

113TH CONGRESS  
2D SESSION

# S. 2680

To direct the Secretary of Commerce to establish a voluntary program under which manufacturers may have products certified as meeting the standards of labels that indicate to consumers the extent to which the products are manufactured in the United States, to amend the Internal Revenue Code of 1986 to allow a credit against income tax for equity investments in small business concerns, to establish small business savings accounts, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JULY 29, 2014

Mr. PRYOR (for himself and Mr. WALSH) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To direct the Secretary of Commerce to establish a voluntary program under which manufacturers may have products certified as meeting the standards of labels that indicate to consumers the extent to which the products are manufactured in the United States, to amend the Internal Revenue Code of 1986 to allow a credit against income tax for equity investments in small business concerns, to establish small business 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Buy it in America  
3 Act”.

4 **SEC. 2. AMERICA STAR PROGRAM.**

5 (a) IN GENERAL.—The Secretary of Commerce shall  
6 establish a voluntary program, to be known as the “Amer-  
7 ica Star Program”, under which manufacturers may have  
8 products certified as meeting the standards of labels that  
9 indicate to consumers the extent to which the products  
10 are manufactured in the United States.

11 (b) ESTABLISHMENT OF LABELS.—

12 (1) IN GENERAL.—Not later than 2 years after  
13 the date of the enactment of this Act, the Secretary  
14 shall, by rule—

15 (A) design America Star labels that are  
16 consistent with public perceptions of the mean-  
17 ing of descriptions of the extent to which a  
18 product is manufactured in the United States;  
19 and

20 (B) specify the standards that a product  
21 shall meet in order to bear a particular America  
22 Star label.

23 (c) CERTIFICATION OF PRODUCTS.—

24 (1) APPLICATION PROCEDURES.—A manufac-  
25 turer that wishes to have a product certified as  
26 meeting the standards of an America Star label may

1 apply to the Secretary for certification in accordance  
2 with such procedures as the Secretary shall establish  
3 by rule.

4 (2) ACTION BY SECRETARY.—Not later than  
5 such time after receiving an application for certifi-  
6 cation under paragraph (1) as the Secretary deter-  
7 mines reasonable by rule, the Secretary shall—

8 (A) determine whether the product de-  
9 scribed in the application meets the standards  
10 of the requested America Star label;

11 (B) if the product meets such standards,  
12 certify the product; and

13 (C) notify the manufacturer of the deter-  
14 mination and whether the product has been cer-  
15 tified.

16 (d) MONITORING; WITHDRAWAL OF CERTIFI-  
17 CATION.—

18 (1) MONITORING.—The Secretary shall conduct  
19 such monitoring and compliance review as the Sec-  
20 retary considers necessary—

21 (A) to detect violations of subsection (f);  
22 and

23 (B) to ensure that products certified as  
24 meeting the standards of America Star labels  
25 continue to meet such standards.

1 (2) WITHDRAWAL OF CERTIFICATION.—

2 (A) ON INITIATIVE OF SECRETARY.—If the  
3 Secretary determines that a product certified as  
4 meeting the standards of an America Star label  
5 no longer meets such standards, the Secretary  
6 shall—

7 (i) notify the manufacturer of the de-  
8 termination and any corrective action that  
9 would enable the product to meet such  
10 standards; and

11 (ii) if the manufacturer does not take  
12 such action within such time after receiv-  
13 ing notification under clause (i) as the Sec-  
14 retary determines reasonable by rule, the  
15 Secretary shall withdraw the certification  
16 of the product and notify the manufacturer  
17 of the withdrawal.

18 (B) AT REQUEST OF MANUFACTURER.—At  
19 the request of the manufacturer of a product,  
20 the Secretary shall withdraw the certification of  
21 the product and notify the manufacturer of the  
22 withdrawal.

23 (e) CONSULTATION.—

24 (1) REQUIRED CONSULTATION WITH FEDERAL  
25 TRADE COMMISSION.—In establishing America Star

1 labels and operating the America Star Program, the  
2 Secretary shall consult with the Federal Trade Com-  
3 mission to ensure consistency with the requirements  
4 enforced by the Commission with respect to rep-  
5 resentations of the extent to which products are  
6 manufactured in the United States.

