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H. R. 2917

To promote savings by providing a tax credit for eligible taxpayers who contribute to savings products and to facilitate taxpayers receiving this credit and open a designated savings product when they file their Federal income tax returns.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2013

Mr. SERRANO (for himself, Mr. HINOJOSA, Mr. DOGGETT, Mr. CONYERS, Mr. RICHMOND, Mrs. CAROLYN B. MALONEY of New York, Ms. MENG, Mr. PIERLUISI, Ms. ROYBAL-ALLARD, Ms. VELÁZQUEZ, Mr. GUTIÉRREZ, Mr. CARTWRIGHT, Mr. HONDA, Ms. MCCOLLUM, Mr. SIRES, Mr. GRIJALVA, Mr. VARGAS, Mr. NOLAN, Mr. CASTRO of Texas, Mr. JOHNSON of Georgia, and Mr. JEFFRIES) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To promote savings by providing a tax credit for eligible taxpayers who contribute to savings products and to facilitate taxpayers receiving this credit and open a designated savings product when they file their Federal income tax returns.

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 “Financial Security
5 Credit Act of 2013”.

1 **SEC. 2. FINDINGS.**

2 Congress finds the following:

3 (1) The personal savings rate reached historic
4 lows in the past decade, and a lack of personal sav-
5 ings was a major contributor to the depth and sever-
6 ity of the recession of 2007–2009.

7 (2) Households continue to lack the savings or
8 structures to meet short-term and long-term needs,
9 as evidenced by the following:

10 (A) According to the Employee Benefit Re-
11 search Institute, among full-time, full-year wage
12 and salary workers ages 21–64, only 54.5 per
13 cent participated in a retirement plan in 2010.

14 (B) According to the Federal Deposit In-
15 surance Corporation’s 2011 Survey of
16 Unbanked and Underbanked Households, an es-
17 timated 8.2 percent of United States house-
18 holds, approximately 10 million households, are
19 unbanked. These households do not have a
20 checking or savings account. In total, 29.3 per-
21 cent of households do not have a savings ac-
22 count.

23 (C) More than 1 in 4 American households
24 lives in “asset poverty”, meaning they lack the
25 savings or other assets to cover basic expenses
26 (equivalent to what could be purchased with a

1 poverty level income) for three months if a lay-
2 off or other emergency leads to loss of income.
3 If assets that cannot easily be converted to
4 cash, are excluded, such as a home or a busi-
5 ness, as many as 4 in 10 households live in
6 “liquid asset poverty”, meaning they lack the
7 cash savings to survive three months at the
8 poverty line.

9 (3) Savings make families more resilient to fi-
10 nancial shocks and more upwardly mobile, as evi-
11 denced by the following:

12 (A) Even small sums of savings, \$2,000 or
13 less, have been shown to significantly reduce
14 the incidence of negative financial or material
15 outcomes, such as foregoing adequate nutrition.

16 (B) Children born to low-income, high sav-
17 ing parents are much more likely (71 percent)
18 to move up the economic ladder than children
19 born to low-income, low-saving parents (50 per-
20 cent) over a generation.

21 (4) Successful pilot programs have been run in
22 cities as diverse as Houston, Texas; Newark, New
23 Jersey; New York City, New York; San Antonio,
24 Texas; and Tulsa, Oklahoma. These programs, run
25 through Volunteer Income Tax Assistance sites serv-

1 ing only a fraction of potentially eligible tax filers in
 2 each city, have shown that tax filers with low in-
 3 comes can and will save when presented with the
 4 right incentive at the right moment.

5 (5) It is in the economic interests of the United
 6 States to promote savings among all members of so-
 7 ciety, regardless of income.

8 **SEC. 3. FINANCIAL SECURITY CREDIT.**

9 (a) IN GENERAL.—Subpart C of part IV of sub-
 10 chapter A of chapter 1 of the Internal Revenue Code of
 11 1986 is amended by inserting after section 36C the fol-
 12 lowing new section:

13 **“SEC. 36D. FINANCIAL SECURITY CREDIT.**

14 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 15 lowed as a credit against the tax imposed by this subtitle
 16 for a taxable year an amount equal to the lesser of—

17 “(1) \$500, or

18 “(2) 50 percent of the total amount deposited
 19 or contributed by the taxpayer in accordance with
 20 subsection (b)(1) into designated savings products
 21 during such taxable year.

22 “(b) LIMITATIONS.—

23 “(1) CREDIT MUST BE DEPOSITED IN OR CON-
 24 TRIBUTED TO DESIGNATED SAVINGS PRODUCT.—No
 25 amount shall be allowed as a credit under subsection

1 (a) for a taxable year unless the taxpayer designates
2 on the taxpayer's return of tax for the taxable year
3 that the amount of the credit for such taxable year
4 be deposited in or contributed to one or more des-
5 ignated savings products of the taxpayer and the
6 Secretary makes such deposits or contributions to
7 the designated savings products.

