

116TH CONGRESS
2D SESSION

S. 3764

To create Federal child savings accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 19, 2020

Mr. CASEY (for himself, Mr. WYDEN, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To create Federal child savings accounts, and for other purposes.

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 “Young American Sav-
5 ers Act of 2020”.

6 **SEC. 2. ESTABLISHMENT OF CHILD SAVINGS ACCOUNT**
7 **PROGRAM.**

8 (a) ESTABLISHMENT OF PROGRAM.—The Secretary
9 of the Treasury shall, not later than December 31, 2021,
10 establish a permanent program, to be known as the “Fed-
11 eral Child Savings Account Program”, which meets the

1 requirements of this section to establish and maintain a
2 savings account meeting the requirements of subsection
3 (c) on behalf of eligible individuals.

4 (b) PROGRAM SPECIFICATIONS.—

5 (1) IN GENERAL.—

6 (A) SAVINGS ACCOUNTS.—The Federal
7 Child Savings Account Program established
8 under this section shall—

9 (i) permit the parent or guardian of
10 an eligible individual to establish a savings
11 account which meets the requirements of
12 this subsection and subsection (c) on be-
13 half of the individual;

14 (ii) establish a savings account which
15 meets the requirements of this subsection
16 and subsection (c) on behalf of—

17 (I) eligible individuals who are in
18 foster care, in coordination with the
19 Administration for Children and Fam-
20 ilies; and

21 (II) other eligible individuals on
22 whose behalf no account has been es-
23 tablished by a parent or guardian
24 under clause (i) as of the time the
25 first deposit under paragraph (4)(A)

1 is due to be made on behalf of such
2 individuals,

3 and notify such individuals of the estab-
4 lishment of such accounts;

5 (iii) require the assets of each savings
6 account established under the program to
7 be held by the designated custodian;

8 (iv) within the limitations of para-
9 graph (3), permit contributions to be made
10 periodically to such savings accounts by di-
11 rect deposit through payroll deduction or
12 by electronic means, and by methods that
13 provide access for the unbanked;

14 (v) provide for the annual deposit
15 under paragraph (4) and the matching
16 contributions under paragraph (5) to be
17 made to such savings accounts, if applica-
18 ble;

19 (vi) as provided in subsection (c), per-
20 mit distributions and rollovers from such
21 savings accounts upon request of the par-
22 ent or guardian of the individual on whose
23 behalf the account is established before the
24 individual has attained age 18, or upon re-

quest of such individual after such individual has attained age 18;

(vii) include procedures to consolidate multiple accounts established for the same individual and return excess contributions on an annual basis, with notice provided to the parent or guardian of the individual (or, if appropriate, to the individual) and a procedure for resolution of disputes; and

(viii) ensure that such savings accounts are invested solely in United States Treasury bonds.

(B) REGULATIONS, ETC.—The Secretary of the Treasury shall have authority to promulgate such regulations, rules, and other guidance as are necessary to implement the Federal Child Savings Account Program, and are consistent with this section and section 529B of the Internal Revenue Code of 1986, including—

(i) rules regarding the provision of periodic notices to individuals and parents or guardians of individuals, as appropriate, on whose behalf accounts are established under the program, including information on account balances and activity;

(ii) rules regarding beneficiary designation in the case of the death of the individual on whose behalf an account was established; and

(iii) coordination rules permitting savings accounts to be established under the Federal Child Savings Account Program in connection with State and local laws that provide contributions to savings accounts for residents.

(C) PILOT PROGRAM FOR DEPOSITS MADE WITH FEDERAL PARTNERS.—The Secretary of the Treasury may, in fulfillment of subparagraph (A)(iv), establish a pilot program which would allow grocery stores, pharmacies, banks, and other similar businesses to partner with the Federal Government to accept cash deposits from customers and to remit such deposits to the Treasury for payment into savings accounts under the Federal Child Savings Account Program.

(2) NO FEES.—No fees shall be assessed on participants in the Federal Child Savings Account Program.

(3) LIMITATIONS.—

1 (A) CONTRIBUTION MINIMUM.—The Sec-
2 retary of the Treasury may establish minimum
3 amounts for initial and additional contributions
4 to a savings account under the Federal Child
5 Savings Account Program, not to exceed \$5.