7 (2) SENSE OF CONGRESS ON CONSULTATION  
8 WITH PRIVATE-SECTOR COMPANIES.—It is the sense  
9 of Congress that, in establishing America Star labels  
10 and operating the America Star Program, the Sec-  
11 retary should consult with private-sector companies  
12 that have developed labeling programs to verify or  
13 certify to consumers the extent to which products  
14 are manufactured in the United States.

15 (f) PROHIBITED CONDUCT.—Unless a certification  
16 by the Secretary that a product meets the standards of  
17 an America Star label is in effect, a person may not—

18 (1) place such label on such product;

19 (2) use such label in any marketing materials  
20 for such product; or

21 (3) in any other way represent that such prod-  
22 uct meets, or is certified as meeting, the standards  
23 of such label.

24 (g) ENFORCEMENT.—

1           (1) ENFORCEMENT BY FEDERAL TRADE COM-  
2           MISSION.—

3           (A) REFERRAL.—The Secretary may refer  
4           to the Federal Trade Commission any person  
5           who the Secretary determines has violated sub-  
6           section (f).

7           (B) UNFAIR OR DECEPTIVE ACT OR PRAC-  
8           TICE.—A violation of subsection (f) shall be  
9           treated as a violation of a rule defining an un-  
10          fair or deceptive act or practice described under  
11          section 18(a)(1)(B) of the Federal Trade Com-  
12          mission Act (15 U.S.C. 57a(a)(1)(B)).

13          (C) POWERS OF COMMISSION.—The Fed-  
14          eral Trade Commission shall enforce subsection  
15          (f) in the same manner, by the same means,  
16          and with the same jurisdiction, powers, and du-  
17          ties as though all applicable terms and provi-  
18          sions of the Federal Trade Commission Act (15  
19          U.S.C. 41 et seq.) were incorporated into and  
20          made a part of this section.

21          (2) INELIGIBILITY.—

22          (A) IN GENERAL.—Except as provided in  
23          subparagraph (C), if the Secretary determines  
24          that a manufacturer—

1 (i) has made a false statement to the  
2 Secretary in connection with the America  
3 Star Program;

4 (ii) knowing, or having reason to  
5 know, that a product does not meet the  
6 standards of an America Star label—

7 (I) has placed such label on such  
8 product;

9 (II) has used such label in any  
10 marketing materials for such product;

11 or

12 (III) in any other way has rep-  
13 resented that such product meets or is  
14 certified as meeting the standards of  
15 such label; or

16 (iii) has otherwise violated the pur-  
17 poses of the America Star Program;

18 the Secretary may not, for a period of 5 years  
19 after the conduct described in clause (i), (ii), or  
20 (iii), certify the product to which such conduct  
21 relates as meeting the standards of an America  
22 Star label.

23 (B) EFFECT ON EXISTING CERTIFI-  
24 CATION.—In the case of a product with respect  
25 to which, at the time of the determination of

1 the Secretary under subparagraph (A), there is  
2 in effect a certification by the Secretary that  
3 the product meets the standards of an America  
4 Star label—

5 (i) if the product continues to meet  
6 such standards, the Secretary may either  
7 withdraw the certification or allow the cer-  
8 tification to continue in effect, as the Sec-  
9 retary considers appropriate; and

10 (ii) if the product no longer meets  
11 such standards, the Secretary shall with-  
12 draw the certification.

13 (C) WAIVER.—Notwithstanding subpara-  
14 graph (A), the Secretary may waive or reduce  
15 the period referred to in such subparagraph if  
16 the Secretary determines that the waiver or re-  
17 duction is in the best interests of the America  
18 Star Program.

19 (h) ADMINISTRATIVE APPEAL.—

20 (1) EXPEDITED APPEALS PROCEDURE.—The  
21 Secretary shall establish an expedited administrative  
22 appeals procedure under which persons may appeal  
23 an action of the Secretary under this section that—

24 (A) adversely affects such person; or



1 (B) is inconsistent with the America Star  
2 Program.

3 (2) APPEAL OF FINAL DECISION.—A final deci-  
4 sion of the Secretary under paragraph (1) may be  
5 appealed to the United States district court for the  
6 district in which the person is located.

