

111TH CONGRESS
1ST SESSION

H. R. 4309

To amend the Internal Revenue Code of 1986 to establish tax-preferred
Small Business Start-up Savings Accounts.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 15, 2009

Mr. BRIGHT (for himself and Mr. THOMPSON of Pennsylvania) introduced the
following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish
tax-preferred Small Business Start-up Savings Accounts.

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 “Small Business Start-
5 up Savings Accounts Act of 2009”.

6 **SEC. 2. ESTABLISHMENT OF SMALL BUSINESS START-UP**
7 **SAVINGS ACCOUNTS.**

8 (a) IN GENERAL.—Subpart A of part I of subchapter
9 D of chapter 1 of the Internal Revenue Code of 1986 is

1 amended by inserting after section 408A the following new
2 section:

3 **“SEC. 408B. SMALL BUSINESS START-UP SAVINGS AC-**
4 **COUNTS.**

5 “(a) GENERAL RULE.—Except as provided in this
6 section, a Small Business Start-up Savings Account shall
7 be treated for purposes of this title in the same manner
8 as an individual retirement plan.

9 “(b) SMALL BUSINESS START-UP SAVINGS AC-
10 COUNT.—For purposes of this title, the term ‘Small Busi-
11 ness Start-up Savings Account’ means an individual re-
12 tirement plan which is designated (in such manner as the
13 Secretary may prescribe) at the time of establishment of
14 the plan as a Small Business Start-up Savings Account.

15 “(c) TREATMENT OF CONTRIBUTIONS.—

16 “(1) NO DEDUCTION ALLOWED.—No deduction
17 shall be allowed under section 219 for a contribution
18 to a Small Business Start-up Savings Account.

19 “(2) CONTRIBUTION LIMIT.—

20 “(A) IN GENERAL.—The aggregate
21 amount of contributions for any taxable year to
22 all Small Business Start-up Savings Accounts
23 maintained for the benefit of an individual shall
24 not exceed \$10,000.

1 “(B) AGGREGATE LIMITATION.—The ag-
2 gregate of the amount contributions for all tax-
3 able years with respect to all Small Business
4 Start-up Savings Accounts maintained for the
5 benefit of an individual shall not exceed
6 \$150,000.

7 “(C) COST OF LIVING ADJUSTMENT.—

8 “(i) IN GENERAL.—In the case of a
9 taxable year beginning after 2010, the
10 \$10,000 amount in subparagraph (A) shall
11 be increased by an amount equal to—

12 “(I) such dollar amount, multi-
13 plied by

14 “(II) the cost-of-living adjust-
15 ment determined under section 1(f)(3)
16 for the calendar year in which the tax-
17 able year begins, determined by sub-
18 stituting ‘calendar year 2009’ for ‘cal-
19 endar year 1992’ in subparagraph (B)
20 thereof.

21 “(ii) ROUNDING.—If any amount as
22 adjusted under clause (i) is not a multiple
23 of \$500, such amount shall be rounded to
24 the next lowest multiple of \$500.

1 “(3) CONTRIBUTIONS PERMITTED AFTER AGE
2 70¹/₂.—Contributions to a Small Business Start-up
3 Savings Account may be made even after the indi-
4 vidual for whom the account is maintained has at-
5 tained age 70¹/₂.

6 “(4) ROLLOVERS FROM RETIREMENT PLANS
7 NOT ALLOWED.—A taxpayer shall not be allowed to
8 make a qualified rollover contribution to a Small
9 Business Start-up Savings Account from any eligible
10 retirement plan (as defined in section 402(c)(8)(B)),
11 except as may be provided by the Secretary in the
12 case of a rollover from another Small Business
13 Start-up Savings Account.

14 “(5) INCOME BASED ON MODIFIED ADJUSTED
15 GROSS INCOME.—

16 “(A) IN GENERAL.—In the case of a tax-
17 able year in which the taxpayer’s adjusted gross
18 income exceeds \$150,000 (\$300,000 in the case
19 of a joint return), the dollar amount in effect
20 for such taxable year under subsection (c)(2)
21 shall be reduced (but not below zero) by the
22 amount determined under subparagraph (B).

23 “(B) AMOUNT OF REDUCTION.—The
24 amount determined under this subparagraph

1 shall be the amount which bears the same ratio
2 to such limitation as—

3 “(i) the excess of—

4 “(I) the taxpayer’s adjusted
5 gross income for such taxable year,
6 over

7 “(II) \$150,000 (\$300,000 in the
8 case of a joint return), bears to

9 “(ii) \$25,000.

10 “(C) MODIFIED ADJUSTED GROSS IN-
11 COME.—The term ‘modified adjusted gross in-
12 come’ means the adjusted gross income of the
13 taxpayer for the taxable year increased by any
14 amount excluded from gross income under sec-
15 tion 911, 931, or 933.

16 “(d) TREATMENT OF DISTRIBUTIONS.—

17 “(1) TAX TREATMENT.—

18 “(A) EXCLUSION OF QUALIFIED DISTRIBUTU-
19 TIONS.—Any qualified distribution from a
20 Small Business Start-up Savings Account shall
21 not be includible in gross income.

