

116TH CONGRESS  
2D SESSION

# S. 3764

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

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IN THE SENATE OF THE UNITED STATES

MAY 19, 2020

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 2020”.

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, 2021,  
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.—Con-  
7 tributions to a savings account under the Fed-  
8 eral Child Savings Account Program during any  
9 taxable year (other than the contribution made  
10 under paragraph (4)) shall not be accepted to  
11 the extent such contributions exceed \$2,500.

12 (C) LIMITATION ON PARTICIPATION.—  
13 Within a reasonable amount of time before the  
14 date an eligible individual attains age 17, the  
15 designated custodian shall provide notice to the  
16 eligible individual and the parent or guardian of  
17 the eligible individual that—

18 (i) no deposits under paragraph (4) or  
19 (5) will be made for calendar years after  
20 the year in which the individual attains age  
21 17;

22 (ii) no further contributions made by  
23 any person will be accepted after the date  
24 the individual attains age 26; and

1 (iii) the individual (or, as provided,  
2 the individual's parent or guardian) may  
3 elect to have the account balance rolled  
4 over or distributed as provided, and at the  
5 time specified, in subsection (c).

6 (4) ANNUAL DEPOSIT.—

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

15 (B) PHASEOUT.—The \$500 amount under  
16 subparagraph (A) shall be reduced (but not  
17 below zero) by \$25 for each \$1,000 (or fraction  
18 thereof) by which the taxpayer's adjusted gross  
19 income (as defined in section 62 of the Internal  
20 Revenue Code of 1986) exceeds \$100,000.

21 (C) DEPOSIT ON BEHALF OF CHILDREN IN  
22 FOSTER CARE.—At an appropriate time each  
23 year as determined by the Secretary of the  
24 Treasury in coordination with the Administra-  
25 tion for Children and Families, such Secretary

1 shall deposit \$500 into the savings account es-  
2 tablished under such Program for any eligible  
3 individual in foster care in any State with re-  
4 spect to whom no deposit was made for such  
5 year under subparagraph (A).

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

18 (6) DESIGNATED CUSTODIAN.—For purposes of  
19 this section, the designated custodian is the person  
20 designated by the Secretary of the Treasury to act  
21 as custodian of the savings accounts established on  
22 behalf of participants in the Federal Child Savings  
23 Account Program.

24 (7) STATE.—For purposes of this section, the  
25 term “State” includes the District of Columbia, any

1 possession of the United States, and any Indian  
2 tribe (as defined in section 45A(c)(6) of the Internal  
3 Revenue Code of 1986).

4 (8) DEPOSIT OF MATCHING CONTRIBUTIONS  
5 INTO ROTH IRA.—If a parent or guardian of an eli-  
6 gible individual is eligible to receive any matching  
7 contribution under paragraph (5), such parent or  
8 guardian may elect either to have such matching  
9 contribution paid to the savings account of such eli-  
10 gible individual under the Federal Child Savings Ac-  
11 count Program or to a Roth IRA of such parent or  
12 guardian. The Secretary of the Treasury shall estab-  
13 lish a permanent program that creates and main-  
14 tains a Roth IRA (within the meaning of section  
15 408A of the Internal Revenue Code) on behalf of a  
16 parent or guardian who elects for the matching con-  
17 tribution to be made to his or her Roth IRA and  
18 who either affirmatively chooses to participate in the  
19 program or does not identify a Roth IRA for receipt  
20 of the matching contribution. The permanent pro-  
21 gram shall provide for investment of account bal-  
22 ances solely within United States Treasury bonds  
23 and shall not charge any fees to account owners.

24 (9) INFLATION ADJUSTMENTS.—

1 (A) IN GENERAL.—In the case of any cal-  
2 endar year after 2021, the \$2,500 amount in  
3 paragraph (3)(B), the \$500 amount in para-  
4 graphs (4)(A), (4)(B), and (4)(C), and the  
5 \$250 amount in paragraph (5) shall each be in-  
6 creased by an amount equal to—

7 (i) such dollar amount; multiplied by

8 (ii) the cost-of-living adjustment de-  
9 termined under section 1(f)(3) of the In-  
10 ternal Revenue Code of 1986 for the cal-  
11 endar year, determined by substituting  
12 “calendar year 2020” for “calendar year  
13 2016” in subparagraph (A)(ii) thereof.

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

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

22 (c) DISTRIBUTIONS FROM SAVINGS ACCOUNT.—

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

24 (A) the date the individual on whose behalf  
25 the savings account under the Federal Child

1 Savings Account Program was established at-  
2 tains age 26; or

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

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

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

1       dividual on whose behalf the account is established  
2       as an eligible student at such eligible educational in-  
3       stitution.

