

115TH CONGRESS  
1ST SESSION

# S. 323

To amend the Internal Revenue Code of 1986 to create Universal Savings  
Accounts.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 7 (legislative day, FEBRUARY 6), 2017

Mr. FLAKE 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 create  
Universal 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 “Universal Savings Ac-  
5       count Act”.

6       **SEC. 2. UNIVERSAL SAVINGS ACCOUNTS.**

7       (a) IN GENERAL.—Subchapter F of chapter 1 of the  
8       Internal Revenue Code of 1986 is amended by adding at  
9       the end the following new part:

1       **“PART IX—UNIVERSAL SAVINGS ACCOUNTS**

2       **“SEC. 530A. UNIVERSAL SAVINGS ACCOUNTS.**

3           “(a) GENERAL RULE.—A Universal Savings Account  
4 shall be exempt from taxation under this subtitle. Not-  
5 withstanding the preceding sentence, such account shall  
6 be subject to the taxes imposed by section 511 (relating  
7 to imposition of tax on unrelated business income of chari-  
8 table organizations).

9           “(b) UNIVERSAL SAVINGS ACCOUNT.—For purposes  
10 of this section, the term ‘Universal Savings Account’  
11 means a trust created or organized in the United States  
12 by an eligible individual for the exclusive benefit of such  
13 eligible individual or his beneficiaries and which is des-  
14 ignated (in such manner as the Secretary shall prescribe)  
15 at the time of the establishment of the trust as a Universal  
16 Savings Account, but only if the written governing instru-  
17 ment creating the trust meets the following requirements:

18                   “(1) Except in the case of a qualified rollover  
19 contribution described in subsection (e)—

20                           “(A) no contribution will be accepted un-  
21 less it is in cash, and

22                           “(B) contributions will not be accepted for  
23 the calendar year in excess of the contribution  
24 limit specified in subsection (d)(1).

25                   “(2) The trustee is a bank (as defined in sec-  
26 tion 408(n)) or another person who demonstrates to

1 the satisfaction of the Secretary that the manner in  
 2 which that person will administer the trust will be  
 3 consistent with the requirements of this section or  
 4 who has so demonstrated with respect to any indi-  
 5 vidual retirement plan.

6 “(3) No part of the trust assets will be invested  
 7 in life insurance contracts.

8 “(4) The interest of an individual in the bal-  
 9 ance of his account is nonforfeitable.

10 “(5) The assets of the trust shall not be com-  
 11 mingled with other property except in a common  
 12 trust fund or common investment fund.

13 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this  
 14 section, the term ‘eligible individual’ means any individual  
 15 who is—

16 “(1) not less than 18 years of age, and

17 “(2) a citizen or legal permanent resident of the  
 18 United States.

19 “(d) TREATMENT OF CONTRIBUTIONS AND DIS-  
 20 TRIBUTIONS.—

21 “(1) CONTRIBUTION LIMIT.—

22 “(A) IN GENERAL.—The aggregate  
 23 amount of contributions (other than qualified  
 24 rollover contributions described in subsection  
 25 (e)) for any calendar year to all Universal Sav-

ings Accounts maintained for the benefit of an eligible individual shall not exceed \$5,500.

“(B) COST-OF-LIVING ADJUSTMENT.—

“(i) IN GENERAL.—In the case of any calendar year after 2018, the \$5,500 amount under 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, determined by substituting ‘calendar year 2017’ for ‘calendar year 1992’ in subparagraph (B) thereof.

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

“(2) DISTRIBUTIONS.—Any distribution from a Universal Savings Account shall not be includible in gross income.

“(e) QUALIFIED ROLLOVER CONTRIBUTION.—For purposes of this section, the term ‘qualified rollover con-

1   tribution’ means a contribution to a Universal Savings Ac-  
 2   count from another such account of the same beneficiary,  
 3   but only if such amount is contributed not later than the  
 4   60th day after the distribution from such other account.

5       “(f) TREATMENT OF ACCOUNT UPON DEATH.—  
 6   Upon death of any individual for whose benefit a Universal  
 7   Savings Account has been established—

8               “(1) all amounts in such account shall be treat-  
 9       ed as distributed on the date of such individual’s  
 10      death, and

11              “(2) such account shall cease to be treated as  
 12      a Universal Savings Account.

