

113TH CONGRESS
1ST SESSION

S. 1515

To amend the Internal Revenue Code of 1986 to improve and expand education savings accounts.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18, 2013

Mr. KIRK 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 improve and expand education 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 “401Kids Family Sav-
5 ings Act of 2013”.

6 **SEC. 2. CONVERSION OF COVERDELL EDUCATION SAVINGS**

7 **ACCOUNTS TO 401KIDS SAVINGS ACCOUNTS.**

8 (a) IN GENERAL.—Section 530 of the Internal Rev-
9 enue Code of 1986 is amended by striking “Coverdell edu-
10 cation savings account” each place it appears in sub-

1 section (a), subsection (b)(1), subsection (b)(4), sub-
2 section (d)(4)(A), subsection (d)(5), subsection (d)(6),
3 subsection (d)(9), and subsection (h), and inserting
4 “401Kids savings account”.

5 (b) CONFORMING AMENDMENTS.—

6 (1) The heading of section 530 of the Internal
7 Revenue Code of 1986 is amended by striking
8 “**COVERDELL EDUCATION SAVINGS ACCOUNTS**”
9 and inserting “**401KIDS SAVINGS ACCOUNTS**”.

10 (2) The heading of paragraph (1) of section
11 530(b) of such Code is amended by striking
12 “COVERDELL EDUCATION SAVINGS ACCOUNT” and
13 inserting “401KIDS SAVINGS ACCOUNT”.

14 (3) Section 26(b)(2)(E) of such Code is amend-
15 ed by striking “Coverdell education savings ac-
16 counts” and inserting “401Kids savings accounts”.

17 (4) Section 72(e)(9) of such Code is amended
18 by striking “Coverdell education savings account”
19 and inserting “401Kids savings account”.

20 (5) The heading of paragraph (9) of section
21 72(e) of such Code is amended by striking “COVER-
22 DELL EDUCATION SAVINGS ACCOUNTS” and insert-
23 ing “401KIDS SAVINGS ACCOUNTS”.

1 (6) Section 135(c)(2)(C) of such Code is
2 amended by striking “Coverdell education savings
3 account” and inserting “401Kids savings account”.

4 (7) The heading of subparagraph (C) of section
5 135(c)(2) of such Code is amended by striking
6 “COVERDELL EDUCATION SAVINGS ACCOUNTS” and
7 inserting “401KIDS SAVINGS ACCOUNTS”.

8 (8) Section 408A(e)(2)(A)(ii) of such Code is
9 amended by striking “Coverdell education savings
10 account” and inserting “401Kids savings account”.

11 (9) The heading of clause (vi) of section
12 529(c)(3)(B) of such Code is amended by striking
13 “COVERDELL EDUCATION SAVINGS ACCOUNTS” and
14 inserting “401KIDS SAVINGS ACCOUNTS”.

15 (10) Section 529(e)(6) of such Code is amended
16 by striking “Coverdell education savings account”
17 and inserting “401Kids savings account”.

18 (11) Section 877A(e)(2) of such Code is amend-
19 ed by striking “Coverdell education savings account”
20 and inserting “401Kids savings account”.

21 (12) Section 4973(a)(4) of such Code is amend-
22 ed by striking “Coverdell education savings account”
23 and inserting “401Kids savings account”.

1 (13) Section 4973(e)(1) of such Code is amend-
2 ed by striking “Coverdell education savings ac-
3 counts” and inserting “401Kids savings accounts”.

4 (14) Section 4973(e)(2)(A) of such Code is
5 amended by striking “Coverdell education savings
6 account” and inserting “401Kids savings account”.

7 (15) The heading of subsection (e) of section
8 4973 of such Code is amended by striking “COVER-
9 DELL EDUCATION SAVINGS ACCOUNTS” and insert-
10 ing “401KIDS SAVINGS ACCOUNTS”.

11 (16) Section 4975(c)(5) of such Code is amend-
12 ed by striking “Coverdell education savings account”
13 and inserting “401Kids savings account”.

14 (17) The heading of paragraph (5) of section
15 4975(c) of such Code is amended by striking
16 “COVERDELL EDUCATION SAVINGS ACCOUNTS” and
17 inserting “401KIDS SAVINGS ACCOUNTS”.

18 (18) Section 4975(e)(1)(F) of such Code is
19 amended by striking “Coverdell education savings
20 account” and inserting “401Kids savings account”.

21 (19) Section 6693(a)(2)(E) of such Code is
22 amended by striking “Coverdell education savings
23 accounts” and inserting “401Kids savings ac-
24 counts”.

1 (20) The heading of part VIII of subchapter F
 2 of chapter 1 of such Code is amended by striking
 3 “**HIGHER EDUCATION SAVINGS**” and inserting
 4 “**EDUCATION AND CHILDREN’S SAVINGS**”.

5 (c) CLERICAL AMENDMENTS.—

6 (1) The item relating to part VIII in the table
 7 of parts for subchapter F of chapter 1 of the Inter-
 8 nal Revenue Code of 1986 is amended to read as fol-
 9 lows:

“PART VIII. EDUCATION AND CHILDREN’S SAVINGS ENTITIES”.