7 (i) OFFSETTING COLLECTIONS.—

8 (1) IN GENERAL.—The Secretary may collect  
9 reasonable fees from—

10 (A) manufacturers that apply for certifi-  
11 cation of products as meeting the standards of  
12 America Star labels; and

13 (B) manufacturers of products for which  
14 such certifications are in effect.

15 (2) ACCOUNT.—The fees collected under para-  
16 graph (1) shall be credited to the account that in-  
17 curs the cost of the certification services provided  
18 under this section.

19 (3) USE.—The fees collected under paragraph  
20 (1) shall be available to the Secretary, without fur-  
21 ther appropriation or fiscal-year limitation, to pay  
22 the expenses of the Secretary incurred in providing  
23 certification services under this section.

24 (j) DEFINITIONS.—In this section:

1           (1) AMERICA STAR LABEL.—The term “Amer-  
2           ica Star label” means a label described in subsection  
3           (a) and established by the Secretary under sub-  
4           section (b)(1).

5           (2) AMERICA STAR PROGRAM.—The term  
6           “America Star Program” means the voluntary label-  
7           ing program established under this section.

8           (3) SECRETARY.—The term “Secretary” means  
9           the Secretary of Commerce.

10 **SEC. 3. ANGEL INVESTMENT TAX CREDIT.**

11           (a) IN GENERAL.—Subpart B of part IV of sub-  
12           chapter A of chapter 1 of the Internal Revenue Code of  
13           1986 is amended by adding at the end the following new  
14           section:

15 **“SEC. 30E. ANGEL INVESTMENT TAX CREDIT.**

16           “(a) ALLOWANCE OF CREDIT.—There shall be al-  
17           lowed as a credit against the tax imposed by this chapter  
18           for the taxable year an amount equal to 25 percent of the  
19           qualified equity investments made by a qualified investor  
20           during the taxable year.

21           “(b) QUALIFIED EQUITY INVESTMENT.—For pur-  
22           poses of this section—

23                   “(1) IN GENERAL.—The term ‘qualified equity  
24                   investment’ means any equity investment in a quali-  
25                   fied small business entity if—

1           “(A) such investment is acquired by the  
2 taxpayer at its original issue (directly or  
3 through an underwriter) solely in exchange for  
4 cash, and

5           “(B) such investment is designated for  
6 purposes of this section by the qualified small  
7 business entity.

8           “(2) EQUITY INVESTMENT.—The term ‘equity  
9 investment’ means—

10           “(A) any form of equity, including a gen-  
11 eral or limited partnership interest, common  
12 stock, preferred stock (other than nonqualified  
13 preferred stock as defined in section 351(g)(2)),  
14 with or without voting rights, without regard to  
15 seniority position and whether or not convert-  
16 ible into common stock or any form of subordi-  
17 nate or convertible debt, or both, with warrants  
18 or other means of equity conversion, and

19           “(B) any capital interest in an entity  
20 which is a partnership.

21           “(3) REDEMPTIONS.—A rule similar to the rule  
22 of section 1202(e)(3) shall apply for purposes of this  
23 subsection.

24           “(c) QUALIFIED SMALL BUSINESS ENTITY.—For  
25 purposes of this section—

1           “(1) IN GENERAL.—The term ‘qualified small  
2 business entity’ means any domestic corporation or  
3 partnership if such corporation or partnership is cer-  
4 tified by the Secretary under subsection (h) and—

5           “(A) is a small business (as defined in sec-  
6 tion 41(b)(3)(D)(iii)),

7           “(B) has its headquarters as the principal  
8 place of business in the United States,

9           “(C) is principally engaged in a qualified  
10 high technology trade or business,

11           “(D) has been in operation in the United  
12 States for not more than 10 consecutive years  
13 as of the date of the qualified equity invest-  
14 ment,

15           “(E) employs less than 100 full-time equiv-  
16 alent employees as defined in section  
17 45R(d)(2)(A) as of the date of such investment,

18           “(F) has more than 50 percent of the em-  
19 ployees performing substantially all of their  
20 services in the United States as of the date of  
21 such investment,

22           “(G) at least 80 percent (by value) of the  
23 assets of such corporation or partnership are  
24 used by such corporation or partnership in the

1 active conduct of 1 or more qualified high tech-  
2 nology trades or businesses, and

3 “(H) has equity investments designated for  
4 purposes of this paragraph.

