

117TH CONGRESS  
1ST SESSION

# S. 2206

To create Federal child savings accounts, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 24, 2021

Mr. CASEY (for himself, Mr. WYDEN, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To create Federal child 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Young American Sav-  
5 ers Act of 2021”.

6 **SEC. 2. ESTABLISHMENT OF CHILD SAVINGS ACCOUNT**  
7 **PROGRAM.**

8 (a) ESTABLISHMENT OF PROGRAM.—The Secretary  
9 of the Treasury shall, not later than December 31, 2022,  
10 establish a permanent program, to be known as the “Fed-  
11 eral Child Savings Account Program”, which meets the

1 requirements of this section to establish and maintain a  
2 savings account meeting the requirements of subsection  
3 (c) on behalf of eligible individuals.

4 (b) PROGRAM SPECIFICATIONS.—

5 (1) IN GENERAL.—

6 (A) SAVINGS ACCOUNTS.—The Federal  
7 Child Savings Account Program established  
8 under this section shall—

9 (i) permit the parent or guardian of  
10 an eligible individual to establish a savings  
11 account which meets the requirements of  
12 this subsection and subsection (c) on be-  
13 half of the individual;

14 (ii) establish a savings account which  
15 meets the requirements of this subsection  
16 and subsection (c) on behalf of—

17 (I) eligible individuals who are in  
18 foster care, in coordination with the  
19 Administration for Children and Fam-  
20 ilies; and

21 (II) other eligible individuals on  
22 whose behalf no account has been es-  
23 tablished by a parent or guardian  
24 under clause (i) as of the time the  
25 first deposit under paragraph (4)(A)

1 is due to be made on behalf of such  
2 individuals,  
3 and notify such individuals of the estab-  
4 lishment of such accounts;

5 (iii) require the assets of each savings  
6 account established under the program to  
7 be held by the designated custodian;

8 (iv) within the limitations of para-  
9 graph (3), permit contributions to be made  
10 periodically to such savings accounts by di-  
11 rect deposit through payroll deduction or  
12 by electronic means, and by methods that  
13 provide access for the unbanked;

14 (v) provide for the annual deposit  
15 under paragraph (4) and the matching  
16 contributions under paragraph (5) to be  
17 made to such savings accounts, if applica-  
18 ble;

19 (vi) as provided in subsection (c), per-  
20 mit distributions and rollovers from such  
21 savings accounts upon request of the par-  
22 ent or guardian of the individual on whose  
23 behalf the account is established before the  
24 individual has attained age 18, or upon re-

1           quest of such individual after such indi-  
2           vidual has attained age 18;

3           (vii) include procedures to consolidate  
4           multiple accounts established for the same  
5           individual and return excess contributions  
6           on an annual basis, with notice provided to  
7           the parent or guardian of the individual  
8           (or, if appropriate, to the individual) and a  
9           procedure for resolution of disputes; and

10          (viii) ensure that such savings ac-  
11          counts are invested solely in United States  
12          Treasury bonds.

13          (B) REGULATIONS, ETC.—The Secretary  
14          of the Treasury shall have authority to promul-  
15          gate such regulations, rules, and other guidance  
16          as are necessary to implement the Federal  
17          Child Savings Account Program, and are con-  
18          sistent with this section and section 529B of  
19          the Internal Revenue Code of 1986, including—

20          (i) rules regarding the provision of  
21          periodic notices to individuals and parents  
22          or guardians of individuals, as appropriate,  
23          on whose behalf accounts are established  
24          under the program, including information  
25          on account balances and activity;

1 (ii) rules regarding beneficiary des-  
2 ignation in the case of the death of the in-  
3 dividual on whose behalf an account was  
4 established; and

5 (iii) coordination rules permitting sav-  
6 ings accounts to be established under the  
7 Federal Child Savings Account Program in  
8 connection with State and local laws that  
9 provide contributions to savings accounts  
10 for residents.

