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114TH CONGRESS
2D SESSION

S. 2471

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

IN THE SENATE OF THE UNITED STATES

JANUARY 28, 2016

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''401(Kids) Education Savings Account Modernization Act of 2016''.

SEC. 2. ELIMINATION OF INCOME-BASED REDUCTION IN PERMITTED CONTRIBUTIONS BY NON-CUSTODIANS TO COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Paragraph (1) of section 530(c) of the Internal Revenue Code of 1986 is amended by striking ''who is an individual'' and inserting ''who is an individual and is the custodial parent of the designated beneficiary''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2016.

SEC. 3. INCREASE IN ANNUAL CONTRIBUTION LIMITATION FOR COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Subparagraph (A) of section 530(b)(1) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''$2,000'' in clause (iii) and inserting ''the dollar amount in effect under section 2503(b) (relating to exclusion from gifts) for the taxable year'',

(2) by striking ''or'' at the end of clause (ii),

(3) by striking the period at the end of clause (iii) and inserting '', or'', and

(4) by adding at the end the following new clause:

"(iv) if such contribution would result in aggregate contributions for the taxable year exceeding $5,500 from any one donor.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2016.

SEC. 4. ALLOWANCE OF HOME SCHOOL EXPENSES AS QUALIFIED EDUCATION EXPENSES FOR PURPOSES OF A COVERDELL EDUCATION SAVINGS ACCOUNT.

(a) IN GENERAL.—Paragraph (3) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(C) PRIVATE SCHOOL.—For purposes of this section, the term 'private school' includes any home school that meets the requirements of State law applicable to such home schools, whether or not such school is deemed a private school for purposes of State law.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 5. QUALIFIED ROLLOVER CONTRIBUTIONS FROM COVERDELL EDUCATION SAVINGS ACCOUNTS TO ROTH IRAS.

(a) IN GENERAL.—Paragraph (5) of section 530(d) of the Internal Revenue Code of 1986 is amended by inserting ", or into a Roth IRA of the beneficiary (but only to the extent such amount does not exceed $10,000)" after "as of such date".

(b) CONFORMING AMENDMENT; TECHNICAL CORRECTION.—Paragraph (1) of section 408A(e) of the Internal Revenue Code of 1986 is amended to read as follows:

"(1) IN GENERAL.—The term 'qualified rollover contribution' means a rollover contribution to a Roth IRA from another such account, from an eligible retirement plan (as defined in section 402(c)(8)(B)), or from a Coverdell education savings account (as defined in section 530(b)(1)), but only if—

"(A) such rollover contribution meets the requirements of section 408(d)(3),

"(B) in the case of a rollover contribution from an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B), such contribution meets the requirements of section 402(c), 403(b)(8), or 457(e)(16), whichever is applicable, and

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to rollover contributions made in taxable years beginning after December 31, 2016.

SEC. 6. 401KIDS.GOV.

The Secretary of Education shall establish an Internet website (to be known as ''401Kids.gov'') on which information is provided to the public free of charge concerning the available options for tax-favored education savings accounts under the Internal Revenue Code of 1986.

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