5 “(2) DETERMINATION OF USE OF ASSETS.—

6 “(A) IN GENERAL.—For purposes of para-  
7 graph (1)(G), assets used in activities described  
8 in subparagraph (B) shall be treated as used in  
9 the active conduct of a qualified high tech-  
10 nology trade or business. Any determination  
11 under this subparagraph shall be made without  
12 regard to whether a corporation or partnership  
13 has any gross income from such activities at the  
14 time of the determination.

15 “(B) ACTIVITIES.—An activity is described  
16 in this section if such activity is in connection  
17 with a future qualified high technology trade or  
18 business and such activity is—

19 “(i) a start-up activity described in  
20 section 195(c)(1)(A), or

21 “(ii) an activity resulting in the pay-  
22 ment or incurring of qualified research ex-  
23 penses (as defined in section 41(b)).

24 “(3) DESIGNATION OF EQUITY INVEST-  
25 MENTS.—For purposes of paragraph (1)(H), an eq-

1 uity investment shall not be treated as designated if  
2 such designation would result in the aggregate  
3 amount which may be taken into account under this  
4 section with respect to qualified equity investments  
5 in a qualified small business entity exceeds—

6 “(A) \$10,000,000, taking into account the  
7 total amount of all qualified equity investments  
8 made by all taxpayers for the taxable year and  
9 all preceding taxable years,

10 “(B) \$2,000,000, taking into account the  
11 total amount of all qualified equity investments  
12 made by all taxpayers for such taxable year,  
13 and

14 “(C) \$1,000,000, taking into account the  
15 total amount of all qualified equity investments  
16 made by the taxpayer for such taxable year.

17 “(4) QUALIFIED HIGH TECHNOLOGY TRADE OR  
18 BUSINESS.—For purposes of this section, the term  
19 ‘qualified high technology trade or business’ is a  
20 high technology trade or business which is related  
21 to—

22 “(A) advanced materials, nanotechnology,  
23 or precision manufacturing,

24 “(B) aerospace, aeronautics, or defense,

25 “(C) biotechnology or pharmaceuticals,

1           “(D) electronics, semiconductors, software,  
2           or computer technology,

3           “(E) energy, environment, or clean tech-  
4           nologies,

5           “(F) forest products or agricultural  
6           sciences,

7           “(G) information technology, communica-  
8           tion technology, digital media, opto-electronics  
9           or photonics,

10          “(H) life sciences or medical sciences,

11          “(I) marine technology or aquaculture,

12          “(J) manufacturing, processing, or assem-  
13          bling innovative technology products,

14          “(K) transportation, or

15          “(L) any other high technology trade or  
16          business as determined by the Secretary.

17          “(d) QUALIFIED INVESTOR.—For purposes of this  
18          section—

19                 “(1) IN GENERAL.—The term ‘qualified inves-  
20                 tor’ means an accredited investor, as defined by the  
21                 Securities and Exchange Commission, investor net-  
22                 work, or investor fund who review new or proposed  
23                 businesses for potential investment.

24                 “(2) INVESTOR NETWORK.—The term ‘investor  
25                 network’ means a group of accredited investors orga-

1 nized for the sole purpose of making qualified equity  
2 investments.

3 “(3) INVESTOR FUND.—

4 “(A) IN GENERAL.—The term ‘investor  
5 fund’ means a corporation that for the applica-  
6 ble taxable year is treated as an S corporation  
7 or a general partnership, limited partnership,  
8 limited liability partnership, trust, or limited li-  
9 ability company and which for the applicable  
10 taxable year is not taxed as a corporation.

11 “(B) ALLOCATION OF CREDIT.—

12 “(i) IN GENERAL.—Except as pro-  
13 vided in clause (ii), the credit allowed  
14 under subsection (a) shall be allocated to  
15 the shareholders or partners of the investor  
16 fund in proportion to their ownership in-  
17 terest or as specified in the fund’s organi-  
18 zational documents.

