II

114TH CONGRESS
2D SESSION

S. 2869

To amend the Internal Revenue Code of 1986 to improve college savings under section 529 programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 28, 2016

Mr. BURR (for himself, Mr. CASEY, Ms. MURKOWSKI, and Ms. AYOTTE) 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 college savings under section 529 programs, and for other purposes.

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 "Boost Saving for College Act".

SEC. 2. CREDIT FOR CONTRIBUTIONS TO 529 PLANS.

(a) IN GENERAL.—Subsection (d) of section 25B of the Internal Revenue Code of 1986 (relating to elective deferrals and IRA contributions by certain individuals) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

"(2) CONTRIBUTIONS TO QUALIFIED TUITION PROGRAMS.—

"(A) IN GENERAL.—The term 'qualified savings contribution' includes the amount of any purchase or contribution described in paragraph (1)(A) of section 529(b) to a qualified tuition program (as defined in such section) if—

"(i) the taxpayer has the power to authorize distributions and otherwise administer the account, and

"(ii) the designated beneficiary of such purchase or contribution is the taxpayer, the taxpayer's spouse, or an individual with respect to whom the taxpayer is allowed a deduction under section 151.

"(B) LIMITATION BASED ON COMPENSATION.—The amount treated as a qualified savings contribution by reason of subparagraph (A) for any taxable year shall not exceed the sum of—

"(i) the compensation (as defined in section 219(f)(1)) includible in the taxpayer's gross income for the taxable year, and

"(ii) the amount excluded from the taxpayer's gross income under section 112 (relating to combat pay) for such year.

"(C) DETERMINATION OF ADJUSTED GROSS INCOME.—Solely for purposes of determining the applicable percentage under subsection (b) which applies with respect to the amount treated as a qualified savings contribution by reason of subparagraph (A), adjusted gross income (determined without regard to this subparagraph) shall be increased by the excess (if any) of—

"(i) the social security benefits received during the taxable year (within the meaning of section 86), over

"(ii) the amount included in gross income for such year under section 86.".

(b) CONFORMING AMENDMENTS.—

(1) Section 25B of such Code is amended by striking "qualified retirement savings" each place it

appears in the text and inserting "qualified savings".

(2) The subsection heading for section 25B(d) of such Code is amended by striking "RETIREMENT".

(3) Subparagraph (A) of section 25B(d)(3) of such Code, as redesignated by subsection (a), is amended—

(A) by striking "paragraph (1)" the first place it appears and inserting "paragraph (1) or (2)", and

(B) by striking "paragraph (1)" the second place it appears and inserting "paragraph (1), or (2), as the case may be,".

(4) The heading for section 25B of such Code is amended by striking "**AND IRA CONTRIBUTIONS**" and inserting "**, IRA CONTRIBUTIONS, AND QUALIFIED TUITION PROGRAM CONTRIBUTIONS**".

(5) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking the item relating to section 25B and inserting the following new item:

"Sec. 25B. Elective deferrals, IRA contributions, and qualified tuition program contributions by certain individuals.".

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

SEC. 3. EXCLUSION FROM GROSS INCOME FOR EMPLOYER CONTRIBUTIONS TO QUALIFIED TUITION PROGRAMS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by inserting after section 127 the following new section:

"SEC. 127A. EMPLOYER CONTRIBUTIONS TO QUALIFIED TUITION PROGRAMS.

"(a) IN GENERAL.—Gross income of an employee does not include amounts paid by the employer as contributions to a qualified tuition program held by the employee or spouse of the employee if the contributions are made pursuant to a program which is described in subsection (c).

"(b) MAXIMUM EXCLUSION.—

"(1) IN GENERAL.—The amount excluded from the gross income of an employee under this section for the taxable year shall not exceed $1,000.

"(2) INFLATION ADJUSTMENT.—

"(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after

2016, the \$1,000 amount contained in paragraph (1) 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.

"(B) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the nearest multiple of \$50.