11 (C) PILOT PROGRAM FOR DEPOSITS MADE  
12 WITH FEDERAL PARTNERS.—The Secretary of  
13 the Treasury may, in fulfillment of subpara-  
14 graph (A)(iv), establish a pilot program which  
15 would allow grocery stores, pharmacies, banks,  
16 and other similar businesses to partner with the  
17 Federal Government to accept cash deposits  
18 from customers and to remit such deposits to  
19 the Treasury for payment into savings accounts  
20 under the Federal Child Savings Account Pro-  
21 gram.

22 (2) NO FEES.—No fees shall be assessed on  
23 participants in the Federal Child Savings Account  
24 Program.

25 (3) LIMITATIONS.—

1 (A) CONTRIBUTION MINIMUM.—The Sec-  
2 retary of the Treasury may establish minimum  
3 amounts for initial and additional contributions  
4 to a savings account under the Federal Child  
5 Savings Account Program, not to exceed \$5.

6 (B) CONTRIBUTION LIMITATION.—

7 (i) IN GENERAL.—Contributions to a  
8 savings account under the Federal Child  
9 Savings Account Program during any tax-  
10 able year (other than the contribution  
11 made under paragraph (4)) shall not be  
12 accepted to the extent such contributions  
13 exceed \$2,500.

14 (ii) PHASEOUT.—The \$2,500 amount  
15 under clause (i) shall be reduced (but not  
16 below zero) by \$125 for each \$2,000 (or  
17 fraction thereof) by which the taxpayer's  
18 modified adjusted gross income for the tax-  
19 able year exceeds \$200,000.

20 (C) LIMITATION ON PARTICIPATION.—

21 Within a reasonable amount of time before the  
22 date an eligible individual attains age 17, the  
23 designated custodian shall provide notice to the  
24 eligible individual and the parent or guardian of  
25 the eligible individual that—

1 (i) no deposits under paragraph (4) or  
2 (5) will be made for calendar years after  
3 the year in which the individual attains age  
4 17;

5 (ii) no further contributions made by  
6 any person will be accepted after the date  
7 the individual attains age 26; and

8 (iii) the individual (or, as provided,  
9 the individual's parent or guardian) may  
10 elect to have the account balance rolled  
11 over or distributed as provided, and at the  
12 time specified, in subsection (c).

13 (4) ANNUAL DEPOSIT.—

14 (A) IN GENERAL.—Within a reasonable  
15 amount of time (not to exceed 60 days) after  
16 the filing of the return of tax for each taxable  
17 year by a taxpayer claiming an eligible indi-  
18 vidual as a dependent, the Secretary of the  
19 Treasury shall deposit \$500 into the savings ac-  
20 count established for such individual under the  
21 Federal Child Savings Account Program.

22 (B) PHASEOUT.—The \$500 amount under  
23 subparagraph (A) shall be reduced (but not  
24 below zero) by \$25 for each \$1,000 (or fraction  
25 thereof) by which the taxpayer's modified ad-

1           justed gross income for the taxable year exceeds  
2           \$100,000.

3           (C) DEPOSIT ON BEHALF OF CHILDREN IN  
4           FOSTER CARE.—At an appropriate time each  
5           year as determined by the Secretary of the  
6           Treasury in coordination with the Administra-  
7           tion for Children and Families, such Secretary  
8           shall deposit \$500 into the savings account es-  
9           tablished under such Program for any eligible  
10          individual in foster care in any State with re-  
11          spect to whom no deposit was made for such  
12          year under subparagraph (A).

13          (5) MATCHING CONTRIBUTIONS.—If a credit is  
14          allowed under section 32 of the Internal Revenue  
15          Code of 1986 to the parent or guardian or an eligi-  
16          ble individual for a taxable year, with respect to con-  
17          tributions made by such parent or guardian to the  
18          savings account of such eligible individual under the  
19          Federal Child Savings Account Program during the  
20          succeeding taxable year, the Secretary of the Treas-  
21          ury shall deposit into such savings account an  
22          amount equal to so much of such contributions as  
23          does not exceed \$250. Such deposit shall be made in  
24          addition to the deposit under paragraph (4).