10 (2) The table of sections for part VIII of sub-
 11 chapter F of chapter 1 of such Code is amended by
 12 striking the item relating to section 530 and insert-
 13 ing the following new item:

“Sec. 530. 401Kids savings accounts.”.

14 (d) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 the date of the enactment of this Act.

17 **SEC. 3. QUALIFIED DISTRIBUTIONS FOR FIRST HOME PUR-**
 18 **CHASES.**

19 (a) IN GENERAL.—Paragraph (1) of section 530(b)
 20 of the Internal Revenue Code of 1986 is amended by strik-
 21 ing “qualified education expenses” and inserting “quali-
 22 fied expenses”.

23 (b) QUALIFIED EXPENSES.—Subsection (b) of sec-
 24 tion 530 of the Internal Revenue Code of 1986 is amended

1 by redesignating paragraphs (2), (3), and (4) as para-
 2 graphs (4), (5), and (6), respectively, and by inserting
 3 after paragraph (1) the following new paragraphs:

4 “(2) QUALIFIED EXPENSES.—The term ‘quali-
 5 fied expenses’ means—

6 “(A) qualified first-time homebuyer ex-
 7 penses, and

8 “(B) qualified education expenses.

9 “(3) QUALIFIED FIRST-TIME HOMEBUYER EX-
 10 PENSES.—

11 “(A) IN GENERAL.—The term ‘qualified
 12 first-time homebuyer expenses’ means, in the
 13 case of a designated beneficiary who is a first-
 14 time homebuyer, the qualified acquisition costs
 15 with respect to a principal residence of such
 16 beneficiary.

17 “(B) DEFINITIONS.—The terms ‘first-time
 18 homebuyer’, ‘qualified acquisition costs’, and
 19 ‘principal residence’ have the same meaning as
 20 when used in section 72(t)(8).”.

21 (c) CONFORMING AMENDMENTS.—

22 (1) Paragraph (4)(A)(ii) (as redesignated by
 23 subsection (b)) of section 530(b) of the Internal
 24 Revenue Code of 1986 is amended by striking “as

1 defined in paragraph (3)” and inserting “as defined
2 in paragraph (5)”.

3 (2) Subparagraphs (A), (B), and (D) of section
4 530(d)(1) of such Code are each amended by strik-
5 ing “qualified education expenses” each place it ap-
6 pears and inserting “qualified expenses”.

7 (3) The heading of paragraph (2) of section
8 530(d) of such Code is amended by striking “EDU-
9 CATION EXPENSES” and inserting “EXPENSES”.

10 (4) The heading of paragraph (4) of section
11 530(d) of such Code is amended by striking “EDU-
12 CATIONAL EXPENSES” and inserting “EXPENSES”.

13 (5) Subclause (I) of section 529(c)(3)(B)(vi) of
14 such Code is amended by striking “to which clauses
15 (i) and (ii) and section 530(d)(2)(A) apply” and in-
16 sserting “for qualified higher education expenses to
17 which clauses (i) and (ii) apply and for qualified
18 education expenses to which section 530(d)(2)(A)
19 applies”.

20 (6) Clause (vi) of section 529(c)(3)(B) of such
21 Code is amended by striking “and section
22 530(d)(2)(A).” and inserting “and the amount of
23 the exclusion with respect to qualified education ex-
24 penses under section 530(d)(2)(A).”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to distributions made in taxable
3 years beginning after the date of the enactment of this
4 Act.

5 **SEC. 4. QUALIFIED ROLLOVER CONTRIBUTIONS FROM**
6 **401KIDS SAVINGS ACCOUNTS TO ROTH IRAS.**

7 (a) IN GENERAL.—Paragraph (5) of section 530(d)
8 of the Internal Revenue Code of 1986 is amended by in-
9 serting “, or into a Roth IRA of the beneficiary” after
10 “as of such date”.

11 (b) CONFORMING AMENDMENT; TECHNICAL COR-
12 RECTION.—Paragraph (1) of section 408A(e) of the Inter-
13 nal Revenue Code of 1986 is amended to read as follows:

14 “(1) IN GENERAL.—The term ‘qualified rollover
15 contribution’ means a rollover contribution to a Roth
16 IRA from another such account, from an eligible re-
17 tirement plan (as defined in section 402(c)(8)(B)),
18 or from a 401Kids savings account (as defined in
19 section 530(b)(1)), but only if—

20 “(A) such rollover contribution meets the
21 requirements of section 408(d)(3),

22 “(B) in the case of a rollover contribution
23 from an eligible retirement plan described in
24 clause (iii), (iv), (v), or (vi) of section
25 402(c)(8)(B), such contribution meets the re-

1 requirements of section 402(c), 403(b)(8), or
2 457(e)(16), whichever is applicable, and

3 “(C) in the case of a rollover contribution
4 from a 401KKids savings account, such contribu-
5 tion meets the requirements of section
6 530(d)(5).

7 For purposes of section 408(d)(3)(B), there shall be
8 disregarded any qualified rollover contribution from
9 an individual retirement plan (other than a Roth
10 IRA) to a Roth IRA.”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to rollover contributions made in
13 taxable years beginning after the date of the enactment
14 of this Act.

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