

114TH CONGRESS  
2D SESSION

# S. 2869

To amend the Internal Revenue Code of 1986 to improve college savings under section 529 programs, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

APRIL 28, 2016

Mr. BURR (for himself, Mr. CASEY, Ms. MURKOWSKI, and Ms. AYOTTE) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to improve college savings under section 529 programs, 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 “Boost Saving for Col-  
5 lege Act”.

6 **SEC. 2. CREDIT FOR CONTRIBUTIONS TO 529 PLANS.**

7 (a) IN GENERAL.—Subsection (d) of section 25B of  
8 the Internal Revenue Code of 1986 (relating to elective  
9 deferrals and IRA contributions by certain individuals) is

1 amended by redesignating paragraph (2) as paragraph (3)  
 2 and by inserting after paragraph (1) the following new  
 3 paragraph:

4           “(2) CONTRIBUTIONS TO QUALIFIED TUITION  
 5 PROGRAMS.—

6           “(A) IN GENERAL.—The term ‘qualified  
 7 savings contribution’ includes the amount of  
 8 any purchase or contribution described in para-  
 9 graph (1)(A) of section 529(b) to a qualified  
 10 tuition program (as defined in such section)  
 11 if—

12                   “(i) the taxpayer has the power to au-  
 13 thorize distributions and otherwise admin-  
 14 ister the account, and

15                   “(ii) the designated beneficiary of  
 16 such purchase or contribution is the tax-  
 17 payer, the taxpayer’s spouse, or an indi-  
 18 vidual with respect to whom the taxpayer  
 19 is allowed a deduction under section 151.

20           “(B) LIMITATION BASED ON COMPENSA-  
 21 TION.—The amount treated as a qualified sav-  
 22 ings contribution by reason of subparagraph  
 23 (A) for any taxable year shall not exceed the  
 24 sum of—

1           “(i) the compensation (as defined in  
2           section 219(f)(1)) includible in the tax-  
3           payer’s gross income for the taxable year,  
4           and

5           “(ii) the amount excluded from the  
6           taxpayer’s gross income under section 112  
7           (relating to combat pay) for such year.

8           “(C) DETERMINATION OF ADJUSTED  
9           GROSS INCOME.—Solely for purposes of deter-  
10          mining the applicable percentage under sub-  
11          section (b) which applies with respect to the  
12          amount treated as a qualified savings contribu-  
13          tion by reason of subparagraph (A), adjusted  
14          gross income (determined without regard to this  
15          subparagraph) shall be increased by the excess  
16          (if any) of—

17                 “(i) the social security benefits re-  
18                 ceived during the taxable year (within the  
19                 meaning of section 86), over

20                 “(ii) the amount included in gross in-  
21                 come for such year under section 86.”.

22          (b) CONFORMING AMENDMENTS.—

23                 (1) Section 25B of such Code is amended by  
24                 striking “qualified retirement savings” each place it

1 appears in the text and inserting “qualified sav-  
2 ings”.

3 (2) The subsection heading for section 25B(d)  
4 of such Code is amended by striking “RETIRE-  
5 MENT”.

6 (3) Subparagraph (A) of section 25B(d)(3) of  
7 such Code, as redesignated by subsection (a), is  
8 amended—

9 (A) by striking “paragraph (1)” the first  
10 place it appears and inserting “paragraph (1)  
11 or (2)”, and

12 (B) by striking “paragraph (1)” the sec-  
13 ond place it appears and inserting “paragraph  
14 (1), or (2), as the case may be,”.

15 (4) The heading for section 25B of such Code  
16 is amended by striking “**AND IRA CONTRIBU-**  
17 **TIONS**” and inserting “**, IRA CONTRIBUTIONS,**  
18 **AND QUALIFIED TUITION PROGRAM CONTRIBU-**  
19 **TIONS**”.