8 “(2) LIMITATION BASED ON ADJUSTED GROSS
9 INCOME.—

10 “(A) IN GENERAL.—The amount of the
11 credit allowable under subsection (a) shall be
12 reduced (but not below zero) by an amount
13 which bears the same ratio to the amount of
14 such credit (determined without regard to this
15 paragraph) as—

16 “(i) the amount by which the tax-
17 payer's adjusted gross income exceeds the
18 threshold amount, bears to

19 “(ii) \$15,000.

20 “(B) THRESHOLD AMOUNT.—For purposes
21 of subparagraph (A), the term ‘threshold
22 amount’ means—

23 “(i) \$55,500 in the case of a joint re-
24 turn,

1 “(ii) \$41,625 in the case of an indi-
2 vidual who is not married, and

3 “(iii) 50 percent of the dollar amount
4 in effect under clause (i) in the case of a
5 married individual filing a separate return.

6 For purposes of this subparagraph, marital sta-
7 tus shall be determined under section 7703.

8 “(c) DESIGNATED SAVINGS PRODUCT.—For pur-
9 poses of this section, the term ‘designated savings product’
10 means any of the following:

11 “(1) A qualified retirement plan (as defined in
12 section 4974(c)).

13 “(2) A qualified tuition program (as defined in
14 section 529).

15 “(3) A Coverdell education savings account (as
16 defined in section 530).

17 “(4) A United States savings bond.

18 “(5) A certificate of deposit (or similar class of
19 deposit) with a duration of at least 8 months.

20 “(6) A savings account.

21 “(7) Any other type of savings product consid-
22 ered to be appropriate by the Secretary for the pur-
23 poses of this section.

24 “(d) SPECIAL RULES.—

1 “(1) TAX REFUNDS TREATED AS DEPOSITED
2 OR CONTRIBUTED IN CURRENT TAXABLE YEAR.—
3 For purposes of subsection (a)(2), the amount of
4 any overpayment of taxes refunded to the taxpayer
5 (reduced by any amount attributable to the credit al-
6 lowed under this section by reason of being consid-
7 ered as an overpayment by section 6401(b)) and
8 designated for deposit in or contribution to a des-
9 ignated savings product of the taxpayer shall be
10 treated as an amount deposited or contributed in the
11 taxable year in which so deposited or contributed.

12 “(2) MAINTENANCE OF DEPOSIT.—No con-
13 tribution or deposit shall be taken into account
14 under subsection (a) unless such contribution or de-
15 posit remains in the designated savings product for
16 not less than 8 continuous months.

17 “(3) REDUCTION IN DEPOSITS IN DESIGNATED
18 SAVINGS PRODUCTS.—

19 “(A) IN GENERAL.—The amount of depos-
20 its or contributions taken into account under
21 subsection (a) shall be reduced (but not below
22 zero) by the aggregate amount of distributions
23 (other than interest from designated savings
24 products specified in paragraphs (4), (5), (6),
25 and (7) of subsection (c)) from all designated

1 savings products of the taxpayer during the
2 testing period. The preceding sentence shall not
3 apply to the portion of any distribution which
4 is not includible in gross income by reason of
5 a trustee-to-trustee transfer or a rollover dis-
6 tribution.

7 “(B) TESTING PERIOD.—For purposes of
8 subparagraph (A), the testing period, with re-
9 spect to a taxable year, is the period which in-
10 cludes—

11 “(i) such taxable year,

12 “(ii) the 2 preceding taxable years,

13 and

14 “(iii) the period after such taxable
15 year and before the due date (including ex-
16 tensions) for filing the return of tax for
17 such taxable year.

18 “(C) OTHER RULES.—Rules similar to
19 subparagraphs (C) and (D) of section
20 25B(d)(2) shall apply for purposes of this para-
21 graph.

22 “(4) DENIAL OF DOUBLE BENEFIT.—No credit
23 shall be allowed under section 25B with respect to
24 any deposit for which a credit is allowed under this
25 section.

1 “(5) COORDINATION WITH OTHER REFUND-
2 ABLE CREDITS.—The credit allowed by subsection
3 (a) shall be taken into account after taking into ac-
4 count the credits allowed by (or treated as allowed
5 by) this subpart (other than this section).

6 “(e) INFLATION ADJUSTMENTS.—

7 “(1) CREDIT LIMIT.—In the case of any taxable
8 year beginning in a calendar year after 2023, the
9 dollar amount in subsection (a)(1) shall be increased
10 by an amount equal to—

11 “(A) such dollar amount, multiplied by

12 “(B) the cost-of-living adjustment deter-
13 mined under section 1(f)(3) for the calendar
14 year in which the taxable year begins, deter-
15 mined by substituting ‘calendar year 2012’ for
16 ‘calendar year 1992’ in subparagraph (B)
17 thereof.

