

118TH CONGRESS
2D SESSION

S. 3716

To create children’s lifetime savings accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 31, 2024

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

A BILL

To create children’s lifetime 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 “401Kids Savings Ac-
5 count Act of 2024”.

6 **SEC. 2. 401KIDS ACCOUNT PROGRAMS.**

7 (a) IN GENERAL.—Section 529 of the Internal Rev-
8 enue Code of 1986 is amended by redesignating subsection
9 (f) as subsection (g) and by inserting after subsection (e)
10 the following new subsection:

1 “(f) 401KIDS ACCOUNT PROGRAMS.—

2 “(1) IN GENERAL.—A qualified tuition program
3 shall not be treated as failing to meet the require-
4 ments of this section solely because such program
5 includes a 401Kids Account Program.

6 “(2) 401KIDS ACCOUNT PROGRAM.—For pur-
7 poses of this section—

8 “(A) IN GENERAL.—The term ‘401Kids
9 Account Program’ means a program established
10 and maintained by a State or agency or instru-
11 mentality thereof which—

12 “(i) establishes a savings account (re-
13 ferred to in this subsection as a ‘401Kids
14 Savings Account’) which meets the require-
15 ments of this subsection on behalf of every
16 eligible individual as of the later of—

17 “(I) birth or naturalization, or

18 “(II) establishment of the pro-
19 gram under this section,

20 including eligible individuals who are in
21 foster care, in coordination with the appli-
22 cable State agency, and notifies such indi-
23 viduals of the establishment of such ac-
24 counts,

1 “(ii) requires the assets of each
2 401Kids Savings Account established
3 under the program to be held by a person
4 designated by the State or agency or in-
5 strumentality,

6 “(iii) within the limitations of para-
7 graph (3), permits contributions to be
8 made periodically to such 401Kids Savings
9 Accounts by direct deposit through payroll
10 deduction or by electronic means, and by
11 methods that provide access for people
12 with limited access to the financial system,

13 “(iv) provides for the annual deposit
14 under section 3(b)(4) of the 401Kids Sav-
15 ings Account Act of 2024 and the match-
16 ing contributions under section 3(b)(5) of
17 such Act to be made to such 401Kids Sav-
18 ings Accounts, if applicable,

19 “(v) permits distributions and roll-
20 overs from such 401Kids Savings Accounts
21 as provided in paragraph (4),

22 “(vi) except as provided in the second
23 sentence of this subparagraph, prohibits
24 multiple accounts from being established
25 for the same individual, and includes—

1 “(I) procedures to consolidate
2 multiple accounts established for the
3 same individual and return excess
4 contributions on an annual basis, with
5 notice provided to the parent or
6 guardian of the individual (or, if ap-
7 propriate, to the individual) and a
8 procedure for resolution of disputes,
9 and

10 “(II) procedures by which all ac-
11 counts established are reported to the
12 Secretary to ensure compliance with
13 this clause,

14 “(vii) permits, not less frequently
15 than once per year, for an account to be
16 moved from one State program to another
17 or between a State program and the Fed-
18 eral 401Kids Account Program, and

19 “(viii) ensures that such 401Kids Sav-
20 ings Accounts are invested in accordance
21 with prudent investment strategies which
22 are in the best interest of eligible individ-
23 uals.

24 “(B) COLLECTIVE ACCOUNT.—For pur-
25 poses of subparagraph (A), a State may estab-

1 lish a collective account for all eligible individ-
2 uals in the State which is owned by the State,
3 but only if—

4 “(i) the State program provides for
5 separate accounting for each such indi-
6 vidual,

7 “(ii) allows such account to receive
8 contributions described in subparagraph
9 (A)(iv), and

10 “(iii) if such account does not permit
11 contributions by persons other than the
12 State or the Secretary, permits for the es-
13 tablishment of a linked account under the
14 program which accepts contributions by
15 such other persons as provided in subpara-
16 graph (A)(iii) and which is aggregated for
17 purposes of any limitation under this sec-
18 tion with the amounts credited to the eligi-
19 ble individual in the State collective ac-
20 count.

21 “(C) CERTIFICATION.—A program of a
22 State shall not be treated as a 401Kids Account
23 Program unless such program is certified by
24 the Secretary as meeting the requirements of
25 this subsection.

1 “(3) LIMITATIONS.—

2 “(A) CONTRIBUTION MINIMUM.—A
3 401Kids Account Program may establish min-
4 imum amounts for initial and additional con-
5 tributions to a 401Kids Savings Account, not to
6 exceed \$10.

7 “(B) CONTRIBUTION LIMITATION.—

8 “(i) IN GENERAL.—Contributions to a
9 401Kids Savings Account under a 401Kids
10 Account Program during any taxable year
11 (other than contributions made under sec-
12 tion 3(b)(4) or 3(b)(5) of the 401Kids Sav-
13 ings Account Act of 2024) shall not be ac-
14 cepted to the extent such contributions ex-
15 ceed \$2,500.

16 “(ii) INFLATION ADJUSTMENT.—In
17 the case of any calendar year after 2024,
18 the \$2,500 amount in clause (i) shall be
19 increased by an amount equal to—

20 “(I) such dollar amount; multi-
21 plied by

22 “(II) the cost-of-living adjust-
23 ment determined under section 1(f)(3)
24 for the calendar year, determined by
25 substituting ‘calendar year 2023’ for

1 ‘calendar year 2016’ in subparagraph
2 (A)(ii) thereof.

