To amend the Internal Revenue Code of 1986 to provide matching payments for retirement savings contributions by certain individuals.

IN THE SENATE OF THE UNITED STATES

February 3, 2016

Mr. Wyden (for himself, Ms. Cantwell, Mr. Cardin, Mr. Brown, and Mr. Casey) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide matching payments for retirement savings contributions by certain individuals.

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

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Encouraging Americans to Save Act”.
SEC. 2. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

(a) IN GENERAL.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 6433. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

"(a) IN GENERAL.—

"(1) ALLOWANCE OF CREDIT.—Any eligible individual who makes qualified retirement savings contributions for the taxable year shall be allowed a credit for such taxable year in an amount equal to the applicable percentage of so much of the qualified retirement savings contributions made by such eligible individual for the taxable year as does not exceed $1,000.

"(2) PAYMENT OF CREDIT.—The credit under this section shall be paid by the Secretary as a contribution (as soon as practicable after the eligible individual has filed a tax return for the taxable year) to the applicable retirement vehicle of an eligible individual.

"(b) APPLICABLE PERCENTAGE.—For purposes of this section—

\*S 2492 IS
“(1) IN GENERAL.—Except as provided in para-
graph (2), the applicable percentage is 50 percent.

“(2) PHASEOUT.—The percentage under para-
graph (1) shall be reduced (but not below zero) by
the number of percentage points which bears the
same ratio to 50 percentage points as—

“(A) the excess of—

“(i) the taxpayer’s modified adjusted
gross income for such taxable year, over

“(ii) the applicable dollar amount,

bears to

“(B) the phaseout range.

If any reduction determined under this paragraph is
not a whole percentage point, such reduction shall be
rounded to the next lowest whole percentage point.

“(3) APPLICABLE DOLLAR AMOUNT; PHASEOUT
RANGE.—

“(A) JOINT RETURNS.—Except as pro-
vided in subparagraph (B)—

“(i) the applicable dollar amount is

$65,000, and

“(ii) the phaseout range is $20,000.

“(B) OTHER RETURNS.—In the case of—

“(i) a head of a household (as defined

in section 2(b)), the applicable dollar
amount and the phaseout range shall be \( \frac{3}{4} \) of the amounts applicable under subparagraph (A) (as adjusted under subsection (g)), and

“(ii) any taxpayer who is not filing a joint return and who is not a head of a household (as so defined), the applicable dollar amount and the phaseout range shall be \( \frac{1}{2} \) of the amounts applicable under subparagraph (A) (as so adjusted).

“(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible individual’ means any individual if such individual has attained the age of 18 as of the close of the taxable year.

“(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term ‘eligible individual’ shall not include—

“(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins, and
“(B) any individual who is a student (as defined in section 152(f)(2)).

“(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified retirement savings contributions’ means, with respect to any taxable year, the sum of—

“(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

“(B) the amount of—

“(i) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

“(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

“(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(e)).

Such term shall not include any amount attributable to a payment under subsection (a).
‘‘(2) Reduction for certain distributions.—

‘‘(A) In general.—The qualified retirement savings contributions determined under paragraph (1) for a taxable year shall be reduced (but not below zero) by the aggregate distributions received by the individual during the testing period from any entity of a type to which contributions under paragraph (1) may be made.

‘‘(B) Testing period.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

‘‘(i) such taxable year,

‘‘(ii) the 2 preceding taxable years,

and

‘‘(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.

‘‘(C) Excepted distributions.—There shall not be taken into account under subparagraph (A)—
“(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6),
402(g)(2), 404(k), or 408(d)(4),
“(ii) any distribution to which section 408(d)(3) or 408A(d)(3) applies, and
“(iii) any portion of a distribution if such portion is transferred or paid in a rollover contribution (as defined in section 402(c), 403(a)(4), 403(b)(8), 408A(e), or 457(e)(16)) to an account or plan to which qualified retirement contributions can be made.
“(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.
“(e) APPLICABLE RETIREMENT SAVINGS VEHICLE.—
“(1) IN GENERAL.—The term ‘applicable retirement savings vehicle’ means—

“(A) an account or plan elected by the eligible individual under paragraph (2), or

“(B) if no such election is made, a myRA established for the benefit of the eligible individual.