19 “(ii) SINGLE MEMBER LIMITED LI-  
20 ABILITY COMPANY.—If the investor fund is  
21 a single member limited liability company  
22 that is disregarded as an entity separate  
23 from its owner, the credit allowed under  
24 subsection (a) may be claimed by such lim-  
25 ited liability company’s owner, if such



1 owner is a person subject to the tax under  
2 this title.

3 “(4) EXCLUSION.—The term ‘qualified investor’  
4 does not include—

5 “(A) a person controlling at least 50 per-  
6 cent of the qualified small business entity,

7 “(B) an employee of such entity, or

8 “(C) any bank, bank and trust company,  
9 insurance company, trust company, national  
10 bank, savings association or building and loan  
11 association for activities that are a part of its  
12 normal course of business.

13 “(e) NATIONAL LIMITATION ON AMOUNT OF INVEST-  
14 MENTS DESIGNATED.—

15 “(1) IN GENERAL.—There is an angel invest-  
16 ment tax credit limitation of \$100,000,000 for each  
17 year of the investment period.

18 “(2) INVESTMENT PERIOD.—The investment  
19 period is calendar years 2015 through 2019.

20 “(3) ALLOCATION OF LIMITATION.—The limita-  
21 tion under paragraph (1) shall be allocated by the  
22 Secretary among qualified small business entities se-  
23 lected by the Secretary.

24 “(4) CARRYOVER OF UNUSED LIMITATION.—If  
25 the angel investment tax credit limitation for any

1 calendar year exceeds the aggregate amount allo-  
2 cated under paragraph (3) for such year, such limi-  
3 tation for the succeeding calendar year shall be in-  
4 creased by the amount of such excess. No amount  
5 may be carried under the preceding sentence to any  
6 calendar year after 2022.

7 “(f) APPLICATION WITH OTHER CREDITS.—

8 “(1) BUSINESS CREDIT TREATED AS PART OF  
9 GENERAL BUSINESS CREDIT.—Except as provided in  
10 paragraph (2), the credit which would be allowed  
11 under subsection (a) for any taxable year (deter-  
12 mined without regard to this subsection) shall be  
13 treated as a credit listed in section 38(b) for such  
14 taxable year (and not allowed under subsection (a)).

15 “(2) PERSONAL CREDIT.—

16 “(A) IN GENERAL.—In the case of an indi-  
17 vidual who elects the application of this para-  
18 graph, for purposes of this title, the credit al-  
19 lowed under subsection (a) for any taxable year  
20 (determined after application of paragraph (1))  
21 shall be treated as a credit allowable under sub-  
22 part A for such taxable year.

23 “(B) CARRYFORWARD OF UNUSED CRED-  
24 IT.—If the credit allowable under subsection (a)  
25 by reason of subparagraph (A) exceeds the limi-

1           tation imposed by section 26(a) for such taxable  
2           year, reduced by the sum of the credits allow-  
3           able under subpart A (other than this section)  
4           for such taxable year, such excess shall be car-  
5           ried to each of the succeeding 20 taxable years  
6           to the extent that such unused credit may not  
7           be taken into account under subsection (a) by  
8           reason of subparagraph (A) for a prior taxable  
9           year because of such limitation.

10       “(g) SPECIAL RULES.—

11           “(1) RELATED PARTIES.—For purposes of this  
12       section—

13           “(A) IN GENERAL.—All related persons  
14       shall be treated as 1 person.

15           “(B) RELATED PERSONS.—A person shall  
16       be treated as related to another person if the  
17       relationship between such persons would result  
18       in the disallowance of losses under section 267  
19       or 707(b).

20           “(2) BASIS.—For purposes of this subtitle, the  
21       basis of any investment with respect to which a cred-  
22       it is allowable under this section shall be reduced by  
23       the amount of such credit so allowed. This sub-  
24       section shall not apply for purposes of sections 1202,  
25       1397B, and 1400B.