3 If any dollar amount as increased under
4 the preceding sentence is not a multiple of
5 \$5, such dollar amount shall be rounded to
6 the nearest multiple of \$5.

7 “(C) LIMITATION ON PARTICIPATION.—
8 Within a reasonable amount of time before the
9 date an eligible individual attains age 17, the
10 program shall provide notice to the eligible indi-
11 vidual and the parent or guardian of the eligible
12 individual that—

13 “(i) no deposits under paragraph (4)
14 or (5) of section 3(b) of the 401Kids Sav-
15 ings Account Act of 2024 will be made for
16 calendar years after the year in which the
17 individual attains age 18,

18 “(ii) any contributions made by any
19 person after the date the individual attains
20 age 18 will be taken into account as pro-
21 vided in subparagraph (F), and

22 “(iii) the individual may elect to have
23 the account balance rolled over or distrib-
24 uted as provided, and at the time specified,
25 in paragraph (4).

1 “(D) STATE CONTRIBUTIONS.—The State
2 establishing or maintaining a 401Kids Account
3 Program may make contributions under such
4 program to accounts established or maintained
5 thereunder. Such contributions—

6 “(i) shall not be taken into account
7 for purposes of subparagraph (B), and

8 “(ii) may be limited to eligible individ-
9 uals residing in the State at the time the
10 contribution is made.

11 “(E) COORDINATION WITH AMOUNTS CON-
12 TRIBUTED FOR QUALIFIED HIGHER EDUCATION
13 EXPENSES.—

14 “(i) IN GENERAL.—Contributions to a
15 qualified tuition program which are not
16 contributed to a 401Kids Account Program
17 shall not be taken into account under sub-
18 paragraph (B), and contributions to a
19 401Kids Account Program shall not be
20 taken into account for purposes of sub-
21 section (b)(6).

22 “(ii) TRANSFERS FROM QUALIFIED
23 TUITION PROGRAM.—Amounts contributed
24 to a qualified tuition program (other than
25 to a 401Kids Account Program which is

1 part of such qualified tuition program)
2 may be transferred to a 401Kids Savings
3 Account established under a 401Kids Ac-
4 count Program on behalf of the designated
5 beneficiary, subject to the limitation of
6 subparagraph (B). For purposes of such
7 limitation, any such transfer in a taxable
8 year shall be aggregated with any other
9 contributions to such 401Kids Account
10 program (other than contributions made
11 under section 3(b)(4) or 3(b)(5) of the
12 401Kids Savings Account Act of 2024).

13 “(F) AMOUNTS CONTRIBUTED AFTER AGE
14 18.—Any contribution by any person to a
15 401Kids Savings Account after the date the in-
16 dividual on whose behalf the account is estab-
17 lished attains age 18 shall be treated for pur-
18 poses of section 408A(c)(2) as a contribution to
19 a Roth IRA maintained for the benefit of the
20 individual, and no such contribution shall be ac-
21 cepted to the extent such contribution, when ag-
22 gregated with all contributions for the taxable
23 year to all Roth IRAs maintained for the ben-
24 efit of the individual, exceeds the limitation of
25 section 408A(c)(2).

1 “(4) DISTRIBUTIONS.—

2 “(A) IN GENERAL.—Amounts in a
3 401Kids Savings Account under a 401Kids Ac-
4 count Program—

5 “(i) if such amounts are held in a col-
6 lective account owned by the State, may be
7 rolled over into a linked account under the
8 program which accepts contributions by
9 persons other than the State, or merged
10 with such an account previously estab-
11 lished, after the date the individual on
12 whose behalf the account was established
13 attains age 18 (or earlier as permitted by
14 the State program), and

15 “(ii) after the date the individual on
16 whose behalf the account was established
17 attains age 18, may be—

18 “(I) distributed to such indi-
19 vidual in cash,

20 “(II) transferred directly to an
21 eligible educational institution, mort-
22 gagee, lender, or guarantor with re-
23 spect to an expense described in sub-
24 paragraph (E)(i), or

1 “(III) contributed in a direct
2 transfer to an ABLE account (as de-
3 fined in section 529A(e)(6)) or a Roth
4 IRA of the individual, and

5 “(iii) if the individual whose behalf
6 the account was established does not elect
7 to receive any such distribution, shall re-
8 main in the account.

9 “(B) TREATMENT OF DISTRIBUTIONS.—
10 No amount shall be includible in gross income
11 under subsection (c)(3)(A) by reason of any
12 cash distribution from an account under a
13 401Kids Account Program which is made after
14 the date the individual on whose behalf such ac-
15 count was established attains age 18, to the ex-
16 tent such distribution does not exceed the quali-
17 fied expenses of the individual which are paid
18 or incurred during the taxable year of the dis-
19 tribution.

20 “(C) TREATMENT OF ROLLOVERS.—

21 “(i) ABLE ACCOUNTS.—Any con-
22 tribution from a 401Kids Account Pro-
23 gram to an ABLE account pursuant to
24 subparagraph (A)(ii)(III) shall be treat-
25 ed—

1 “(I) as a contribution from an-
2 other ABLE account as described in
3 section 529A(c)(1)(C)(i), and

4 “(II) as having been contributed
5 to such ABLE account in a direct
6 trustee-to-trustee transfer within 60
7 days of the distribution for purposes
8 of such section.