13       “(g) LOSS OF TAXATION EXEMPTION OF ACCOUNT  
 14   WHERE BENEFICIARY ENGAGES IN PROHIBITED TRANS-  
 15   ACTION; EFFECT OF PLEDGING ACCOUNT AS SECU-  
 16   RITY.—Rules similar to the rules of paragraph (2) and  
 17   (4) of section 408(e) shall apply to any Universal Savings  
 18   Account.

19       “(h) LIMITATION TO ONE ACCOUNT PER INDIV-  
 20   IDUAL.—

21              “(1) IN GENERAL.—Except as provided in para-  
 22      graph (2), no trust created for the benefit of an eli-  
 23      gible individual shall be treated as a Universal Sav-  
 24      ings Account under subsection (b) if such eligible in-

1       dividual has in existence another Universal Savings  
2       Account at the time such trust was established.

3               “(2) EXCEPTION.—Under regulations estab-  
4       lished by the Secretary, paragraph (1) shall not  
5       apply with respect to any trust created for the pur-  
6       poses of receiving a qualified rollover contribution  
7       consisting of all amounts in the previously estab-  
8       lished Universal Savings Account.

9               “(i) REPORTS.—The trustee of a Universal Savings  
10      Account shall make such reports regarding such account  
11      to the Secretary and to the beneficiary of the account with  
12      respect to contributions, distributions, and such other  
13      matters as the Secretary may require. The reports re-  
14      quired by this subsection shall be filed at such time and  
15      in such manner and furnished to such individuals at such  
16      time and in such manner as may be required.”.

17              (b) TAX ON EXCESS CONTRIBUTIONS.—

18                      (1) IN GENERAL.—Subsection (a) of section  
19      4973 of the Internal Revenue Code of 1986 is  
20      amended by striking “or” at the end of paragraph  
21      (5), by inserting “or” at the end of paragraph (6),  
22      and by inserting after paragraph (6) the following  
23      new paragraph:

24                      “(7) a Universal Savings Account (as defined in  
25      section 530A),”.

1           (2) EXCESS CONTRIBUTION.—Section 4973 of  
 2           such Code is amended by adding at the end the fol-  
 3           lowing new subsection:

4           “(i) EXCESS CONTRIBUTIONS TO UNIVERSAL SAV-  
 5           INGS ACCOUNTS.—For purposes of this section—

6           “(1) IN GENERAL.—In the case of Universal  
 7           Savings Accounts (within the meaning of section  
 8           530A), the term ‘excess contributions’ means the  
 9           sum of—

10           “(A) the amount by which the amount con-  
 11           tributed for the calendar year to such accounts  
 12           (other than qualified rollover contributions (as  
 13           defined in section 530A(e)) exceeds the con-  
 14           tribution limit under section 530A(d)(1) for  
 15           such calendar year, and

16           “(B) the amount determined under this  
 17           subsection for the preceding calendar year, re-  
 18           duced by the excess (if any) of the maximum  
 19           amount allowable as a contribution under sec-  
 20           tion 530A(d)(1) for the calendar year over the  
 21           amount contributed to the accounts for the cal-  
 22           endar year.

23           “(2) SPECIAL RULE.—A contribution shall not  
 24           be taken into account under paragraph (1) if such  
 25           contribution (together with the amount of net in-

1       come attributable to such contribution) is returned  
 2       to the beneficiary before July 1 of the year following  
 3       the year in which the contribution is made.”.

4       (c) FAILURE TO PROVIDE REPORTS ON UNIVERSAL  
 5 SAVINGS ACCOUNTS.—Paragraph (2) of section 6693(a)  
 6 of the Internal Revenue Code of 1986 is amended by strik-  
 7 ing “and” at the end of subparagraph (E), by striking  
 8 the period at the end of subparagraph (F) and inserting  
 9 “, and”, and by inserting after subparagraph (F) the fol-  
 10 lowing new subparagraph:

11               “(G) section 530A(i) (relating to Universal  
 12               Savings Accounts).”.

13       (d) CONFORMING AMENDMENT.—The table of parts  
 14 for subchapter F of chapter 1 of the Internal Revenue  
 15 Code of 1986 is amended by adding at the end the fol-  
 16 lowing new item:

“Part IX. Universal Savings Accounts”.

17       (e) EFFECTIVE DATE.—The amendments made by  
 18 this section shall apply to taxable years beginning after  
 19 December 31, 2017.

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