1           (6) DESIGNATED CUSTODIAN.—For purposes of  
2 this section, the designated custodian is the person  
3 designated by the Secretary of the Treasury to act  
4 as custodian of the savings accounts established on  
5 behalf of participants in the Federal Child Savings  
6 Account Program.

7           (7) STATE.—For purposes of this section, the  
8 term “State” includes the District of Columbia, any  
9 possession of the United States, and any Indian  
10 tribe (as defined in section 45A(c)(6) of the Internal  
11 Revenue Code of 1986).

12           (8) DEPOSIT OF MATCHING CONTRIBUTIONS  
13 INTO ROTH IRA.—If a parent or guardian of an eli-  
14 gible individual is eligible to receive any matching  
15 contribution under paragraph (5), such parent or  
16 guardian may elect either to have such matching  
17 contribution paid to the savings account of such eli-  
18 gible individual under the Federal Child Savings Ac-  
19 count Program or to a Roth IRA of such parent or  
20 guardian. The Secretary of the Treasury shall estab-  
21 lish a permanent program that creates and main-  
22 tains a Roth IRA (within the meaning of section  
23 408A of the Internal Revenue Code) on behalf of a  
24 parent or guardian who elects for the matching con-  
25 tribution to be made to his or her Roth IRA and

1 who either affirmatively chooses to participate in the  
2 program or does not identify a Roth IRA for receipt  
3 of the matching contribution. The permanent pro-  
4 gram shall provide for investment of account bal-  
5 ances solely within United States Treasury bonds  
6 and shall not charge any fees to account owners.

7 (9) INFLATION ADJUSTMENTS.—

8 (A) IN GENERAL.—In the case of any cal-  
9 endar year after 2023, the \$2,500 amount in  
10 paragraph (3)(B), the \$500 amount in para-  
11 graphs (4)(A), (4)(B), and (4)(C), and the  
12 \$250 amount in paragraph (5) shall each be in-  
13 creased by an amount equal to—

14 (i) such dollar amount; multiplied by

15 (ii) the cost-of-living adjustment de-  
16 termined under section 1(f)(3) of the In-  
17 ternal Revenue Code of 1986 for the cal-  
18 endar year, determined by substituting  
19 “calendar year 2022” for “calendar year  
20 2016” in subparagraph (A)(ii) thereof.

21 (B) ROUNDING.—If any dollar amount in-  
22 creased under subparagraph (A) is not a mul-  
23 tiple of \$5, such dollar amount shall be rounded  
24 to the nearest multiple of \$5.

1           (10) ACCOUNTS MAY NOT BE ASSIGNED.—An  
2           account established on behalf of an individual under  
3           the Federal Child Savings Account Program may  
4           not be pledged or assigned to any other person.

5           (11) MODIFIED ADJUSTED GROSS INCOME.—  
6           For purposes of this subsection, the term “modified  
7           adjusted gross income” means adjusted gross income  
8           (as defined in section 62 of the Internal Revenue  
9           Code of 1986) increased by—

10                   (A) any amount excluded from gross in-  
11                   come under section 911 of such Code,

12                   (B) any amount of interest received or ac-  
13                   crued by the taxpayer during the taxable year  
14                   which is exempt from tax, and

15                   (C) an amount equal to the portion of the  
16                   taxpayer’s social security benefits (as defined in  
17                   section 86(d) of such Code) which is not in-  
18                   cluded in gross income under such section 86  
19                   for the taxable year.

20           (c) DISTRIBUTIONS FROM SAVINGS ACCOUNT.—

21                   (1) IN GENERAL.—After the earlier of—

22                           (A) the date the individual on whose behalf  
23                           the savings account under the Federal Child  
24                           Savings Account Program was established at-  
25                           tains age 26; or

1 (B) the date such individual receives a  
2 bachelor's degree or associate's degree, or en-  
3 lists in active duty military service of the  
4 United States,

5 amounts in such account may be contributed in a di-  
6 rect transfer to a Roth IRA (as defined in section  
7 408A(b) of the Internal Revenue Code of 1986) or  
8 a designated Roth account (within the meaning of  
9 section 402A of such Code) according to the rules of  
10 the Internal Revenue Code of 1986, or distributed to  
11 the individual in cash.