9 “(ii) ROTH IRAS.—Any contribution
10 from a 401Kids Account Program to a
11 Roth IRA pursuant to subparagraph
12 (A)(ii)(III) shall be treated—

13 “(I) as a contribution from an-
14 other Roth IRA as described in sec-
15 tion 408A(e)(1)(A), and

16 “(II) as having been contributed
17 to such Roth IRA in a direct trustee-
18 to-trustee transfer within 60 days of
19 the distribution for purposes of sec-
20 tion 408(d)(3), and

21 shall not be taken into account under sub-
22 section (c)(3)(E).

23 “(D) ADDITIONAL TAX ON NONQUALIFIED
24 USE.—

1 “(i) IN GENERAL.—The tax imposed
2 by this chapter for the taxable year shall
3 be increased by an amount equal to 10
4 percent of the amount of any distribution
5 from an account under a 401Kids Account
6 Program during the taxable year which is
7 not described in subparagraph (A)(i),
8 (A)(ii)(II), (A)(ii)(III), or (B).

9 “(ii) DISTRIBUTIONS FROM ROTH
10 IRA.—If any amount is contributed to a
11 Roth IRA in a rollover distribution from
12 an account under a 401Kids Account Pro-
13 gram pursuant to subparagraph
14 (A)(ii)(III), the tax imposed by this title
15 for the taxable year shall be increased by
16 an amount equal to 10 percent of the
17 amount of any distribution from such Roth
18 IRA which is made within the 5-year pe-
19 riod beginning on the date of the roll-
20 over—

21 “(I) to the extent that such dis-
22 tribution from the Roth IRA, when
23 aggregated with all other distributions
24 from such Roth IRA during such 5-
25 year period, does not exceed the

1 amount contributed in such rollover
2 distribution, and

3 “(II) unless the qualified ex-
4 penses of the individual on whose be-
5 half the account was established paid
6 or incurred during the taxable year of
7 the distribution are equal to or exceed
8 the amount of such distribution.

9 “(iii) COORDINATION RULE.—Sub-
10 section (c)(6) shall not apply to any
11 amount with respect to which a tax is im-
12 posed under clause (i) or (ii).

13 “(iv) FEDERAL 401KIDS ACCOUNT
14 PROGRAM.—

15 “(I) IN GENERAL.—The tax im-
16 posed by this chapter for the taxable
17 year shall be increased by an amount
18 equal to 10 percent of the amount of
19 any distribution during the taxable
20 year from an account under the Fed-
21 eral 401Kids Account Program estab-
22 lished by section 3 of the 401Kids
23 Savings Account Act of 2024 which is
24 not described in subsection

1 (c)(1)(A)(ii), (c)(1)(A)(iii), or
2 (c)(2)(A) of section 3 of such Act.

3 “(II) DISTRIBUTIONS FROM
4 ROTH IRA.—The tax imposed by
5 clause (ii) shall apply to a rollover dis-
6 tribution from an account under the
7 Federal 401Kids Account program
8 pursuant to section 3(c)(1)(A)(iii) of
9 the 401Kids Savings Account Act of
10 2024 in the same manner as a roll-
11 over distribution from an account
12 under a 401Kids Account Program
13 pursuant to subparagraph (A)(ii)(III).

14 “(E) QUALIFIED EXPENSES.—For pur-
15 poses of this paragraph—

16 “(i) IN GENERAL.—The term ‘quali-
17 fied expenses’ means amounts paid or in-
18 curred by an individual—

19 “(I) as payment or collateral re-
20 quired for a loan guaranteed by the
21 Small Business Administration or the
22 United States Department of Agri-
23 culture Rural Development or other
24 small business loan as determined by

1 the Secretary, pursuant to the rules
2 determined under clause (iii),

3 “(II) as qualified acquisition
4 costs (as defined in section
5 72(t)(8)(C)) with respect to a resi-
6 dence intended to be the primary resi-
7 dence of the individual,

8 “(III) for qualified higher edu-
9 cation expenses of the individual at an
10 eligible educational institution, or for
11 other post-secondary educational ex-
12 penses in an accredited degree-grant-
13 ing program or expenses for obtaining
14 a trade certificate, as provided by the
15 Secretary in consultation with the
16 Secretary of Education, or

17 “(IV) after the date the indi-
18 vidual on whose behalf the account
19 was established attains age 59½, for
20 any purpose.

21 “(ii) CERTIFICATION.—Except in the
22 case of qualified expenses described in
23 clause (i)(IV), the individual shall certify
24 on the return of tax, in such manner as
25 the Secretary shall prescribe, the qualified

1 expenses paid or incurred by the individual
2 during the taxable year.

3 “(iii) SMALL BUSINESS LOANS.—The
4 Secretary shall prescribe rules or other
5 guidance, or shall certify a process, for de-
6 termining whether a loan shall be taken
7 into account under clause (i)(I).

8 “(5) ELIGIBLE INDIVIDUAL.—For purposes of
9 this subsection—

10 “(A) IN GENERAL.—The term ‘eligible in-
11 dividual’ means a child who has not attained
12 age 18 and is a citizen of the United States.