6 (B) CONTRIBUTION LIMITATION.—Con-
7 tributions to a savings account under the Fed-
8 eral Child Savings Account Program during any
9 taxable year (other than the contribution made
10 under paragraph (4)) shall not be accepted to
11 the extent such contributions exceed \$2,500.

12 (C) LIMITATION ON PARTICIPATION.—
13 Within a reasonable amount of time before the
14 date an eligible individual attains age 17, the
15 designated custodian shall provide notice to the
16 eligible individual and the parent or guardian of
17 the eligible individual that—

18 (i) no deposits under paragraph (4) or
19 (5) will be made for calendar years after
20 the year in which the individual attains age
21 17;

22 (ii) no further contributions made by
23 any person will be accepted after the date
24 the individual attains age 26; and

1 (iii) the individual (or, as provided,
2 the individual's parent or guardian) may
3 elect to have the account balance rolled
4 over or distributed as provided, and at the
5 time specified, in subsection (c).

6 (4) ANNUAL DEPOSIT.—

7 (A) IN GENERAL.—Within a reasonable
8 amount of time (not to exceed 60 days) after
9 the filing of the return of tax for each taxable
10 year by a taxpayer claiming an eligible indi-
11 vidual as a dependent, the Secretary of the
12 Treasury shall deposit \$500 into the savings ac-
13 count established for such individual under the
14 Federal Child Savings Account Program.

15 (B) PHASEOUT.—The \$500 amount under
16 subparagraph (A) shall be reduced (but not
17 below zero) by \$25 for each \$1,000 (or fraction
18 thereof) by which the taxpayer's adjusted gross
19 income (as defined in section 62 of the Internal
20 Revenue Code of 1986) exceeds \$100,000.

21 (C) DEPOSIT ON BEHALF OF CHILDREN IN
22 FOSTER CARE.—At an appropriate time each
23 year as determined by the Secretary of the
24 Treasury in coordination with the Administra-
25 tion for Children and Families, such Secretary

1 shall deposit \$500 into the savings account es-
2 tablished under such Program for any eligible
3 individual in foster care in any State with re-
4 spect to whom no deposit was made for such
5 year under subparagraph (A).

6 (5) MATCHING CONTRIBUTIONS.—If a credit is
7 allowed under section 32 of the Internal Revenue
8 Code of 1986 to the parent or guardian or an eligi-
9 ble individual for a taxable year, with respect to con-
10 tributions made by such parent or guardian to the
11 savings account of such eligible individual under the
12 Federal Child Savings Account Program during the
13 succeeding taxable year, the Secretary of the Treas-
14 ury shall deposit into such savings account an
15 amount equal to so much of such contributions as
16 does not exceed \$250. Such deposit shall be made in
17 addition to the deposit under paragraph (4).

18 (6) DESIGNATED CUSTODIAN.—For purposes of
19 this section, the designated custodian is the person
20 designated by the Secretary of the Treasury to act
21 as custodian of the savings accounts established on
22 behalf of participants in the Federal Child Savings
23 Account Program.

24 (7) STATE.—For purposes of this section, the
25 term “State” includes the District of Columbia, any

1 possession of the United States, and any Indian
2 tribe (as defined in section 45A(c)(6) of the Internal
3 Revenue Code of 1986).

4 (8) DEPOSIT OF MATCHING CONTRIBUTIONS
5 INTO ROTH IRA.—If a parent or guardian of an eli-
6 gible individual is eligible to receive any matching
7 contribution under paragraph (5), such parent or
8 guardian may elect either to have such matching
9 contribution paid to the savings account of such eli-
10 gible individual under the Federal Child Savings Ac-
11 count Program or to a Roth IRA of such parent or
12 guardian. The Secretary of the Treasury shall estab-
13 lish a permanent program that creates and main-
14 tains a Roth IRA (within the meaning of section
15 408A of the Internal Revenue Code) on behalf of a
16 parent or guardian who elects for the matching con-
17 tribution to be made to his or her Roth IRA and
18 who either affirmatively chooses to participate in the
19 program or does not identify a Roth IRA for receipt
20 of the matching contribution. The permanent pro-
21 gram shall provide for investment of account bal-
22 ances solely within United States Treasury bonds
23 and shall not charge any fees to account owners.

