

111<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2985

To amend the Internal Revenue Code of 1986 to establish a new Small Business Startup Savings Account.

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 4, 2010

Mr. PRYOR 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 establish a new Small Business Startup Savings Account.

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. ESTABLISHMENT OF SMALL BUSINESS START-**  
4 **UP SAVINGS ACCOUNTS.**

5 (a) IN GENERAL.—Subpart A of part I of subchapter  
6 D of chapter 1 of the Internal Revenue Code of 1986 is  
7 amended by inserting after section 408A the following new  
8 section:

1 **“SEC. 408B. SMALL BUSINESS STARTUP SAVINGS AC-**  
2 **COUNTS.**

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

7 “(b) SMALL BUSINESS STARTUP SAVINGS AC-  
8 COUNT.—For purposes of this title, the term ‘Small Busi-  
9 ness Startup Savings Account’ means a tax preferred sav-  
10 ings plan which is designated at the time of establishment  
11 of the plan as a Small Business Startup Savings Account.  
12 Such designation shall be made in such manner as the  
13 Secretary may prescribe.

14 “(c) TREATMENT OF CONTRIBUTIONS.—

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

18 “(2) CONTRIBUTION LIMIT.—

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

24 “(B) AGGREGATE LIMITATION.—The ag-  
25 gregate of the amounts which may be taken  
26 into account under subparagraph (A) for all

1 taxable years with respect to all Small Business  
2 Startup Savings Accounts maintained for the  
3 benefit of an individual shall not exceed  
4 \$150,000.

5 “(C) COST OF LIVING ADJUSTMENT.—The  
6 Secretary shall adjust annually the \$10,000  
7 amount in subparagraph (A) for increases in  
8 the cost-of-living at the same time and in the  
9 same manner as adjustments under section  
10 415(d); except that the base period shall be the  
11 calendar quarter beginning July 1, 2010, and  
12 any increase which is not a multiple of \$500  
13 shall be rounded to the next lowest multiple of  
14 \$500.

15 “(3) CONTRIBUTIONS PERMITTED AFTER AGE  
16 70<sup>1</sup>/<sub>2</sub>.—Contributions to a Small Business Startup  
17 Savings Account may be made even after the indi-  
18 vidual for whom the account is maintained has at-  
19 tained age 70<sup>1</sup>/<sub>2</sub>.

20 “(4) ROLLOVERS FROM RETIREMENT PLANS  
21 NOT ALLOWED.—A taxpayer shall not be allowed to  
22 make a qualified rollover contribution to a Small  
23 Business Startup Savings Account from any quali-  
24 fied retirement plan (as defined in section 4974(c)).

1       “(d) DISTRIBUTION RULES.—For purposes of this  
2 title—

3               “(1) GENERAL RULES.—

4                       “(A) LIMITATIONS ON DISTRIBUTIONS.—  
5 All qualified distributions from a Small Busi-  
6 ness Startup Savings Account—

7                               “(i) shall be limited to a single busi-  
8 ness, and

9                               “(ii) must be disbursed not later than  
10 the last day of the 5th taxable year begin-  
11 ning after the initial disbursement.

12                       “(B) EXCLUSIONS FROM GROSS INCOME.—  
13 Any qualified distribution from a Small Busi-  
14 ness Startup Savings Account shall not be in-  
15 cludible in gross income.

16               “(2) QUALIFIED DISTRIBUTION.—For purposes  
17 of this subsection, the term ‘qualified distribution’  
18 means any payment or distribution made for oper-  
19 ating capital, the purchase of equipment or facilities,  
20 marketing, training, incorporation, and accounting  
21 fees.

22               “(3) NONQUALIFIED DISTRIBUTIONS.—

23                       “(A) IN GENERAL.—In applying section 72  
24 to any distribution from a Small Business  
25 Startup Savings Account which is not a quali-

1           fied distribution, such distribution shall be  
2           treated as made from contributions to the  
3           Small Business Startup Savings Account to the  
4           extent that such distribution, when added to all  
5           previous distributions from the Small Business  
6           Startup Savings Account, does not exceed the  
7           aggregate amount of contributions to the Small  
8           Business Startup Savings Account.

9           “(B) TREATMENT OF AMOUNTS REMAIN-  
10          ING IN ACCOUNT.—Any remaining amount in a  
11          Small Business Startup Savings Account fol-  
12          lowing the date described in paragraph  
13          (1)(A)(ii) shall be treated as distributed during  
14          the taxable year following such date and such  
15          distribution shall not be treated as a qualified  
16          distribution.

17          “(4) ROLLOVERS TO A ROTH IRA.—Subject to  
18          the application of the treatment of contributions in  
19          section 408A(c), distributions from a Small Business  
20          Startup Savings Account may be rolled over into a  
21          Roth IRA.”.

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

1       “(h) EXCESS CONTRIBUTIONS TO SMALL BUSINESS  
 2 STARTUP SAVINGS ACCOUNTS.—For purposes of this sec-  
 3 tion, in the case of contributions to all Small Business  
 4 Startup Savings Accounts (within the meaning of section  
 5 408B(b)) maintained for the benefit of an individual, the  
 6 term ‘excess contributions’ means the sum of—

7               “(1) the excess (if any) of—

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

10                      “(B) the amount allowable as a contribu-  
 11 tion under section 408B(e)(2) for such taxable  
 12 year, and

13               “(2) the amount determined under this sub-  
 14 section for the preceding taxable year, reduced by  
 15 the sum of—

16                      “(A) the distributions out of the accounts  
 17 for the taxable year, and

18                      “(B) the excess (if any) of—

19                               “(i) the maximum amount allowable  
 20 as a contribution under section 408B(e)(2)  
 21 for such taxable year, over

22                               “(ii) the amount contributed to such  
 23 accounts for such taxable year.”.

24       (c) CONFORMING AMENDMENT.—The table of sec-  
 25 tions for subpart A of part I of subchapter D of chapter

1 1 of the Internal Revenue Code of 1986 is amended by  
2 inserting after the item relating to section 408A the fol-  
3 lowing new item:

“Sec. 408B. Small Business Startup Savings Accounts.”.

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

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