II

115TH CONGRESS
1ST SESSION

S. 323

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

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.

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 ''Universal Savings Account Act''.

SEC. 2. UNIVERSAL SAVINGS ACCOUNTS.

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

"PART IX—UNIVERSAL SAVINGS ACCOUNTS

"SEC. 530A. UNIVERSAL SAVINGS ACCOUNTS.

"(a) GENERAL RULE.—A Universal Savings Account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) UNIVERSAL SAVINGS ACCOUNT.—For purposes of this section, the term 'Universal Savings Account' means a trust created or organized in the United States by an eligible individual for the exclusive benefit of such eligible individual or his beneficiaries and which is designated (in such manner as the Secretary shall prescribe) at the time of the establishment of the trust as a Universal Savings Account, but only if the written governing instrument creating the trust meets the following requirements:

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

"(A) no contribution will be accepted unless it is in cash, and

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

"(2) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

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

"(4) The interest of an individual in the balance of his account is nonforfeitable.

"(5) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

"(c) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means any individual who is—

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

"(2) a citizen or legal permanent resident of the United States.

"(d) TREATMENT OF CONTRIBUTIONS AND DISTRIBUTIONS.—

"(1) CONTRIBUTION LIMIT.—

"(A) IN GENERAL.—The aggregate amount of contributions (other than qualified rollover contributions described in subsection (e)) for any calendar year to all Universal Savings 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 contribution' means a contribution to a Universal Savings Account from another such account of the same beneficiary, but only if such amount is contributed not later than the 60th day after the distribution from such other account.

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

"(1) all amounts in such account shall be treated as distributed on the date of such individual's death, and

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

"(g) LOSS OF TAXATION EXEMPTION OF ACCOUNT WHERE BENEFICIARY ENGAGES IN PROHIBITED TRANSACTION; EFFECT OF PLEDGING ACCOUNT AS SECURITY.—Rules similar to the rules of paragraph (2) and (4) of section 408(e) shall apply to any Universal Savings Account.

"(h) LIMITATION TO ONE ACCOUNT PER INDIVIDUAL.—

"(1) IN GENERAL.—Except as provided in paragraph (2), no trust created for the benefit of an eligible individual shall be treated as a Universal Savings Account under subsection (b) if such eligible individual has in existence another Universal Savings Account at the time such trust was established.

"(2) EXCEPTION.—Under regulations established by the Secretary, paragraph (1) shall not apply with respect to any trust created for the purposes of receiving a qualified rollover contribution consisting of all amounts in the previously established Universal Savings Account.

"(i) REPORTS.—The trustee of a Universal Savings Account shall make such reports regarding such account to the Secretary and to the beneficiary of the account with respect to contributions, distributions, and such other matters as the Secretary may require. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required.".

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Subsection (a) of section 4973 of the Internal Revenue Code of 1986 is amended by striking "or" at the end of paragraph (5), by inserting "or" at the end of paragraph (6), and by inserting after paragraph (6) the following new paragraph:

"(7) a Universal Savings Account (as defined in section 530A),".

(2) EXCESS CONTRIBUTION.—Section 4973 of such Code is amended by adding at the end the following new subsection:

"(i) EXCESS CONTRIBUTIONS TO UNIVERSAL SAVINGS ACCOUNTS.—For purposes of this section—

"(1) IN GENERAL.—In the case of Universal Savings Accounts (within the meaning of section 530A), the term 'excess contributions' means the sum of—

"(A) the amount by which the amount contributed for the calendar year to such accounts (other than qualified rollover contributions (as defined in section 530A(e)) exceeds the contribution limit under section 530A(d)(1) for such calendar year, and

"(B) the amount determined under this subsection for the preceding calendar year, reduced by the excess (if any) of the maximum amount allowable as a contribution under section 530A(d)(1) for the calendar year over the amount contributed to the accounts for the calendar year.

"(2) SPECIAL RULE.—A contribution shall not be taken into account under paragraph (1) if such contribution (together with the amount of net income attributable to such contribution) is returned to the beneficiary before July 1 of the year following the year in which the contribution is made.''.

(c) FAILURE TO PROVIDE REPORTS ON UNIVERSAL SAVINGS ACCOUNTS.—Paragraph (2) of section 6693(a) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting '', and'', and by inserting after subparagraph (F) the following new subparagraph:

''(G) section 530A(i) (relating to Universal Savings Accounts).''.

(d) CONFORMING AMENDMENT.—The table of parts for subchapter F of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Part IX. Universal Savings Accounts''.

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

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