24 (9) INFLATION ADJUSTMENTS.—

(A) IN GENERAL.—In the case of any calendar year after 2021, the \$2,500 amount in paragraph (3)(B), the \$500 amount in paragraphs (4)(A), (4)(B), and (4)(C), and the \$250 amount in paragraph (5) shall each 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) of the Internal Revenue Code of 1986 for the calendar year, determined by substituting “calendar year 2020” for “calendar year 2016” in subparagraph (A)(ii) thereof.

(B) ROUNDING.—If any dollar amount increased under subparagraph (A) is not a multiple of \$5, such dollar amount shall be rounded to the nearest multiple of \$5.

(10) ACCOUNTS MAY NOT BE ASSIGNED.—An account established on behalf of an individual under the Federal Child Savings Account Program may not be pledged or assigned to any other person.

(c) DISTRIBUTIONS FROM SAVINGS ACCOUNT.—

(1) IN GENERAL.—After the earlier of—

(A) the date the individual on whose behalf the savings account under the Federal Child

1 Savings Account Program was established at-
2 tains age 26; or

3 (B) the date such individual receives a
4 bachelor's degree or associate's degree, or en-
5 lists in active duty military service of the
6 United States,

7 amounts in such account may be contributed in a di-
8 rect transfer to a Roth IRA (as defined in section
9 408A(b) of the Internal Revenue Code of 1986) or
10 a designated Roth account (within the meaning of
11 section 402A of such Code) according to the rules of
12 the Internal Revenue Code of 1986, or distributed to
13 the individual in cash.

14 (2) DISTRIBUTIONS FOR HIGHER EDUCATION
15 EXPENSES.—Without regard to the date require-
16 ments of paragraph (1), a portion of the amount in
17 a savings account established under the Federal
18 Child Savings Account Program may be distributed
19 in cash to the individual or to the parent or guard-
20 ian of the individual for the payment of qualified
21 higher education expenses of the individual at an eli-
22 gible educational institution. The aggregate amount
23 so distributed shall not exceed 50 percent of the
24 amount in such account as of the due date for the
25 first payment of tuition for the enrollment of the in-

1 dividual on whose behalf the account is established
2 as an eligible student at such eligible educational in-
3 stitution.

4 (3) CONTRIBUTION TO ABLE ACCOUNT.—With-
5 out regard to the date requirements of paragraph
6 (1), all or a portion of the amount in a savings ac-
7 count established under the Federal Child Savings
8 Account Program may be contributed in a direct
9 transfer to an ABLE account established for the
10 benefit of the individual under section 529A of the
11 Internal Revenue Code of 1986 (if the individual is
12 eligible for purposes of section 529A(e)(1) of such
13 Code).

14 (4) DEFINITIONS.—Any term used in this sub-
15 section which is also used in section 529 of the In-
16 ternal Revenue Code of 1986 has the same meaning
17 as when used in such section.

18 (d) ELIGIBLE INDIVIDUAL.—For purposes of this
19 section, the term “eligible individual” means a child who
20 has not attained age 18 and is a resident of the United
21 States.

22 (e) TREATMENT OF ACCOUNTS UNDER CERTAIN
23 FEDERAL PROGRAMS.—

24 (1) ACCOUNT FUNDS DISREGARDED FOR PUR-
25 POSES OF CERTAIN OTHER MEANS-TESTED FEDERAL

1 PROGRAMS.—Notwithstanding any other provision of
2 Federal law that requires consideration of one or
3 more financial circumstances of an individual, for
4 the purpose of determining eligibility to receive, or
5 the amount of, any assistance or benefit authorized
6 by such provision to be provided to or for the benefit
7 of such individual, any amount (including earnings
8 thereon) in an individual's account established under
9 the Federal Child Savings Account Program, any
10 contributions to such account, and any distribution
11 (or portion thereof) which is exempt from the tax
12 under section 529B(d)(3) of the Internal Revenue
13 Code of 1986 shall be disregarded for such purpose
14 with respect to any period during which such indi-
15 vidual maintains, makes contributions to, or receives
16 distributions from such account, except that—

17 (A) a distribution for qualified acquisition
18 costs (within the meaning of section
19 529B(d)(3)(C)(ii) of such Code) shall not be so
20 disregarded; and

21 (B) any amount (including such earnings)
22 in such account shall be considered a resource
23 of the individual to the extent that such amount
24 exceeds \$100,000.