13 “(B) TREATMENT AS DESIGNATED BENE-
14 FICIARY.—The rules of subsections (a) through
15 (e) shall be applied (except as otherwise pro-
16 vided in this subsection) by treating the eligible
17 individual on whose behalf a 401Kids Savings
18 Account under a 401Kids Account Program is
19 established as the designated beneficiary with
20 respect to such account.

21 “(6) STATE.—For purposes of this subsection,
22 the term ‘State’ includes the District of Columbia,
23 any possession of the United States, and any Indian
24 tribe (as defined in section 45A(c)(6)).

1 “(7) ACCOUNTS MAY NOT BE ASSIGNED.—An
2 account established on behalf of an individual under
3 a 401Kids Account Program may not be pledged or
4 assigned to any other person.

5 “(8) THIRD-PARTY CONTRACTORS.—A State
6 may contract with a third party for purposes of ad-
7 ministration of a 401Kids Account Program, includ-
8 ing record keeping and account investment.

9 “(9) ACCOUNT MANAGEMENT.—

10 “(A) IN GENERAL.—Except as provided in
11 subparagraph (B)—

12 “(i) the eligible individual on whose
13 behalf a 401Kids Savings Account under a
14 401Kids Account Program is established,
15 after the date the individual attains age
16 18, shall have sole discretion over the dis-
17 tribution of amounts in the account, and

18 “(ii) in the case of an account not
19 owned and controlled by a State, such eli-
20 gible individual, after the date the indi-
21 vidual attains age 18, and the parent or
22 guardian of such individual before such
23 date, may exercise control over the invest-
24 ment of account assets other than amounts
25 attributable to deposits under paragraph

1 (4) or (5) of section 3(b) of the 401Kids
2 Savings Account Act of 2024 (including
3 any gain or loss attributable thereto).

4 “(B) DEATH OF ACCOUNT BENEFICIARY.—
5 In the event the individual on whose behalf a
6 401Kids Savings Account under a 401Kids Ac-
7 count Program is established dies before attain-
8 ing age 18—

9 “(i) any amounts attributable to de-
10 posits under paragraph (4) or (5) of sec-
11 tion 3(b) of the 401Kids Savings Account
12 Act of 2024 (including any gain or loss at-
13 tributable thereto) shall be returned to the
14 Treasury, and

15 “(ii) the successor owner or bene-
16 ficiary of the account shall withdraw all
17 amounts not returned under subparagraph
18 (A) not later than the last day of the cal-
19 endar year after the calendar year in which
20 the death occurs.

21 Amounts withdrawn pursuant to this subpara-
22 graph shall not be included in gross income of
23 the deceased individual or the successor owner
24 or beneficiary to the extent such amounts are

1 attributable to contributions to the account
2 (and not to gain attributable thereto).”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) REPORTS.—Paragraph (1) of section 529(d)
5 of the Internal Revenue Code of 1986 is amended by
6 inserting “, including a 401Kids Account Program
7 under such qualified tuition program,” after “the
8 qualified tuition program”.

9 (2) REPORTS REGARDING ROLLOVER DISTRIBUTIONS.—Paragraph (2) of section 529(d) of such
10 Code is amended—

12 (A) by striking “subsection (c)(3)(E)” and
13 inserting “subsection (c)(3)(E) or (f)(4)(C)”,

14 (B) by striking “Roth IRA” and inserting
15 “Roth IRA or ABLE account”,

16 (C) by striking “the qualified tuition pro-
17 gram” and inserting “the qualified tuition pro-
18 gram or 401Kids Account Program”, and

19 (D) by striking “subsection (c)(3)(A)” and
20 inserting “subsection (c)(3)(E) or (f)(4)(C)”.

21 (3) QUALIFIED USE.—Clause (i) of section
22 529(c)(3)(C) of such Code is amended—

23 (A) by striking “or” at the end of sub-
24 clause (II),

1 (B) by redesignating subclause (III) as
2 subclause (IV),

3 (C) by inserting after subclause (II) the
4 following new subclause:

5 “(III) to a 401Kids Savings Ac-
6 count under a 401Kids Account Pro-
7 gram established on behalf of the des-
8 ignated beneficiary under subsection
9 (f) or section 3 of the 401Kids Sav-
10 ings Account Act of 2024, or”, and

11 (D) by striking “Subclause (III) shall not
12 apply” in the second sentence and inserting
13 “Subclause (III) shall not apply to so much of
14 a distribution which, when aggregated with
15 other contributions as provided in subsection
16 (f)(3)(E)(ii), exceeds the limitation under sub-
17 section (f)(3)(B). Subclause (IV) shall not
18 apply”.

19 (c) EFFECTIVE DATE.—

20 (1) IN GENERAL.—The amendments made by
21 this section shall apply to taxable years beginning
22 after the date of the enactment of this Act.

23 (2) EXISTING PROGRAMS.—A qualified tuition
24 program (as defined in section 529 of the Internal
25 Revenue Code of 1986) of a State which includes a

1 savings account program shall be treated for taxable
2 years beginning after the date of the enactment of
3 this Act as meeting the requirements of section
4 529(f) of the Internal Revenue Code of 1986, as
5 added by this Act, if such qualified tuition program
6 (as amended, if necessary) meets such requirements
7 for the first taxable year beginning more than 1 year
8 after such date of enactment.