20 (5) The table of sections for subpart A of part  
21 IV of subchapter A of chapter 1 of such Code is  
22 amended by striking the item relating to section 25B  
23 and inserting the following new item:

“Sec. 25B. Elective deferrals, IRA contributions, and qualified tuition program contributions by certain individuals.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to contributions made after De-  
3 cember 31, 2016, in taxable years ending after such date.

4 **SEC. 3. EXCLUSION FROM GROSS INCOME FOR EMPLOYER**  
5 **CONTRIBUTIONS TO QUALIFIED TUITION**  
6 **PROGRAMS.**

7 (a) IN GENERAL.—Part III of subchapter B of chap-  
8 ter 1 of the Internal Revenue Code of 1986 (relating to  
9 items specifically excluded from gross income) is amended  
10 by inserting after section 127 the following new section:

11 **“SEC. 127A. EMPLOYER CONTRIBUTIONS TO QUALIFIED**  
12 **TUITION PROGRAMS.**

13 “(a) IN GENERAL.—Gross income of an employee  
14 does not include amounts paid by the employer as con-  
15 tributions to a qualified tuition program held by the em-  
16 ployee or spouse of the employee if the contributions are  
17 made pursuant to a program which is described in sub-  
18 section (c).

19 “(b) MAXIMUM EXCLUSION.—

20 “(1) IN GENERAL.—The amount excluded from  
21 the gross income of an employee under this section  
22 for the taxable year shall not exceed \$1,000.

23 “(2) INFLATION ADJUSTMENT.—

24 “(A) IN GENERAL.—In the case of any  
25 taxable year beginning in a calendar year after

1           2016, the \$1,000 amount contained in para-  
2           graph (1) shall be increased by an amount  
3           equal to—

4                   “(i) such dollar amount, multiplied by

5                   “(ii) the cost-of-living adjustment de-  
6                   termined under section 1(f)(3) for the cal-  
7                   endar year in which the taxable year be-  
8                   gins, determined by substituting ‘calendar  
9                   year 2015’ for ‘calendar year 1992’ in sub-  
10                  paragraph (B) thereof.

11                  “(B) ROUNDING.—Any increase deter-  
12                  mined under subparagraph (A) shall be rounded  
13                  to the nearest multiple of \$50.

14                  “(c) QUALIFIED TUITION ASSISTANCE PROGRAM.—  
15                  For purposes of this section, a qualified tuition assistance  
16                  program is a separate written plan of an employer for the  
17                  benefit of such employer’s employees—

18                   “(1) under which the employer makes matching  
19                   contributions to qualified tuition programs of—

20                           “(A) such employees,

21                           “(B) their spouses, or

22                           “(C) any individual with respect to whom  
23                   such an employee or spouse—

24                           “(i) is allowed a deduction under sec-  
25                   tion 151, and

1                   “(ii) has the power to authorize dis-  
2                   tributions and otherwise administer such  
3                   individual’s account under the qualified  
4                   tuition program, and

5                   “(2) which meets requirements similar to the  
6                   requirements of paragraphs (2), (3), (4), (5), and  
7                   (6) of section 127(b).

8                   “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
9                   poses of this section—

10                   “(1) QUALIFIED TUITION PROGRAM.—The term  
11                   ‘qualified tuition program’ means a qualified tuition  
12                   program as defined in section 529(b).

13                   “(2) EMPLOYEE AND EMPLOYER.—The terms  
14                   ‘employee’ and ‘employer’ shall have the meaning  
15                   given such terms by paragraphs (2) and (3), respec-  
16                   tively, of section 127(c).

17                   “(3) APPLICABLE RULES.—Rules similar to the  
18                   rules of paragraphs (4), (5), (6), and (7) of section  
19                   127(c) shall apply.

20                   “(e) CROSS REFERENCE.—For reporting and record-  
21                   keeping requirements, see section 6039D.”.