For purposes of subparagraph (B), if no myRA has previously been established for the benefit of the individual, the Secretary shall establish such an account for such individual for purposes of contributions under this section.

“(2) OTHER RETIREMENT VEHICLES.—An eligible individual may elect to have the amount determined under subsection (a) contributed to an account or plan which—

“(A) is a Roth IRA or a designated Roth account (within the meaning of section 402A) of an applicable retirement plan (as defined in section 402A(e)(1)),

“(B) is for the benefit of the eligible individual,

“(C) accepts contributions made under this section, and
“(D) is designated by such individual (in such form and manner as the Secretary may provide) on the return of tax for the taxable year.

“(3) MyRA.—For purposes of paragraph (1), the term ‘MyRA’ means a Roth IRA which is established—

“(A) under the myRA program established under regulations promulgated by the Secretary, and

“(B) by the individual for whose benefit the Roth IRA was created or by the Secretary on behalf of such individual.

“(f) Other Definitions and Special Rules.—

“(1) Modified Adjusted Gross Income.—
For purposes of this section, the term ‘modified adjusted gross income’ means adjusted gross income—

“(A) determined without regard to sections 911, 931, and 933, and

“(B) determined without regard to any exclusion or deduction allowed for any qualified retirement savings contribution made during the taxable year.

“(2) Treatment of Contributions.—In the case of any contribution under subsection (a)(2)—
“(A) except as otherwise provided in this section or by the Secretary under regulations, such contribution shall be treated in the same manner as a contribution made by the individual on whose behalf such contribution was made,

“(B) such contribution shall not be treated as income to the taxpayer, and

“(C) such contribution shall not be taken into account with respect to any applicable limitation under sections 402(g)(1), 403(b), 408(a)(1), 408(b)(2)(B), 408A(c)(2), 414(v)(2), 415(c), or 457(b)(2).

“(3) Treatment of Qualified Plans, etc.—A plan or arrangement to which a contribution is made under this section shall not be treated as violating any requirement under section 401, 403, 408, or 457 solely by reason of accepting such contribution.

“(4) Erroneous Credits.—If any contribution is erroneously paid under subsection (a)(2), the amount of such erroneous payment shall be treated as an underpayment of tax.

“(g) Inflation Adjustments.—
“(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2017, each of the dollar amounts in subsections (a)(2) and (b)(3)(A)(i) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) 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 2016’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(2) ROUNDOING.—Any increase determined under paragraph (1) shall be rounded to the nearest multiple of—

“(A) $100 in the case of an adjustment of the amount in subsection (a)(2), and

“(B) $1,000 in the case of an adjustment of the amount in subsection (b)(3)(A)(i).”.

(b) PROMOTION AND GUIDANCE.—

(1) PROMOTION.—The Secretary of the Treasury (or the Secretary's delegate) shall educate taxpayers on the benefits provided under section 6433 of the Internal Revenue Code of 1986.
(2) GUIDANCE.—Not later than December 31, 2017, the Secretary of the Treasury (or the Secretary’s delegate) shall issue guidance on the implementation and administration of the amendments made by this section.

(c) PAYMENT AUTHORITY.—Section 1324(b)(2) of title 31, United States Code, is amended by striking “or 6431” and inserting “6431, or 6433”.

(d) DEFICIENCIES.—Section 6211(b)(4) is amended by striking “and 6431” and inserting “6431, and 6433”.

(e) CONFORMING AMENDMENTS.—

(1) Section 25B of the Internal Revenue Code of 1986 is amended by striking subsections (a) through (f) and inserting the following:

“For payment of credit related to qualified retirement savings contributions, see section 6433.”.

(2) The table of sections for subchapter B of chapter 65 of such Code is amended by adding at the end the following new item:

“Sec. 6433. Matching payments for elective deferral and IRA contributions by certain individuals.”.

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