1           “(3) RECAPTURE.—The Secretary shall, by reg-  
2           ulations, provide for recapturing the benefit of any  
3           credit allowable under subsection (a) with respect to  
4           any qualified equity investment which is held by the  
5           taxpayer less than 3 years, except that no benefit  
6           shall be recaptured in the case of—

7                   “(A) transfer of such investment by reason  
8                   of the death of the taxpayer,

9                   “(B) transfer between spouses,

10                   “(C) transfer incident to the divorce (as  
11                   defined in section 1041) of such taxpayer, or

12                   “(D) a transaction to which section 381(a)  
13                   applies (relating to certain acquisitions of the  
14                   assets of one corporation by another corpora-  
15                   tion).

16           “(h) REGULATIONS.—For purposes of this section—

17                   “(1) IN GENERAL.—Not later than 180 days  
18                   after the date of enactment of this section, the Sec-  
19                   retary shall prescribe regulations to—

20                   “(A) certify qualified small business enti-  
21                   ties,

22                   “(B) prevent the abuse of the purposes of  
23                   this section,

24                   “(C) impose appropriate reporting require-  
25                   ments and metric for measuring the effective-

1           ness of the tax credit, including the impact of  
2           the tax credit on domestic job creation, and

3           “(D) apply the provisions of this section to  
4           newly formed entities.

5           “(2) CERTIFICATION AND SELECTION CRI-  
6           TERIA.—The regulations for certifying qualified  
7           small business entities shall require the following:

8           “(A) CERTIFICATION.—

9           “(i) APPLICATION FOR TAX CREDIT.—

10           Each applicant for certification as a quali-  
11           fied small business entity shall submit an  
12           application containing such information as  
13           the Secretary may require.

14           “(ii) TIME TO MEET CRITERIA FOR  
15           CERTIFICATION.—Each applicant for cer-  
16           tification shall have 1 year from the date  
17           of acceptance by the Secretary of the appli-  
18           cation during which to provide to the Sec-  
19           retary evidence that the requirements of  
20           the certification have been met.

21           “(B) SELECTION CRITERIA.—In deter-  
22           mining which applicants to certify under this  
23           paragraph, the Secretary—

24           “(i) shall take into consideration only  
25           those applicants where there is a reason-

1           able expectation of commercial viability,  
2           and

3           “(ii) shall take into consideration  
4           which applicants—

5                       “(I) will provide the greatest do-  
6                       mestic job creation (both direct and  
7                       indirect) during the tax credit period,  
8                       and

9                       “(II) have the greatest potential  
10                      for technological innovation and com-  
11                      mercial deployment.”.

12           (b) CREDIT MADE PART OF GENERAL BUSINESS  
13 CREDIT.—Subsection (b) of section 38 of the Internal  
14 Revenue Code of 1986 is amended in paragraph (35), by  
15 striking “plus”, in paragraph (36), by striking the period  
16 at the end and inserting “, plus”, and by adding at the  
17 end the following new paragraph:

18                       “(37) the portion of the angel investment tax  
19                       credit to which section 30E(f)(1) applies.”.

20           (c) CONFORMING AMENDMENTS.—Section 1016(a) of  
21 the Internal Revenue Code of 1986 is amended by striking  
22 “and” at the end of paragraph (36), by striking the period  
23 at the end of paragraph (37) and inserting “, and”, and  
24 by inserting after paragraph (37) the following new para-  
25 graph:

1           “(38) to the extent provided in section  
2           30E(g)(2).”.

3           (d) CLERICAL AMENDMENT.—The table of sections  
4 for subpart B of part IV of subchapter A of chapter 1  
5 of the Internal Revenue Code of 1986 is amended by add-  
6 ing at the end the following new item:

                  “Sec. 30E. Angel investment tax credit.”.

7           (e) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to investments made after Decem-  
9 ber 31, 2013, in taxable years ending after such date.

10          (f) GAO REPORT.—Not later than two years after  
11 the date of enactment of this Act, the Comptroller General  
12 of the United States, pursuant to an audit of the angel  
13 investment tax credit program established under section  
14 30E of the Internal Revenue Code of 1986 (as added by  
15 subsection (a)), shall report to Congress on such program,  
16 including—

17           (1) the implementation of the regulations pro-  
18 mulgated by the Secretary,

19           (2) the amount of tax credits allocated to quali-  
20 fied small business entities in the prior year, and

21           (3) the effectiveness of the tax credit in increas-  
22 ing domestic job creation by the qualified small busi-  
23 nesses that receive the tax credit.