18 “(2) AGI THRESHOLDS.—In the case of any
19 taxable year beginning in a calendar year after
20 2013, each of the dollar amounts in clauses (i) and
21 (ii) of subsection (b)(2)(B) shall be increased by an
22 amount equal to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-
25 mined under section 1(f)(3) for the calendar

1 year in which the taxable year begins, deter-
2 mined by substituting ‘calendar year 2012’ for
3 ‘calendar year 1992’ in subparagraph (B)
4 thereof.

5 “(3) ROUNDING.—

6 “(A) CREDIT LIMIT.—If any increase
7 under paragraph (1) is not a multiple of \$10,
8 such increase shall be rounded to the next low-
9 est multiple of \$10.

10 “(B) AGI THRESHOLDS.—If any increase
11 under paragraph (1) is not a multiple of \$100,
12 such increase shall be rounded to the next low-
13 est multiple of \$100.

14 “(f) REGULATIONS.—Not later than 12 months from
15 date of enactment of this section, the Secretary shall issue
16 such regulations or other guidance as the Secretary deter-
17 mines necessary or appropriate to carry out this section,
18 including regulations or guidance—

19 “(1) to ensure that designated savings products
20 are subject to appropriate reporting requirements,
21 including the reporting of contributions and other
22 deposits during the calendar year, end of calendar
23 year account balances, and earnings from designated
24 savings products specified in paragraphs (4), (5),
25 (6), and (7) of subsection (c),

1 “(2) to carry out the maintenance of deposit
2 provisions under subsection (d)(2), and

3 “(3) to prevent avoidance of the purposes of
4 this subsection.”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 1324(b)(2) of title 31, United
7 States Code, is amended by inserting “36D,” after
8 “36B,”.

9 (2) The table of sections for subpart C of part
10 IV of subchapter A of chapter 1 of the Internal Rev-
11 enue Code of 1986 is amended by inserting after the
12 item relating to section 36C the following new item:

“Sec. 36D. Financial security credit.”.

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

16 **SEC. 4. OPENING OF ACCOUNTS ON FEDERAL INCOME TAX**
17 **RETURNS TO FACILITATE SAVINGS.**

18 (a) NOTIFICATION OF OPTION.—

19 (1) IN GENERAL.—The Commissioner of Inter-
20 nal Revenue shall notify individuals who may qualify
21 for a credit under section 36D of the Internal Rev-
22 enue Code of 1986 but fail to provide sufficient in-
23 formation to allow the Secretary to deposit or con-
24 tribute the credit amount to a designated savings
25 product that they have the option of an electronic di-

1 rect deposit and that they may be eligible for the fi-
2 nancial security credit under section 36D of the In-
3 ternal Revenue Code of 1986 if they deposit a re-
4 fund or a portion of their refund in any designated
5 savings product.

6 (2) METHOD OF NOTIFICATION.—The notifica-
7 tion under paragraph (1) shall be made through—

8 (A) a public awareness program under-
9 taken by the Secretary of the Treasury, in con-
10 cert with the Commissioner of the Internal Rev-
11 enue and others as necessary, beginning not
12 later than 6 months after the date of the enact-
13 ment of this Act;

14 (B) tax return preparers and low-income
15 taxpayer clinics; and

16 (C) the inclusion of such a notice in the in-
17 struction material for any Federal income tax
18 return.

19 (b) ESTABLISHMENT OF DESIGNATED ACCOUNT
20 PROGRAM.—The Secretary of the Treasury shall develop,
21 in consultation with the Federal Management System, a
22 program to minimize the delivery of non-electronic Federal
23 income tax refunds by depositing refunds electronically to
24 a safe, low-cost account held by a depository institution.
25 This program shall include—

1 (1) provisions for such tax refunds to be depos-
2 ited into a designated account;

3 (2) establishment of account parameters with
4 respect to minimum balance requirements, limita-
5 tions on overdrafts, overdraft fees, other fees, and
6 additional requirements;

7 (3) establishment of means for the taxpayer to
8 access the account electronically and to have timely,
9 direct access to the funds in the account; and

10 (4) provisions to allow taxpayers to open an ac-
11 count with their Federal income tax refunds through
12 financial service providers, so long such account is
13 held at a depository institution insured under the
14 Federal Deposit Insurance Act or a credit union in-
15 sured under the Federal Credit Union Act.

16 (c) EFFECTIVE DATE.—The notification under sub-
17 section (a) and the program under subsection (b) shall be
18 effective with respect to Federal income tax returns for
19 taxable years beginning after December 31, 2013.

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