12 (2) DISTRIBUTIONS FOR HIGHER EDUCATION  
13 EXPENSES.—Without regard to the date require-  
14 ments of paragraph (1), a portion of the amount in  
15 a savings account established under the Federal  
16 Child Savings Account Program may be distributed  
17 in cash to the individual or to the parent or guard-  
18 ian of the individual for the payment of qualified  
19 higher education expenses of the individual at an eli-  
20 gible educational institution. The aggregate amount  
21 so distributed shall not exceed 50 percent of the  
22 amount in such account as of the due date for the  
23 first payment of tuition for the enrollment of the in-  
24 dividual on whose behalf the account is established

1 as an eligible student at such eligible educational in-  
2 stitution.

3 (3) CONTRIBUTION TO ABLE ACCOUNT.—With-  
4 out regard to the date requirements of paragraph  
5 (1), all or a portion of the amount in a savings ac-  
6 count established under the Federal Child Savings  
7 Account Program may be contributed in a direct  
8 transfer to an ABLE account established for the  
9 benefit of the individual under section 529A of the  
10 Internal Revenue Code of 1986 (if the individual is  
11 eligible for purposes of section 529A(e)(1) of such  
12 Code).

13 (4) DEFINITIONS.—Any term used in this sub-  
14 section which is also used in section 529 of the In-  
15 ternal Revenue Code of 1986 has the same meaning  
16 as when used in such section.

17 (d) ELIGIBLE INDIVIDUAL.—For purposes of this  
18 section, the term “eligible individual” means a child who  
19 has not attained age 18 and is a resident of the United  
20 States.

21 (e) TREATMENT OF ACCOUNTS UNDER CERTAIN  
22 FEDERAL PROGRAMS.—

23 (1) ACCOUNT FUNDS DISREGARDED FOR PUR-  
24 POSES OF CERTAIN OTHER MEANS-TESTED FEDERAL  
25 PROGRAMS.—Notwithstanding any other provision of

1 Federal law that requires consideration of one or  
2 more financial circumstances of an individual, for  
3 the purpose of determining eligibility to receive, or  
4 the amount of, any assistance or benefit authorized  
5 by such provision to be provided to or for the benefit  
6 of such individual, any amount (including earnings  
7 thereon) in an individual's account established under  
8 the Federal Child Savings Account Program, any  
9 contributions to such account, and any distribution  
10 (or portion thereof) which is exempt from the tax  
11 under section 529B(d)(3) of the Internal Revenue  
12 Code of 1986 shall be disregarded for such purpose  
13 with respect to any period during which such indi-  
14 vidual maintains, makes contributions to, or receives  
15 distributions from such account, except that—

16 (A) a distribution for qualified acquisition  
17 costs (within the meaning of section  
18 529B(d)(3)(C)(ii) of such Code) shall not be so  
19 disregarded; and

20 (B) any amount (including such earnings)  
21 in such account shall be considered a resource  
22 of the individual to the extent that such amount  
23 exceeds \$100,000.

24 (2) SUSPENSION OF SSI BENEFITS DURING PE-  
25 RIODS OF EXCESSIVE ACCOUNT FUNDS.—

1 (A) IN GENERAL.—The benefits of an indi-  
2 vidual under the supplemental security income  
3 program under title XVI of the Social Security  
4 Act shall not be terminated, but shall be sus-  
5 pended, by reason of excess resources of the in-  
6 dividual attributable to an amount in the ac-  
7 count of the individual established under the  
8 Federal Child Savings Account Program not  
9 disregarded under paragraph (1).

10 (B) NO IMPACT ON MEDICAID ELIGI-  
11 BILITY.—An individual who would be receiving  
12 payment of such supplemental security income  
13 benefits but for the application of subparagraph  
14 (A) shall be treated for purposes of title XIX  
15 of the Social Security Act as if the individual  
16 continued to be receiving payment of such bene-  
17 fits.