1 **SEC. 4. PERMANENT FULL EXCLUSION APPLICABLE TO**  
2 **QUALIFIED SMALL BUSINESS STOCK.**

3 (a) **IN GENERAL.**—Paragraph (4) of section 1202(a)  
4 of the Internal Revenue Code of 1986 is amended by strik-  
5 ing “and before January 1, 2014”.

6 (b) **CONFORMING AMENDMENTS.**—

7 (1) Section 1202(a) of such Code, as amended  
8 by subsection (a), is amended by striking paragraphs  
9 (2) and (3) and by redesignating paragraph (4) as  
10 paragraph (2).

11 (2) Section 1202(a)(2) of such Code, as redesi-  
12 gnated by paragraph (1), is amended by adding  
13 “and” at the end of subparagraph (A), by striking  
14 subparagraph (B), and by redesignating subpara-  
15 graph (C) as subparagraph (B).

16 (3) Section 1223(13) of such Code is amended  
17 by striking “1202(a)(2),”.

18 (4) The heading for section 1202 of such Code  
19 is amended by striking “**PARTIAL EXCLUSION**  
20 **FOR GAIN**” and inserting “**EXCLUSION OF CER-**  
21 **TAIN GAIN**”.

22 (5) The item relating to section 1202 in the  
23 table of sections for part I of subchapter P of chap-  
24 ter 1 of such Code is amended by striking “Partial  
25 exclusion for gain” and inserting “Exclusion of cer-  
26 tain gain”.



1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section apply to stock acquired after December 31,  
 3 2013.

4 **SEC. 5. ESTABLISHMENT OF SMALL BUSINESS STARTUP**  
 5 **SAVINGS ACCOUNTS.**

6 (a) IN GENERAL.—Subpart A of part I of subchapter  
 7 D of chapter 1 of the Internal Revenue Code of 1986 is  
 8 amended by inserting after section 408A the following new  
 9 section:

10 **“SEC. 408B. SMALL BUSINESS STARTUP SAVINGS AC-**  
 11 **COUNTS.**

12 “(a) GENERAL RULE.—Except as provided in this  
 13 section, a Small Business Startup Savings Account shall  
 14 be treated for purposes of this title in the same manner  
 15 as an individual retirement plan.

16 “(b) SMALL BUSINESS STARTUP SAVINGS AC-  
 17 COUNT.—For purposes of this title, the term ‘Small Busi-  
 18 ness Startup Savings Account’ means an individual retire-  
 19 ment account (as defined in section 409(a)) which is des-  
 20 ignated at the time of establishment of the plan as a Small  
 21 Business Startup Savings Account. Such designation shall  
 22 be made in such manner as the Secretary may prescribe.

23 “(c) TREATMENT OF CONTRIBUTIONS.—

1           “(1) NO DEDUCTION ALLOWED.—No deduction  
2 shall be allowed under section 219 for a contribution  
3 to a Small Business Startup Savings Account.

4           “(2) CONTRIBUTION LIMIT.—

5           “(A) IN GENERAL.—The aggregate  
6 amount of contributions for any taxable year to  
7 all Small Business Startup Savings Accounts  
8 maintained for the benefit of an individual shall  
9 not exceed \$10,000.

10           “(B) AGGREGATE LIMITATION.—The ag-  
11 gregate of the amounts which may be taken  
12 into account under subparagraph (A) for all  
13 taxable years with respect to all Small Business  
14 Startup Savings Accounts maintained for the  
15 benefit of an individual shall not exceed  
16 \$150,000.

17           “(C) COST-OF-LIVING ADJUSTMENT.—The  
18 Secretary shall adjust annually the \$10,000  
19 amount in subparagraph (A) for increases in  
20 the cost-of-living at the same time and in the  
21 same manner as adjustments under section  
22 415(d); except that the base period shall be the  
23 calendar quarter beginning July 1, 2014, and  
24 any increase which is not a multiple of \$500

1           shall be rounded to the next lowest multiple of  
2           \$500.

3           “(3) CONTRIBUTIONS PERMITTED AFTER AGE  
4           70½.—Contributions to a Small Business Startup  
5           Savings Account may be made even after the indi-  
6           vidual for whom the account is maintained has at-  
7           tained age 70½.