1 (2) SUSPENSION OF SSI BENEFITS DURING PE-
2 RIODS OF EXCESSIVE ACCOUNT FUNDS.—

3 (A) IN GENERAL.—The benefits of an indi-
4 vidual under the supplemental security income
5 program under title XVI of the Social Security
6 Act shall not be terminated, but shall be sus-
7 pended, by reason of excess resources of the in-
8 dividual attributable to an amount in the ac-
9 count of the individual established under the
10 Federal Child Savings Account Program not
11 disregarded under paragraph (1).

12 (B) NO IMPACT ON MEDICAID ELIGI-
13 BILITY.—An individual who would be receiving
14 payment of such supplemental security income
15 benefits but for the application of subparagraph
16 (A) shall be treated for purposes of title XIX
17 of the Social Security Act as if the individual
18 continued to be receiving payment of such bene-
19 fits.

20 (f) DISCLOSURE OF TAXPAYER INFORMATION.—

21 (1) IN GENERAL.—Subsection (l) of section
22 6103 of the Internal Revenue Code of 1986 is
23 amended by adding at the end the following new
24 paragraph:

1 “(23) DISCLOSURE OF RETURN INFORMATION
 2 FOR PURPOSES OF ADMINISTRATION OF THE FED-
 3 ERAL CHILD SAVINGS ACCOUNT PROGRAM.—The
 4 Secretary shall disclose to any officer or employee of
 5 the Department of the Treasury, as necessary for
 6 the administration of the Federal Child Savings Ac-
 7 count Program established under section 2(a) of the
 8 Young American Savers Act of 2020, return infor-
 9 mation relating to taxpayer identity, dependents, ad-
 10 justed gross income, and whether the taxpayer has
 11 claimed the earned income credit under section 32
 12 for the taxable year.”.

13 (2) PROHIBITION OF REDISCLOSURE.—Para-
 14 graph (3) of section 6103(a) of the Internal Revenue
 15 Code of 1986 is amended by striking “or (21)” and
 16 inserting “(21), or (23)”.

17 (g) CHILD SAVINGS ACCOUNT PROGRAM.—Part VIII
 18 of subchapter F of chapter 1 of the Internal Revenue Code
 19 of 1986 is amended by inserting after section 529A the
 20 following new section:

21 **“SEC. 529B. CHILD SAVINGS ACCOUNT PROGRAM.**

22 “(a) GENERAL RULE.—The Federal Child Savings
 23 Account Program shall be exempt from taxation under
 24 this subtitle.

1 “(b) FEDERAL CHILD SAVINGS ACCOUNT PRO-
 2 GRAM.—For purposes of this title, the term ‘Federal Child
 3 Savings Account Program’ means the program established
 4 under section 2(a) of the Young American Savers Act of
 5 2020.

6 “(c) TREATMENT OF CONTRIBUTIONS AND EARN-
 7 INGS.—

8 “(1) IN GENERAL.—No amount shall be includ-
 9 ible in gross income of an individual on whose behalf
 10 an account is established under the Federal Child
 11 Savings Account Program, or of any taxpayer claim-
 12 ing such individual as a dependent, with respect to
 13 any earnings under the program.

14 “(2) GOVERNMENTAL AND MATCHING CON-
 15 TRIBUTIONS.—Gross income of an individual on
 16 whose behalf an account is established under the
 17 Federal Child Savings Account Program, or of any
 18 taxpayer claiming such individual as a dependent,
 19 shall not include the amount of any deposit made to
 20 the individual’s account under the program pursuant
 21 to section 2(b)(4)(A), 2(b)(4)(C), or 2(b)(5) of the
 22 Young American Savers Act of 2020.

23 “(d) TREATMENT OF DISTRIBUTIONS.—

24 “(1) IN GENERAL.—Gross income shall not in-
 25 clude any cash distribution from an account under

1 the Federal Child Savings Account Program per-
 2 mitted under section 2(c) of the Young American
 3 Savers Act of 2020.

4 “(2) TREATMENT OF ROLLOVERS.—

5 “(A) ROTH IRAS.—Any contribution from
 6 the Federal Child Savings Account Program to
 7 a Roth IRA permitted under section 2(c)(1) of
 8 the Young American Savers Act of 2020 shall
 9 be treated—

10 “(i) as a contribution from another
 11 Roth IRA as described in section
 12 408A(e)(1)(A), and

13 “(ii) as having been contributed to
 14 such Roth IRA in a direct trustee-to-trust-
 15 ee transfer within 60 days of the distribu-
 16 tion for purposes of section 408(d)(3).