18 (f) DISCLOSURE OF TAXPAYER INFORMATION.—

19 (1) IN GENERAL.—Subsection (l) of section  
20 6103 of the Internal Revenue Code of 1986 is  
21 amended by adding at the end the following new  
22 paragraph:

23 “(23) DISCLOSURE OF RETURN INFORMATION  
24 FOR PURPOSES OF ADMINISTRATION OF THE FED-  
25 ERAL CHILD SAVINGS ACCOUNT PROGRAM.—The

1 Secretary shall disclose to any officer or employee of  
2 the Department of the Treasury, as necessary for  
3 the administration of the Federal Child Savings Ac-  
4 count Program established under section 2(a) of the  
5 Young American Savers Act of 2021, return infor-  
6 mation relating to taxpayer identity, dependents, ad-  
7 justed gross income, and whether the taxpayer has  
8 claimed the earned income credit under section 32  
9 for the taxable year.”.

10 (2) PROHIBITION OF REDISCLOSURE.—Para-  
11 graph (3) of section 6103(a) of the Internal Revenue  
12 Code of 1986 is amended by striking “or (21)” and  
13 inserting “(21), or (23)”.

14 (g) CHILD SAVINGS ACCOUNT PROGRAM.—Part VIII  
15 of subchapter F of chapter 1 of the Internal Revenue Code  
16 of 1986 is amended by inserting after section 529A the  
17 following new section:

18 **“SEC. 529B. CHILD SAVINGS ACCOUNT PROGRAM.**

19 “(a) GENERAL RULE.—The Federal Child Savings  
20 Account Program shall be exempt from taxation under  
21 this subtitle.

22 “(b) FEDERAL CHILD SAVINGS ACCOUNT PRO-  
23 GRAM.—For purposes of this title, the term ‘Federal Child  
24 Savings Account Program’ means the program established



1 under section 2(a) of the Young American Savers Act of  
2 2021.

3 “(c) TREATMENT OF CONTRIBUTIONS AND EARN-  
4 INGS.—

5 “(1) IN GENERAL.—No amount shall be includ-  
6 ible in gross income of an individual on whose behalf  
7 an account is established under the Federal Child  
8 Savings Account Program, or of any taxpayer claim-  
9 ing such individual as a dependent, with respect to  
10 any earnings under the program.

11 “(2) GOVERNMENTAL AND MATCHING CON-  
12 TRIBUTIONS.—Gross income of an individual on  
13 whose behalf an account is established under the  
14 Federal Child Savings Account Program, or of any  
15 taxpayer claiming such individual as a dependent,  
16 shall not include the amount of any deposit made to  
17 the individual’s account under the program pursuant  
18 to section 2(b)(4)(A), 2(b)(4)(C), or 2(b)(5) of the  
19 Young American Savers Act of 2021.

20 “(d) TREATMENT OF DISTRIBUTIONS.—

21 “(1) IN GENERAL.—Gross income shall not in-  
22 clude any cash distribution from an account under  
23 the Federal Child Savings Account Program per-  
24 mitted under section 2(c) of the Young American  
25 Savers Act of 2021.

1 “(2) TREATMENT OF ROLLOVERS.—

2 “(A) ROTH IRAS.—Any contribution from  
3 the Federal Child Savings Account Program to  
4 a Roth IRA permitted under section 2(c)(1) of  
5 the Young American Savers Act of 2021 shall  
6 be treated—

7 “(i) as a contribution from another  
8 Roth IRA as described in section  
9 408A(e)(1)(A), and

10 “(ii) as having been contributed to  
11 such Roth IRA in a direct trustee-to-trust-  
12 ee transfer within 60 days of the distribu-  
13 tion for purposes of section 408(d)(3).

14 “(B) DESIGNATED ROTH ACCOUNTS.—Any  
15 contribution from the Federal Child Savings  
16 Account Program to a designated Roth account  
17 permitted under section 2(c)(1) of the Young  
18 American Savers Act of 2021 shall be treated—

19 “(i) as a contribution from another  
20 designated Roth account for purposes of  
21 section 402A(c)(3), and

22 “(ii) as having been contributed to  
23 such designated Roth account in a direct  
24 trustee-to-trustee transfer within 60 days

1 of the distribution for purposes of section  
2 402(c).