22 “(B) INCLUSION OF OTHER DISTRIBUTU-
23 TIONS.—Distributions from a Small Business
24 Start-up Savings Account which is not a quali-
25 fied distribution shall be included in gross in-

1 come and, for purposes of section 1, treated as
2 a net capital gain.

3 “(2) QUALIFIED DISTRIBUTION.—For purposes
4 of this subsection, the term ‘qualified distribution’
5 means, with respect to any taxable year, any pay-
6 ment or distribution from a Small Business Start-up
7 Savings Account—

8 “(A) to the extent the amount of such pay-
9 ment or distribution does not exceed the sum
10 of—

11 “(i) the aggregate amounts paid or in-
12 curred by the taxpayer for such taxable
13 year with respect to a trade or business for
14 the purchase of equipment or facilities,
15 marketing, training, incorporation, and ac-
16 counting fees, and

17 “(ii) the aggregate capital contribu-
18 tions of the taxpayer with respect to a
19 trade or business for the taxable year (but
20 only to the extent such amounts are used
21 in such trade or business for purposes de-
22 scribed in clause (i)), and

23 “(B) which, in the case of a payment or
24 distribution subsequent to the first payment or

1 distribution from such account (or any prede-
2 cessor to such account)—

3 “(i) is made not later than the close
4 of the 5th taxable year beginning after the
5 date of such first payment or distribution,
6 and

7 “(ii) is made with respect to the same
8 trade or business with respect to which
9 such first payment or distribution was
10 made.

11 “(3) TREATMENT AFTER DEATH OF ACCOUNT
12 BENEFICIARY.—If, by reason of the death of the ac-
13 count beneficiary, any person acquires the account
14 beneficiary’s interest in a Small Business Start-up
15 Savings Account—

16 “(A) such account shall cease to be a
17 Small Business Start-up Savings Account as of
18 the date of death, and

19 “(B) an amount equal to the fair market
20 value of the assets in such account on such date
21 shall be includible—

22 “(i) in the case of a person who is not
23 the estate of such beneficiary, in such per-
24 son’s gross income for the taxable year
25 which includes such date, or

1 “(ii) in the case of a person who is
2 the estate of such beneficiary, in such
3 beneficiary’s gross income for the last tax-
4 able year of such beneficiary.

5 “(C) SPECIAL RULES.—

6 “(i) REDUCTION OF INCLUSION FOR
7 PREDEATH EXPENSES.—The amount in-
8 cludible in gross income under subpara-
9 graph (B) shall be reduced by the amounts
10 described in paragraph (2) which were in-
11 curred by the decedent before the date of
12 the decedent’s death and paid by such per-
13 son within 1 year after such date.

14 “(ii) DEDUCTION FOR ESTATE
15 TAXES.—An appropriate deduction shall be
16 allowed under section 691(c) to any person
17 (other than the decedent) with respect to
18 amounts included in gross income under
19 clause (i) by such person.

20 “(4) MANDATORY DISTRIBUTION RULES NOT
21 TO APPLY.—Section 401(a)(9)(A) and the incidental
22 death benefit requirements of section 401(a) shall
23 not apply to any Small Business Start-up Savings
24 Account.”.

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

4 “(h) EXCESS CONTRIBUTIONS TO SMALL BUSINESS
5 START-UP SAVINGS ACCOUNTS.—For purposes of this
6 section, in the case of contributions to all Small Business
7 Start-up Savings Accounts (within the meaning of section
8 408B(b)) maintained for the benefit of an individual, the
9 term ‘excess contributions’ means the sum of—

10 “(1) the excess (if any) of—

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

13 “(B) the amount allowable as a contribu-
14 tion under section 408B(c)(2)(A) for such tax-
15 able year, and

16 “(2) the amount determined under this sub-
17 section for the preceding taxable year, reduced by
18 the sum of—

19 “(A) the distributions out of the accounts
20 for the taxable year, and

21 “(B) the excess (if any) of—

22 “(i) the maximum amount allowable
23 as a contribution under section
24 408B(c)(2)(A) for such taxable year, over

1 “(ii) the amount contributed to such
2 accounts for such taxable year, and

3 “(3) the excess (if any) of—

4 “(A) the excess (if any) of—

5 “(i) the aggregate amounts contrib-
6 uted to such accounts for all taxable years,
7 over

8 “(ii) the aggregate amount allowable
9 as contributions under section
10 408B(c)(2)(B) for all taxable years, over

11 “(B) the amount determined under this
12 paragraph for all preceding taxable years.”.

13 (c) CONFORMING AMENDMENT.—The table of sec-
14 tions for subpart A of part I of subchapter D of chapter
15 1 of the Internal Revenue Code of 1986 is amended by
16 inserting after the item relating to section 408A the fol-
17 lowing new item:

 “Sec. 408B. Small Business Start-up Savings Accounts.”.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2009.

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