8           “(4) ROLLOVERS FROM RETIREMENT PLANS  
9           NOT ALLOWED.—A taxpayer shall not be allowed to  
10          make a qualified rollover contribution to a Small  
11          Business Startup Savings Account from any quali-  
12          fied retirement plan (as defined in section 4974(c)).

13          “(d) DISTRIBUTION RULES.—For purposes of this  
14          title—

15                 “(1) QUALIFIED DISTRIBUTIONS.—

16                         “(A) IN GENERAL.—Any qualified distribu-  
17                         tion from a Small Business Startup Savings Ac-  
18                         count shall not be includible in gross income.

19                         “(B) QUALIFIED DISTRIBUTION DE-  
20                         FINED.—For purposes of this subsection, the  
21                         term ‘qualified distribution’ means any payment  
22                         or distribution made for operating capital, the  
23                         purchase of equipment or facilities, marketing,  
24                         training, incorporation, and accounting fees.

1           “(C) LIMITATIONS ON QUALIFIED DIS-  
2           TRIBUTIONS.—All qualified distributions from a  
3           Small Business Startup Savings Account—

4                   “(i) shall be limited to a single busi-  
5                   ness, and

6                   “(ii) must be disbursed not later than  
7                   the last day of the 5th taxable year begin-  
8                   ning after the initial disbursement.

9           “(2) NONQUALIFIED DISTRIBUTIONS.—

10                   “(A) IN GENERAL.—In applying section 72  
11                   to any distribution from a Small Business  
12                   Startup Savings Account which is not a quali-  
13                   fied distribution, such distribution shall be  
14                   treated as made from contributions to the  
15                   Small Business Startup Savings Account to the  
16                   extent that such distribution, when added to all  
17                   previous distributions from the Small Business  
18                   Startup Savings Account, does not exceed the  
19                   aggregate amount of contributions to the Small  
20                   Business Startup Savings Account.

21                   “(B) TREATMENT OF AMOUNTS REMAIN-  
22                   ING IN ACCOUNT.—Any remaining amount in a  
23                   Small Business Startup Savings Account fol-  
24                   lowing the date described in paragraph  
25                   (1)(A)(ii) shall be treated as distributed during

1           the taxable year following such date and such  
2           distribution shall not be treated as a qualified  
3           distribution.”.

4           (b) EXCESS CONTRIBUTIONS.—Section 4973 of the  
5 Internal Revenue Code of 1986 is amended by adding at  
6 the end the following new subsection:

7           “(h) EXCESS CONTRIBUTIONS TO SMALL BUSINESS  
8 STARTUP SAVINGS ACCOUNTS.—For purposes of this sec-  
9 tion, in the case of contributions to all Small Business  
10 Startup Savings Accounts (within the meaning of section  
11 408B(b)) maintained for the benefit of an individual, the  
12 term ‘excess contributions’ means the sum of—

13                   “(1) the excess (if any) of—

14                           “(A) the amount contributed to such ac-  
15                           counts for the taxable year, over

16                           “(B) the amount allowable as a contribu-  
17                           tion under section 408B(e)(2) for such taxable  
18                           year, and

19                   “(2) the amount determined under this sub-  
20                   section for the preceding taxable year, reduced by  
21                   the sum of—

22                           “(A) the distributions out of the accounts  
23                           for the taxable year, and

24                           “(B) the excess (if any) of—

1                   “(i) the maximum amount allowable  
2                   as a contribution under section 408B(e)(2)  
3                   for such taxable year, over

4                   “(ii) the amount contributed to such  
5                   accounts for such taxable year.”.

6           (c) CONFORMING AMENDMENT.—The table of sec-  
7           tions for subpart A of part I of subchapter D of chapter  
8           1 of the Internal Revenue Code of 1986 is amended by  
9           inserting after the item relating to section 408A the fol-  
10          lowing new item:

                  “Sec. 408B. Small Business Startup Savings Accounts.”.

11          (d) EFFECTIVE DATE.—The amendments made by  
12          this section shall apply to taxable years beginning after  
13          December 31, 2013.

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