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

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

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

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

24                      (1) ACCOUNT FUNDS DISREGARDED FOR PUR-  
25      POSES OF CERTAIN OTHER MEANS-TESTED FEDERAL

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

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

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

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

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

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

20          (f) DISCLOSURE OF TAXPAYER INFORMATION.—

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

1           “(23) DISCLOSURE OF RETURN INFORMATION  
2           FOR PURPOSES OF ADMINISTRATION OF THE FED-  
3           ERAL CHILD SAVINGS ACCOUNT PROGRAM.—The  
4           Secretary shall disclose to any officer or employee of  
5           the Department of the Treasury, as necessary for  
6           the administration of the Federal Child Savings Ac-  
7           count Program established under section 2(a) of the  
8           Young American Savers Act of 2020, return infor-  
9           mation relating to taxpayer identity, dependents, ad-  
10          justed gross income, and whether the taxpayer has  
11          claimed the earned income credit under section 32  
12          for the taxable year.”.

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

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

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

22           “(a) GENERAL RULE.—The Federal Child Savings  
23          Account Program shall be exempt from taxation under  
24          this subtitle.

1       “(b) FEDERAL CHILD SAVINGS ACCOUNT PRO-  
2 GRAM.—For purposes of this title, the term ‘Federal Child  
3 Savings Account Program’ means the program established  
4 under section 2(a) of the Young American Savers Act of  
5 2020.

6       “(c) TREATMENT OF CONTRIBUTIONS AND EARN-  
7 INGS.—

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

14           “(2) GOVERNMENTAL AND MATCHING CON-  
15       TRIBUTIONS.—Gross income of an individual on  
16       whose behalf an account is established under the  
17       Federal Child Savings Account Program, or of any  
18       taxpayer claiming such individual as a dependent,  
19       shall not include the amount of any deposit made to  
20       the individual’s account under the program pursuant  
21       to section 2(b)(4)(A), 2(b)(4)(C), or 2(b)(5) of the  
22       Young American Savers Act of 2020.

23       “(d) TREATMENT OF DISTRIBUTIONS.—

24           “(1) IN GENERAL.—Gross income shall not in-  
25       clude any cash distribution from an account under

1 the Federal Child Savings Account Program per-  
2 mitted under section 2(c) of the Young American  
3 Savers Act of 2020.

4 “(2) TREATMENT OF ROLLOVERS.—

5 “(A) ROTH IRAS.—Any contribution from  
6 the Federal Child Savings Account Program to  
7 a Roth IRA permitted under section 2(c)(1) of  
8 the Young American Savers Act of 2020 shall  
9 be treated—

10 “(i) as a contribution from another  
11 Roth IRA as described in section  
12 408A(e)(1)(A), and

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

17 “(B) DESIGNATED ROTH ACCOUNTS.—Any  
18 contribution from the Federal Child Savings  
19 Account Program to a designated Roth account  
20 permitted under section 2(c)(1) of the Young  
21 American Savers Act of 2020 shall be treated—

22 “(i) as a contribution from another  
23 designated Roth account for purposes of  
24 section 402A(c)(3), and

1           “(ii) as having been contributed to  
2           such designated Roth account in a direct  
3           trustee-to-trustee transfer within 60 days  
4           of the distribution for purposes of section  
5           402(c).

6           “(C) ABLE ACCOUNTS.—Any contribution  
7           from the Federal Child Savings Account Pro-  
8           gram to an ABLE account permitted under sec-  
9           tion 2(c)(3) of the Young American Savers Act  
10          of 2020 shall be treated—

11           “(i) as a contribution from another  
12          ABLE account as described in section  
13          529A(c)(1)(C)(i), and

14           “(ii) as having been contributed to  
15          such ABLE account within 60 days of the  
16          distribution for purposes of such section.

17          “(3) TAX ON NONQUALIFIED USE.—

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

1 the account was established paid or incurred  
2 during the taxable year of the distribution are  
3 equal to or exceed the amount of such distribu-  
4 tion.

5 “(B) DISTRIBUTIONS FROM ROTH IRA.—If  
6 any amount is contributed to a Roth IRA in a  
7 rollover distribution from an account under the  
8 Federal Child Savings Program as provided in  
9 section 2(c)(1) of the Young American Savers  
10 Act of 2020, the tax imposed by this title for  
11 any taxable year shall be increased by an  
12 amount equal to 20 percent of the amount of  
13 any distribution from such Roth IRA within the  
14 5-year period beginning on the date of the roll-  
15 over, to the extent that such distribution from  
16 the Roth IRA, when aggregated with all other  
17 distributions from such Roth IRA during such  
18 5-year period, does not exceed the amount con-  
19 tributed in such rollover distribution. The pre-  
20 ceeding sentence shall not apply to the extent  
21 the qualified expenses of the individual on  
22 whose behalf the account under the Federal  
23 Child Savings Account Program was established  
24 which are paid or incurred during the taxable  
25 year of the distribution from the Roth IRA are

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

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

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

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

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

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

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

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

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

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

8 (2) \$25,000,000 for each fiscal year beginning  
9 with fiscal year 2021 for the administration of the  
10 Federal Child Savings Account Program; and

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

○