3 “(C) ABLE ACCOUNTS.—Any contribution  
4 from the Federal Child Savings Account Pro-  
5 gram to an ABLE account permitted under sec-  
6 tion 2(c)(3) of the Young American Savers Act  
7 of 2021 shall be treated—

8 “(i) as a contribution from another  
9 ABLE account as described in section  
10 529A(c)(1)(C)(i), and

11 “(ii) as having been contributed to  
12 such ABLE account within 60 days of the  
13 distribution for purposes of such section.

14 “(3) TAX ON NONQUALIFIED USE.—

15 “(A) IN GENERAL.—The tax imposed by  
16 this title for the taxable year shall be increased  
17 by an amount equal to 20 percent of the  
18 amount of any distribution other than a rollover  
19 described in paragraph (2) from an account  
20 under the Federal Child Savings Account Pro-  
21 gram during the taxable year, unless the quali-  
22 fied expenses of the individual on whose behalf  
23 the account was established paid or incurred  
24 during the taxable year of the distribution are

1 equal to or exceed the amount of such distribu-  
2 tion.

3 “(B) DISTRIBUTIONS FROM ROTH IRA.—If  
4 any amount is contributed to a Roth IRA in a  
5 rollover distribution from an account under the  
6 Federal Child Savings Program as provided in  
7 section 2(c)(1) of the Young American Savers  
8 Act of 2021, the tax imposed by this title for  
9 any taxable year shall be increased by an  
10 amount equal to 20 percent of the amount of  
11 any distribution from such Roth IRA within the  
12 5-year period beginning on the date of the roll-  
13 over, to the extent that such distribution from  
14 the Roth IRA, when aggregated with all other  
15 distributions from such Roth IRA during such  
16 5-year period, does not exceed the amount con-  
17 tributed in such rollover distribution. The pre-  
18 ceding sentence shall not apply to the extent  
19 the qualified expenses of the individual on  
20 whose behalf the account under the Federal  
21 Child Savings Account Program was established  
22 which are paid or incurred during the taxable  
23 year of the distribution from the Roth IRA are  
24 equal to or exceed the amount of such distribu-  
25 tion.

1           “(C) QUALIFIED EXPENSES.—For pur-  
 2           poses of subparagraphs (A) and (B), the term  
 3           ‘qualified expenses’ means amounts paid or in-  
 4           curred by an individual—

5                   “(i) as collateral required for a loan  
 6                   provided by the Small Business Adminis-  
 7                   tration,

8                   “(ii) as qualified acquisition costs (as  
 9                   defined in section 72(t)(8)(C)) with respect  
 10                  to a residence intended to be the primary  
 11                  residence of the individual, or

12                  “(iii) for qualified higher education  
 13                  expenses of the individual at an eligible  
 14                  educational institution.

15           “(4) DEFINITIONS.—Any term used in this sub-  
 16           section which is also used in section 529 of the In-  
 17           ternal Revenue Code of 1986 has the same meaning  
 18           as when used in such section.”.

19           (h) CLERICAL AMENDMENT.—The table of sections  
 20           for part VIII of subchapter F of chapter 1 of the Internal  
 21           Revenue Code of 1986 is amended by inserting after the  
 22           item relating to section 529A the following new item:

          “Sec. 529B. Child Savings Account Program.”.

23           (i) APPROPRIATION.—There is hereby appropriated  
 24           to the Secretary of the Treasury, to remain available until  
 25           spent without fiscal year limitation—

1           (1) \$100,000,000 for technology and technology  
2 systems necessary for the implementation and ad-  
3 ministration of the Federal Child Savings Account  
4 Program;

5           (2) \$25,000,000 for each fiscal year beginning  
6 with fiscal year 2022 for the administration of the  
7 Federal Child Savings Account Program; and

8           (3) such sums as are necessary to make con-  
9 tributions to Federal Child Savings Accounts as re-  
10 quired under paragraphs (4)(A), (4)(C), and (5) of  
11 subsection (c).

○