17 “(B) DESIGNATED ROTH ACCOUNTS.—Any
 18 contribution from the Federal Child Savings
 19 Account Program to a designated Roth account
 20 permitted under section 2(c)(1) of the Young
 21 American Savers Act of 2020 shall be treated—

22 “(i) as a contribution from another
 23 designated Roth account for purposes of
 24 section 402A(c)(3), and

1 “(ii) as having been contributed to
 2 such designated Roth account in a direct
 3 trustee-to-trustee transfer within 60 days
 4 of the distribution for purposes of section
 5 402(c).

6 “(C) ABLE ACCOUNTS.—Any contribution
 7 from the Federal Child Savings Account Pro-
 8 gram to an ABLE account permitted under sec-
 9 tion 2(c)(3) of the Young American Savers Act
 10 of 2020 shall be treated—

11 “(i) as a contribution from another
 12 ABLE account as described in section
 13 529A(c)(1)(C)(i), and

14 “(ii) as having been contributed to
 15 such ABLE account within 60 days of the
 16 distribution for purposes of such section.

17 “(3) TAX ON NONQUALIFIED USE.—

18 “(A) IN GENERAL.—The tax imposed by
 19 this title for the taxable year shall be increased
 20 by an amount equal to 20 percent of the
 21 amount of any distribution other than a rollover
 22 described in paragraph (2) from an account
 23 under the Federal Child Savings Account Pro-
 24 gram during the taxable year, unless the quali-
 25 fied expenses of the individual on whose behalf

1 the account was established paid or incurred
2 during the taxable year of the distribution are
3 equal to or exceed the amount of such distribu-
4 tion.

5 “(B) DISTRIBUTIONS FROM ROTH IRA.—If
6 any amount is contributed to a Roth IRA in a
7 rollover distribution from an account under the
8 Federal Child Savings Program as provided in
9 section 2(c)(1) of the Young American Savers
10 Act of 2020, the tax imposed by this title for
11 any taxable year shall be increased by an
12 amount equal to 20 percent of the amount of
13 any distribution from such Roth IRA within the
14 5-year period beginning on the date of the roll-
15 over, to the extent that such distribution from
16 the Roth IRA, when aggregated with all other
17 distributions from such Roth IRA during such
18 5-year period, does not exceed the amount con-
19 tributed in such rollover distribution. The pre-
20 ceding sentence shall not apply to the extent
21 the qualified expenses of the individual on
22 whose behalf the account under the Federal
23 Child Savings Account Program was established
24 which are paid or incurred during the taxable
25 year of the distribution from the Roth IRA are

1 equal to or exceed the amount of such distribu-
 2 tion.

3 “(C) QUALIFIED EXPENSES.—For pur-
 4 poses of subparagraphs (A) and (B), the term
 5 ‘qualified expenses’ means amounts paid or in-
 6 curred by an individual—

7 “(i) as collateral required for a loan
 8 provided by the Small Business Adminis-
 9 tration,

10 “(ii) as qualified acquisition costs (as
 11 defined in section 72(t)(8)(C)) with respect
 12 to a residence intended to be the primary
 13 residence of the individual, or

14 “(iii) for qualified higher education
 15 expenses of the individual at an eligible
 16 educational institution.

17 “(4) DEFINITIONS.—Any term used in this sub-
 18 section which is also used in section 529 of the In-
 19 ternal Revenue Code of 1986 has the same meaning
 20 as when used in such section.”.

21 (h) CLERICAL AMENDMENT.—The table of sections
 22 for part VIII of subchapter F of chapter 1 of the Internal
 23 Revenue Code of 1986 is amended by inserting after the
 24 item relating to section 529A the following new item:

“Sec. 529B. Child Savings Account Program.”.

1 (i) APPROPRIATION.—There is hereby appropriated
2 to the Secretary of the Treasury, to remain available until
3 spent without fiscal year limitation—

4 (1) \$100,000,000 for technology and technology
5 systems necessary for the implementation and ad-
6 ministration of the Federal Child Savings Account
7 Program;

8 (2) \$25,000,000 for each fiscal year beginning
9 with fiscal year 2021 for the administration of the
10 Federal Child Savings Account Program; and

11 (3) such sums as are necessary to make con-
12 tributions to Federal Child Savings Accounts as re-
13 quired under paragraphs (4)(A), (4)(C), and (5) of
14 subsection (c).

○