9 (d) REGULATIONS.—The Secretary of the Treasury
10 (or such Secretary’s delegate) shall issue such regulations
11 or other guidance as is necessary to implement State
12 401Kids Account Programs, including guidance—

13 (1) regarding the personally identifying infor-
14 mation which is necessary for States to establish ac-
15 counts on behalf of individuals born in the State,

16 (2) for informing individuals of accounts estab-
17 lished on their behalf, and

18 (3) for processing accounts of deceased individ-
19 uals and returning Federal contributions to the
20 Treasury pursuant to section 529(f)(9)(B) of the In-
21 ternal Revenue Code of 1986.

22 **SEC. 3. ESTABLISHMENT OF FEDERAL 401KIDS ACCOUNT**
23 **PROGRAM.**

24 (a) ESTABLISHMENT OF PROGRAM.—The Secretary
25 of the Treasury shall, not later than December 31, 2024,

1 establish a permanent program, to be known as the “Fed-
2 eral 401Kids Account Program”, which meets the require-
3 ments of this section to—

4 (1) establish and maintain a savings account
5 (referred to in this section as a “401Kids Savings
6 Account”) meeting the requirements of subsections
7 (b) and (c) on behalf of eligible individuals whose
8 State does not maintain a 401Kids Account Pro-
9 gram pursuant to section 529(f) of the Internal Rev-
10 enue Code of 1986, and

11 (2) make contributions pursuant to paragraphs
12 (4) and (5) on behalf of eligible individuals to such
13 401Kids Savings Accounts and to accounts under
14 any such State 401Kids Account Program.

15 (b) PROGRAM SPECIFICATIONS.—

16 (1) IN GENERAL.—

17 (A) 401KIDS SAVINGS ACCOUNTS.—The
18 Federal 401Kids Account Program established
19 under this section shall—

20 (i) establish on behalf of each eligible
21 individual whose State does not maintain a
22 401Kids Account Program pursuant to
23 section 529(f) of the Internal Revenue
24 Code of 1986 a 401Kids Savings Account
25 which meets the requirements of this sub-

1 section and subsection (c) on behalf of the
2 individual as of 1 year after the later of—

3 (I) birth or naturalization; or

4 (II) establishment of the program

5 under this section,

6 and notify such individuals of the estab-
7 lishment of such accounts;

8 (ii) require the assets of each 401Kids
9 Savings Account established under the pro-
10 gram to be held by the designated custo-
11 dian;

12 (iii) within the limitations of para-
13 graph (3), permit contributions to be made
14 periodically to such 401Kids Savings Ac-
15 counts by direct deposit through payroll
16 deduction or by electronic means, and by
17 methods that provide access for people
18 with limited access to the financial system;

19 (iv) provide for the annual deposit
20 under paragraph (4) and the matching
21 contributions under paragraph (5) to be
22 made to such 401Kids Savings Accounts,
23 and to 401Kids Savings Accounts under
24 such 401Kids Account Programs estab-

1 lished and maintained by States, if applica-
2 ble;

3 (v) as provided in subsection (c), per-
4 mit distributions and rollovers from such
5 401Kids Savings Accounts after the indi-
6 vidual on whose behalf the account is es-
7 tablished attains age 18;

8 (vi) include procedures to consolidate
9 multiple accounts established for the same
10 individual, including across States, and re-
11 turn excess contributions on an annual
12 basis, with notice provided to the parent or
13 guardian of the individual (or, if appro-
14 priate, to the individual) and a procedure
15 for resolution of disputes;

16 (vii) permit, not less frequently than
17 once per year, for an account to be moved
18 between a State program and the Federal
19 401Kids Account Program; and

20 (viii) ensure that such 401Kids Sav-
21 ings Accounts are invested in accordance
22 with subsection (e).

23 (B) REGULATIONS, ETC.—The Secretary
24 of the Treasury shall have authority to promul-
25 gate such regulations, rules, and other guidance

1 as are necessary to implement the Federal
2 401Kids Account Program, and are consistent
3 with this section and section 529(f) of the In-
4 ternal Revenue Code of 1986, including—

5 (i) rules regarding the provision of
6 periodic notices to individuals and parents
7 or guardians of individuals, as appropriate,
8 on whose behalf accounts are established
9 under the program, including information
10 on account balances and activity;

11 (ii) rules for making the deposit under
12 paragraph (4)(A) in the case of taxpayers
13 who are not required to file an income tax
14 return;

15 (iii) rules for recapture of improperly
16 made deposits under paragraphs (4) and
17 (5); and

18 (iv) rules regarding beneficiary des-
19 ignation in the case of the death of the in-
20 dividual on whose behalf an account was
21 established.

22 (2) PROGRAM FOR DEPOSITS MADE WITH FED-
23 ERAL PARTNERS.—The Secretary of the Treasury
24 may, in fulfillment of subparagraph (A)(iii), estab-
25 lish a program which would allow grocery stores,

1 pharmacies, banks, and other similar businesses to
2 partner with the Federal Government to accept cash
3 deposits from customers and to remit such deposits
4 to the Treasury for payment into 401Kids Savings
5 Accounts under the Federal 401Kids Account Pro-
6 gram.

7 (3) LIMITATIONS.—

8 (A) CONTRIBUTION MINIMUM.—The Sec-
9 retary of the Treasury may establish minimum
10 amounts for initial and additional contributions
11 to a 401Kids Savings Account under the Fed-
12 eral 401Kids Account Program, not to exceed
13 \$10.

14 (B) CONTRIBUTION LIMITATION.—Con-
15 tributions to a 401Kids Savings Account under
16 the Federal 401Kids Account Program during
17 any taxable year (other than contributions
18 made under paragraphs (4) and (5)) shall not
19 be accepted to the extent such contributions ex-
20 ceed \$2,500.

21 (C) LIMITATION ON PARTICIPATION.—
22 Within a reasonable amount of time before the
23 date an eligible individual attains age 17, the
24 designated custodian shall provide notice to the

1 eligible individual and the parent or guardian of
2 the eligible individual that—

3 (i) no deposits under paragraph (4) or
4 (5) will be made for calendar years after
5 the year in which the individual attains age
6 18;

7 (ii) any contributions made by any
8 person after the date the individual attains
9 age 18 will be taken into account as pro-
10 vided in section 529(f)(3)(F) of the Inter-
11 nal Revenue Code of 1986; and

12 (iii) the individual (or, as provided,
13 the individual's parent or guardian) may
14 elect to have the account balance rolled
15 over or distributed as provided, and at the
16 time specified, in subsection (c).

17 (4) ANNUAL DEPOSIT.—

18 (A) IN GENERAL.—

19 (i) ANNUAL AMOUNT.—Within a rea-
20 sonable amount of time (not to exceed 60
21 days) after the filing of the return of tax
22 for each taxable year by a taxpayer claim-
23 ing an eligible individual as a dependent,
24 the Secretary of the Treasury shall deposit
25 \$500 into the 401Kids Savings Account es-

1 tablISHED for such individual under the
2 Federal 401Kids Account Program or a
3 401Kids Account Program established and
4 maintained by a State.

5 (ii) ADDITIONAL AMOUNT FOR
6 EARNED INCOME CREDIT ELIGIBLE FAMI-
7 LIES.—If a credit is allowable under sec-
8 tion 32 of the Internal Revenue Code of
9 1986 to the parent or guardian or an eligi-
10 ble individual for a taxable year, clause (i)
11 shall be applied by substituting “\$750” for
12 “\$500”.

13 (B) PHASEOUT.—In the case of a taxpayer
14 to whom subparagraph (A)(ii) does not apply,
15 the \$500 amount under subparagraph (A)(i)
16 shall be reduced (but not below zero) by \$10 for
17 each \$1,000 (or fraction thereof) by which the
18 taxpayer’s modified adjusted gross income for
19 the taxable year exceeds \$75,000 (\$150,000 in
20 the case of a joint return).

21 (C) MARRIED COUPLES MUST FILE JOINT
22 RETURN.—If the taxpayer is married at the
23 close of the taxable year, subparagraph (A)
24 shall apply only if the taxpayer and the tax-

1 payer's spouse file a joint return for the taxable
2 year.

3 (D) 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 \$750 into the 401Kids Savings
9 Account established under the Federal 401Kids
10 Account Program or a 401Kids Account Pro-
11 gram established and maintained by a State for
12 any eligible individual in foster care, in any
13 State, with respect to whom no deposit was
14 made for such year under subparagraph (A).

15 (5) MATCHING CONTRIBUTIONS FOR EARNED
16 INCOME CREDIT ELIGIBLE FAMILIES.—If a credit is
17 allowable under section 32 of the Internal Revenue
18 Code of 1986 to the parent or guardian or an eligi-
19 ble individual for a taxable year, the Secretary of the
20 Treasury shall deposit, at the same time as the an-
21 nual deposit under paragraph (4)(A), into the
22 401Kids Savings Account established for such eligi-
23 ble individual under the Federal 401Kids Account
24 Program or a 401Kids Account Program established
25 and maintained by a State an amount equal to so

1 much of the contributions made by the parent or
2 guardian of the eligible individual to such account
3 during the preceding taxable year as does not exceed
4 \$250. Such deposit shall be made in addition to the
5 deposit under paragraph (4).

6 (6) DESIGNATED CUSTODIAN.—For purposes of
7 this section, the designated custodian is the person
8 designated by the Secretary of the Treasury to act
9 as custodian of the 401Kids Savings Accounts estab-
10 lished on behalf of participants in the Federal
11 401Kids Account Program.

12 (7) INFLATION ADJUSTMENTS.—

13 (A) IN GENERAL.—In the case of any cal-
14 endar year after 2024, the \$2,500 amount in
15 paragraph (3)(B), the \$500 amount in para-
16 graphs (4)(A), (4)(B), and (4)(D), the \$750
17 amount in paragraphs (4)(A) and (4)(D), and
18 the \$250 amount in paragraph (5) shall each be
19 increased by an amount equal to—

20 (i) such dollar amount; multiplied by

21 (ii) the cost-of-living adjustment de-
22 termined under section 1(f)(3) of the In-
23 ternal Revenue Code of 1986 for the cal-
24 endar year, determined by substituting

1 “calendar year 2023” for “calendar year
2 2016” in subparagraph (A)(ii) thereof.

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

7 (8) ACCOUNTS MAY NOT BE ASSIGNED.—An ac-
8 count established on behalf of an individual under
9 the Federal 401Kids Account Program may not be
10 pledged or assigned to any other person.

11 (9) MODIFIED ADJUSTED GROSS INCOME.—For
12 purposes of this subsection, the term “modified ad-
13 justed gross income” means adjusted gross income
14 (as defined in section 62 of the Internal Revenue
15 Code of 1986) increased by—

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

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

21 (C) an amount equal to the portion of the
22 taxpayer’s social security benefits (as defined in
23 section 86(d) of such Code) which is not in-
24 cluded in gross income under such section 86
25 for the taxable year.

1 (c) DISTRIBUTIONS FROM 401KIDS SAVINGS AC-
2 COUNT.—

3 (1) IN GENERAL.—Amounts in a 401Kids Sav-
4 ings Account under the Federal 401Kids Account
5 Program—

6 (A) after the date the individual on whose
7 behalf the account was established attains age
8 18, may be—

9 (i) distributed to such individual in
10 cash,

11 (ii) transferred directly to an eligible
12 educational institution, mortgagee, lender,
13 or guarantor with respect to an expense
14 described in section 529(f)(4)(E)(i) of the
15 Internal Revenue Code of 1986, or

16 (iii) contributed in a direct transfer to
17 an ABLE account (as defined in section
18 529A(e)(6) of the Internal Revenue Code
19 of 1986) or a Roth IRA (as defined in sec-
20 tion 408A of such Code) of the individual,
21 and

22 (B) if the individual whose behalf the ac-
23 count was established does not elect to receive
24 any such distribution, shall remain in the ac-
25 count.

1 (2) TREATMENT OF DISTRIBUTIONS.—

2 (A) IN GENERAL.—No amount shall be in-
3 cludible in gross income for purposes of the In-
4 ternal Revenue Code of 1986 by reason of any
5 cash distribution from an account under the
6 Federal 401Kids Account Program which is
7 made after the date the individual on whose be-
8 half such account was established attains age
9 18, to the extent such distribution does not ex-
10 ceed the qualified expenses of the individual (as
11 defined in section 529(f)(4)(E) of such Code)
12 which are paid or incurred during the taxable
13 year of the distribution.

14 (B) TREATMENT OF ROLLOVERS.—The
15 rules of section 529(f)(4)(C) of such Code shall
16 apply in the case of a rollover distribution de-
17 scribed in paragraph (1)(A)(iii).

18 (d) ELIGIBLE INDIVIDUAL.—For purposes of this
19 section, with respect to any calendar year, the term “eligi-
20 ble individual” means a child who has not attained age
21 18 as of the last day of such calendar year and is a citizen
22 of the United States.

23 (e) INVESTMENT OF ACCOUNT ASSETS.—The Sec-
24 retary of the Treasury shall ensure that amounts in the
25 Federal 401Kids Account Program are invested so as to

1 maximize returns over the first 18 years of the life of an
2 eligible individual on whose behalf a 401Kids Savings Ac-
3 count is established under such program, and shall re-
4 evaluate the investment of such amounts after an eligible
5 individual attains age 18 to ensure amounts are available
6 and growing for uses later in the individual's life. The Sec-
7 retary of the Treasury may, in the Secretary's discretion,
8 permit some or all eligible individuals to exercise control
9 over the investment of account assets other than amounts
10 attributable to deposits under paragraph (4) or (5) of sub-
11 section (b) (including any gain or loss attributable there-
12 to).

13 (f) REPORTS.—

14 (1) IN GENERAL.—The designated custodian
15 shall make such reports regarding the Federal
16 401Kids Account Program to the Secretary of the
17 Treasury and to individuals on whose behalf ac-
18 counts are established under such program with re-
19 spect to contributions, distributions, and such other
20 matters as the Secretary of the Treasury may re-
21 quire. The reports required by this paragraph shall
22 be filed at such time and in such manner and fur-
23 nished to such individuals at such time and in such
24 manner as may be required by the Secretary of the
25 Treasury.

1 (2) ROLLOVER DISTRIBUTIONS.—In the case of
2 any distribution described in subsection
3 (c)(1)(A)(iii), the designated custodian shall provide
4 a report to the trustee of the Roth IRA or ABLE
5 account to which the distribution is made. Such re-
6 port shall be filed at such time and in such manner
7 as the Secretary of the Treasury may require and
8 shall include information with respect to the con-
9 tributions, distributions, and earnings of the account
10 under the Federal 401Kids Account program as of
11 the date of the distribution described in subsection
12 (c)(1)(A)(iii), together with such other matters as
13 the Secretary of the Treasury may require.

14 **SEC. 4. TREATMENT OF ACCOUNTS UNDER CERTAIN FED-**
15 **ERAL PROGRAMS.**

16 (a) ACCOUNT FUNDS DISREGARDED FOR PURPOSES
17 OF CERTAIN OTHER MEANS-TESTED FEDERAL PRO-
18 GRAMS.—Notwithstanding any other provision of Federal
19 law that requires consideration of one or more financial
20 circumstances of an individual, for the purpose of deter-
21 mining eligibility to receive, or the amount of, any assist-
22 ance or benefit authorized by such provision to be provided
23 to or for the benefit of such individual, any amount (in-
24 cluding earnings thereon) in an individual's account estab-
25 lished under a 401Kids Account Program (as defined in

1 section 529(f) of the Internal Revenue Code of 1986) or
2 the Federal 401Kids Account Program pursuant to sec-
3 tion 3, any contributions to such account, and any dis-
4 tribution (or portion thereof) shall be disregarded for such
5 purpose with respect to any period during which such indi-
6 vidual maintains, makes contributions to, or receives dis-
7 tributions from such account, except that—

8 (1) a distribution for qualified acquisition costs
9 (within the meaning of section 529(f)(4)(E)(ii) of
10 such Code) shall not be so disregarded; and

11 (2) any amount (including such earnings) in
12 such account shall be considered a resource of the
13 individual to the extent that such amount exceeds
14 \$100,000.

15 (b) SUSPENSION OF SSI BENEFITS DURING PERI-
16 ODS OF EXCESSIVE ACCOUNT FUNDS.—

17 (1) IN GENERAL.—The benefits of an individual
18 under the supplemental security income program
19 under title XVI of the Social Security Act shall not
20 be terminated, but shall be suspended, by reason of
21 excess resources of the individual attributable to an
22 amount in the account of the individual established
23 under a 401Kids Account Program which is not dis-
24 regarded under subsection (a).

1 (2) NO IMPACT ON MEDICAID ELIGIBILITY.—An
2 individual who would be receiving payment of such
3 supplemental security income benefits but for the
4 application of paragraph (1) shall be treated for pur-
5 poses of title XIX of the Social Security Act as if
6 the individual continued to be receiving payment of
7 such benefits.

8 **SEC. 5. DISCLOSURE OF TAXPAYER INFORMATION, ETC.**

9 (a) IN GENERAL.—Subsection (l) of section 6103 of
10 the Internal Revenue Code of 1986 is amended by adding
11 at the end the following new paragraph:

12 “(23) DISCLOSURE OF RETURN INFORMATION
13 FOR PURPOSES OF ADMINISTRATION OF 401KIDS AC-
14 COUNT PROGRAMS.—The Secretary shall disclose to
15 any officer or employee of the Department of the
16 Treasury, as necessary for the administration of the
17 Federal 401Kids Account Program established
18 under section 3(a) of the 401Kids Savings Account
19 Act of 2024 and the requirements of paragraphs (4)
20 and (5) of section 3(b) of such Act, return informa-
21 tion relating to taxpayer identity, dependents, ad-
22 justed gross income, and whether the taxpayer has
23 claimed the earned income credit under section 32
24 for the taxable year.”.

1 (b) PROHIBITION OF REDISCLOSURE.—Paragraph
2 (3) of section 6103(a) of the Internal Revenue Code of
3 1986 is amended by striking “or (21)” and inserting
4 “(21), or (23)”.

5 (c) DATA SHARING.—The Secretary of the Treasury
6 shall enter into an agreement with the Commissioner of
7 Social Security, the Secretary of State, and the Director
8 of the United States Citizenship and Immigration Services
9 to share data regarding births and naturalizations of chil-
10 dren under the age of 18 solely for purposes of—

11 (1) establishing accounts under the Federal
12 401Kids Account Program, and

13 (2) making deposits pursuant to paragraphs (4)
14 and (5) of section 3.

15 (d) USE OF SOCIAL SECURITY NUMBERS.—Section
16 205(c)(2)(C) of the Social Security Act (42 U.S.C.
17 405(c)(2)(C)) is amended by adding at the end the fol-
18 lowing new clause:

19 “(xiv) The Secretary of the Treasury,
20 for purposes of the Federal 401Kids Ac-
21 count Program established under section
22 3(a) of the 401Kids Savings Account Act
23 of 2024, and any State that elects to es-
24 tablish a 401Kids Account Program pursu-
25 ant to section 529(f) of the Internal Rev-

1 enue Code of 1986, are authorized to col-
2 lect and use the names and social security
3 account numbers of individuals as required
4 to establish and maintain such accounts.”.

5 **SEC. 6. TREASURY AUDIT OF STATE PROGRAMS.**

6 The Secretary of the Treasury is authorized—

7 (1) to conduct audits of 401Kids Account Pro-
8 grams established pursuant to section 529(f) of the
9 Internal Revenue Code of 1986 by States, and to as-
10 sume management of any such program as part of
11 the Federal 401Kids Account Program under section
12 3 in the event that such a program does not meet
13 the requirements of such section 529(f), and

14 (2) to require informational reports from States
15 maintaining such a 401Kids Account Program.

16 **SEC. 7. STATE.**

17 For purposes of this Act, the term “State” includes
18 the District of Columbia, any possession of the United
19 States, and any Indian tribe (as defined in section
20 45A(c)(6) of the Internal Revenue Code of 1986).

21 **SEC. 8. APPROPRIATION.**

22 There is hereby appropriated to the Secretary of the
23 Treasury, to remain available until spent without fiscal
24 year limitation—

1 (1) \$100,000,000 for the implementation and
2 administration of this Act (other than the purposes
3 described in paragraphs (2), (3), and (4));

4 (2) \$30,000,000 for each fiscal year beginning
5 with fiscal year 2024 for the administration of the
6 Federal 401Kids Account Program;

7 (3) such sums as are necessary to assist States
8 in the establishment of a 401Kids Account Program
9 pursuant to section 529(f) of the Internal Revenue
10 Code of 1986 (according to such procedures as the
11 Secretary shall determine); and

12 (4) such sums as are necessary to make con-
13 tributions to Federal 401Kids Accounts as required
14 under paragraphs (4) and (5) of section 3(b).

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