"(c) QUALIFIED TUITION ASSISTANCE PROGRAM.—For purposes of this section, a qualified tuition assistance program is a separate written plan of an employer for the benefit of such employer's employees—

"(1) under which the employer makes matching contributions to qualified tuition programs of—

"(A) such employees,

"(B) their spouses, or

"(C) any individual with respect to whom such an employee or spouse—

"(i) is allowed a deduction under section 151, and "(ii) has the power to authorize distributions and otherwise administer such individual's account under the qualified tuition program, and

"(2) which meets requirements similar to the requirements of paragraphs (2), (3), (4), (5), and (6) of section 127(b).

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED TUITION PROGRAM.—The term 'qualified tuition program' means a qualified tuition program as defined in section 529(b).

"(2) EMPLOYEE AND EMPLOYER.—The terms 'employee' and 'employer' shall have the meaning given such terms by paragraphs (2) and (3), respectively, of section 127(c).

"(3) APPLICABLE RULES.—Rules similar to the rules of paragraphs (4), (5), (6), and (7) of section 127(c) shall apply.

"(e) CROSS REFERENCE.—For reporting and recordkeeping requirements, see section 6039D.".

(b) EXCLUSION FROM EMPLOYMENT TAXES.—

(1) Sections 3121(a)(18), 3306(b)(13), and 3401(a)(18) of such Code are each amended by inserting "127A," after "127," each place it appears.

(2) Section 3231(e)(6) of such Code is amended by striking "section 127" and inserting "section 127 or 127A".

(c) REPORTING AND RECORDKEEPING REQUIREMENTS.—Section 6039D(d)(1) of such Code is amended by inserting "127A," after "127,".

(d) OTHER CONFORMING AMENDMENTS.—

(1) Sections 125(f), 414(n)(3)(C), and 414(t)(2) of such Code are each amended by inserting "127A," after "127," each place it appears.

(2) Section 132(j)(8) of such Code is amended by striking "section 127" and inserting "section 127 or 127A".

(3) Section 221(d)(2)(A) of such Code is amended by inserting "127A," after "127".

(4) Section 1397(a)(2)(A) of such Code is amended by inserting at the end the following new clause:

"(iii) Any amount paid or incurred by an employer which is excludable from the gross income of an employee under section 127A, but only to the extent paid or incurred to a person not related to the employer.".

(5) Section 209(a)(15) of the Social Security Act (42 U.S.C. 409(a)(15)) is amended by striking "or 129" and inserting ", 127A, or 129".

(e) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code is amended by inserting after the item relating to section 127 the following new item:

"Sec. 127A. Employer contributions to qualified tuition programs.".

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

SEC. 4. SPECIAL ROLLOVER TO ROTH IRA FROM LONG-TERM QUALIFIED TUITION PROGRAM.

(a) IN GENERAL.—Paragraph (3) of section 529(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(E) SPECIAL ROLLOVER TO ROTH IRA FROM LONG-TERM QUALIFIED TUITION PROGRAM.—For purposes of this section—

"(i) IN GENERAL.—In the case of a distribution from a qualified tuition program which has been maintained by an account owner for the 10-year period ending on the date of such distribution—

"(I) subparagraph (A) shall not apply to any portion of such distribution which, not later than 60 days after such distribution, is paid into a Roth IRA maintained for the benefit of such account owner or the designated beneficiary under such qualified tuition program, and

"(II) such portion shall be treated as a rollover contribution for purposes of section 408A(e).

"(ii) LIMITATION.—Clause (i) shall only apply to so much of any distribution as does not exceed the lesser of—

"(I) the amount applicable to the account owner under section 408A(c)(2) for the taxable year, or

"(II) the aggregate amount contributed to the program (and earnings attributable thereto) before the 5-year period ending on the date of the distribution.".

(b) QUALIFIED ROLLOVER CONTRIBUTION.—Paragraph (1) of section 408A(e) of such Code is amended by striking the period at the end of subparagraph (B) and inserting ", and" and by inserting after subparagraph (B) the following new subparagraph:

"(C) from a qualified tuition program to the extent provided in section 529(c)(3)(E).".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to distributions after December 31, 2016.

SEC. 5. ROLLOVERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

(a) IN GENERAL.—Clause (i) of section 529(c)(3)(C) of the Internal Revenue Code of 1986 is amended by striking "or" at the end of subclause (I), by striking the period at the end of subclause (II) and inserting ", or", and by adding at the end the following:

"(III) to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary.

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B).".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

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