22                   (b) EXCLUSION FROM EMPLOYMENT TAXES.—

23                   (1) Sections 3121(a)(18), 3306(b)(13), and  
24                   3401(a)(18) of such Code are each amended by in-  
25                   serting “127A,” after “127,” each place it appears.

1           (2) Section 3231(e)(6) of such Code is amended  
2           by striking “section 127” and inserting “section 127  
3           or 127A”.

4           (c) REPORTING AND RECORDKEEPING REQUIRE-  
5 MENTS.—Section 6039D(d)(1) of such Code is amended  
6 by inserting “127A,” after “127,”.

7           (d) OTHER CONFORMING AMENDMENTS.—

8           (1) Sections 125(f), 414(n)(3)(C), and  
9           414(t)(2) of such Code are each amended by insert-  
10          ing “127A,” after “127,” each place it appears.

11          (2) Section 132(j)(8) of such Code is amended  
12          by striking “section 127” and inserting “section 127  
13          or 127A”.

14          (3) Section 221(d)(2)(A) of such Code is  
15          amended by inserting “127A,” after “127”.

16          (4) Section 1397(a)(2)(A) of such Code is  
17          amended by inserting at the end the following new  
18          clause:

19                   “(iii) Any amount paid or incurred by  
20                   an employer which is excludable from the  
21                   gross income of an employee under section  
22                   127A, but only to the extent paid or in-  
23                   curred to a person not related to the em-  
24                   ployer.”.



1           (5) Section 209(a)(15) of the Social Security  
2           Act (42 U.S.C. 409(a)(15)) is amended by striking  
3           “or 129” and inserting “, 127A, or 129”.

4           (e) CLERICAL AMENDMENT.—The table of sections  
5           for part III of subchapter B of chapter 1 of such Code  
6           is amended by inserting after the item relating to section  
7           127 the following new item:

          “Sec. 127A. Employer contributions to qualified tuition programs.”.

8           (f) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to taxable years beginning after  
10          December 31, 2016.

11       **SEC. 4. SPECIAL ROLLOVER TO ROTH IRA FROM LONG-**  
12                               **TERM QUALIFIED TUITION PROGRAM.**

13          (a) IN GENERAL.—Paragraph (3) of section 529(c)  
14          of the Internal Revenue Code of 1986 is amended by add-  
15          ing at the end the following new subparagraph:

16                               “(E) SPECIAL ROLLOVER TO ROTH IRA  
17                               FROM LONG-TERM QUALIFIED TUITION PRO-  
18                               GRAM.—For purposes of this section—

19                                       “(i) IN GENERAL.—In the case of a  
20                                       distribution from a qualified tuition pro-  
21                                       gram which has been maintained by an ac-  
22                                       count owner for the 10-year period ending  
23                                       on the date of such distribution—

24   “(I) subparagraph (A) shall not  
25   apply to any portion of such distribu-

1                   tion which, not later than 60 days  
2                   after such distribution, is paid into a  
3                   Roth IRA maintained for the benefit  
4                   of such account owner or the des-  
5                   ignated beneficiary under such quali-  
6                   fied tuition program, and

7                   “(II) such portion shall be treat-  
8                   ed as a rollover contribution for pur-  
9                   poses of section 408A(e).

10                  “(ii) LIMITATION.—Clause (i) shall  
11                  only apply to so much of any distribution  
12                  as does not exceed the lesser of—

13                         “(I) the amount applicable to the  
14                         account owner under section  
15                         408A(c)(2) for the taxable year, or

16                         “(II) the aggregate amount con-  
17                         tributed to the program (and earnings  
18                         attributable thereto) before the 5-year  
19                         period ending on the date of the dis-  
20                         tribution.”.

21                  (b) QUALIFIED ROLLOVER CONTRIBUTION.—Para-  
22                  graph (1) of section 408A(e) of such Code is amended by  
23                  striking the period at the end of subparagraph (B) and  
24                  inserting “, and” and by inserting after subparagraph (B)  
25                  the following new subparagraph:

