to  
 18                  amounts included in gross income under  
 19                  clause (i) by such person.

20                  “(4) MANDATORY DISTRIBUTION RULES NOT  
 21                  TO APPLY.—Section 401(a)(9)(A) and the incidental  
 22                  death benefit requirements of section 401(a) shall  
 23                  not apply to any Small Business Start-up Savings  
 24                  Account.”.



1 (b) EXCESS CONTRIBUTIONS.—Section 4973 of the  
 2 Internal Revenue Code of 1986 is amended by adding at  
 3 the end the following new subsection:

4 “(i) EXCESS CONTRIBUTIONS TO SMALL BUSINESS  
 5 START-UP SAVINGS ACCOUNTS.—For purposes of this  
 6 section, in the case of contributions to all Small Business  
 7 Start-up Savings Accounts (within the meaning of section  
 8 408B(b)) maintained for the benefit of an individual, the  
 9 term ‘excess contributions’ means the sum of—

10 “(1) the excess (if any) of—

11 “(A) the amount contributed to such ac-  
 12 counts for the taxable year, over

13 “(B) the amount allowable as a contribu-  
 14 tion under section 408B(c)(2)(A) for such tax-  
 15 able year, and

16 “(2) the amount determined under this sub-  
 17 section for the preceding taxable year, reduced by  
 18 the sum of—

19 “(A) the distributions out of the accounts  
 20 for the taxable year, and

21 “(B) the excess (if any) of—

22 “(i) the maximum amount allowable  
 23 as a contribution under section  
 24 408B(c)(2)(A) for such taxable year, over

1 “(ii) the amount contributed to such  
2 accounts for such taxable year, and

3 “(3) the excess (if any) of—

4 “(A) the excess (if any) of—

5 “(i) the aggregate amounts contrib-  
6 uted to such accounts for all taxable years,  
7 over

8 “(ii) the aggregate amount allowable  
9 as contributions under section  
10 408B(c)(2)(B) for all taxable years, over

11 “(B) the amount determined under this  
12 paragraph for all preceding taxable years.”.

13 (c) CONFORMING AMENDMENT.—The table of sec-  
14 tions for subpart A of part I of subchapter D of chapter  
15 1 of the Internal Revenue Code of 1986 is amended by  
16 inserting after the item relating to section 408A the fol-  
17 lowing new item:

“Sec. 408B. Small Business Start-up Savings Accounts.”.

18 (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2015.

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