

106TH CONGRESS
2D SESSION

S. 3200

To amend the Social Security Act to provide each American child with a KidSave Account, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 12 (legislative day, SEPTEMBER 22), 2000

Mr. KERREY (for himself, Mr. SANTORUM, Mr. MOYNIHAN, Mr. GRASSLEY, and Mr. BREAUX) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Social Security Act to provide each American child with a KidSave Account, 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 “Social Security
5 KidSave Accounts Act”.

6 **SEC. 2. SOCIAL SECURITY KIDSAVE ACCOUNTS.**

7 (a) IN GENERAL.—Title II of the Social Security Act
8 (42 U.S.C. 401 et seq.) is amended—

9 (1) by inserting before section 201 the fol-
10 lowing:

1 “PART A—INSURANCE BENEFITS”;

2 and

3 (2) by adding at the end the following:

4 “PART B—KIDSAVE ACCOUNTS

5 “ESTABLISHMENT OF KIDSAVE ACCOUNTS

6 “SEC. 251. (a) IN GENERAL.—The Commissioner of
7 Social Security, through the Federal Retirement Thrift In-
8 vestment Board, shall establish in the name of each indi-
9 vidual born on or after January 1, 2001, a KidSave Ac-
10 count in the Thrift Savings Fund under subchapter III
11 of chapter 84 of title 5, United States Code, upon the later
12 of—

13 “(1) the date of enactment of this part; or

14 “(2) the date of the issuance of a Social Secu-
15 rity account number under section 205(c)(2) to such
16 individual.

17 “(b) IDENTIFICATION OF ACCOUNT.—The KidSave
18 Account shall be identified to the account holder by means
19 of the account holder’s Social Security account number.

20 “TREATMENT OF KIDSAVE ACCOUNTS

21 “SEC. 252. (a) IN GENERAL.—For purposes of this
22 part, except as provided in subsection (b), a KidSave Ac-
23 count described in subsection (a) shall be treated in the
24 same manner as an account in the Thrift Savings Fund
25 under subchapter III of chapter 84 of title 5, United
26 States Code.

1 “(b) EXCEPTIONS.—

2 “(1) CONTRIBUTION RULES.—

3 “(A) LOAN CONTRIBUTIONS.—

4 “(i) IN GENERAL.—In addition to any
 5 contributions to a KidSave Account by or
 6 on behalf of an individual described in sub-
 7 paragraph (B), the Secretary of the Treas-
 8 ury shall transfer \$2,000 to such Account
 9 from the Federal Old-Age and Survivors
 10 Insurance Trust Fund on the date of the
 11 establishment of such Account under sub-
 12 section (a).

13 “(ii) ADJUSTMENT FOR INFLATION.—
 14 For any calendar year after 2008, the dol-
 15 lar amount under clause (i) shall be in-
 16 creased by the cost-of-living adjustment de-
 17 termined under section 215(i) for the cal-
 18 endar year.

19 “(B) OTHER CONTRIBUTIONS.—

20 “(i) CONTRIBUTION LIMIT.—The ag-
 21 gregate amount of contributions by or on
 22 behalf of an individual (including rollover
 23 contributions) for any taxable year to the
 24 KidSave Account of such individual shall
 25 not exceed \$500 for such year (determined

without regard to the amount of the contribution made pursuant to subparagraph (A)).

“(ii) ROLLOVER CONTRIBUTIONS.—

No rollover contribution may be made to a KidSave Account of an individual unless it is from an eligible retirement plan described in clause (i), (ii), or (iii) of section 402(c)(8)(B) of the Internal Revenue Code of 1986 of such individual or of a parent or grandparent of such individual.

“(iii) NO CONTRIBUTIONS PAST THE

AGE OF 18.—No contribution (including rollover contribution) may be made to a KidSave Account of an individual in any year after the year in which such individual attains the age of 19.

“(iv) DIRECT DEPOSITS.—The Sec-

retary of the Treasury shall, under regulations, provide for the direct deposit of any overpayment of Federal tax of an individual or of a parent or grandparent of such individual as a contribution to the KidSave Account of such individual.

1 “(2) DESIGNATIONS REGARDING KIDSAVE AC-
2 COUNT INVESTMENTS.—

3 “(A) INITIAL DESIGNATIONS OF INVEST-
4 MENT FUND.—A person described in subsection
5 (c) shall, on behalf of the individual described
6 in section 251(a), designate 1 or more invest-
7 ment funds (established under section 8438 of
8 title 5, United States Code) for the KidSave
9 Account to which contributions by or on behalf
10 of such individual are to be deposited. Such
11 designation shall be made on the application for
12 such individual’s Social Security account num-
13 ber.

14 “(B) DEFAULT DESIGNATION.—In the ab-
15 sence of any designation under subparagraph
16 (A), the contributions by or on behalf of an in-
17 dividual described in section 251(a) shall be
18 deposited—

19 “(i) 60 percent in the Common Stock
20 Index Investment Fund established under
21 section 8438(b)(1)(C) of title 5, United
22 States Code;

23 “(ii) 20 percent in the Fixed Income
24 Investment Fund established under section
25 8438(b)(1)(B) of such title; and

1 “(iii) 20 percent in the Government
 2 Securities Investment Fund established
 3 under section 8438(b)(1)(A) of such title.

4 “(C) CHANGES IN DESIGNATIONS.—An in-
 5 dividual who has attained age 18 or a person
 6 described in subsection (c) on behalf of such in-
 7 dividual may change 1 or more investment des-
 8 ignations for a KidSave Account of such indi-
 9 vidual at the same time and in the same man-
 10 ner as provided under subchapter III of chapter
 11 84 of such title.

12 “(3) DISTRIBUTIONS.—

13 “(A) IN GENERAL.—Except as provided in
 14 subparagraph (B), distributions may only be
 15 made from a KidSave Account of an individual
 16 on or after the earlier of—

17 “(i) the date on which the individual
 18 begins receiving benefits under this title; or

19 “(ii) the date of the individual’s
 20 death.

21 “(B) REPAYMENT OF CONTRIBUTION
 22 LOAN.—

23 “(i) IN GENERAL.—On the date on
 24 which an individual described in section
 25 251(a) attains age 30 and on such date in

each succeeding calendar year (as necessary), the Federal Retirement Thrift Investment Board shall transfer from the KidSave Account of such individual to the Federal Old-Age and Survivors Insurance Trust Fund an amount equal to the least of the following amounts:

“(I) 20 percent of the applicable amount.

“(II) 20 percent of the balance in such KidSave Account.

“(III) An amount equal to the excess of the applicable amount over the aggregate amount deducted under this clause in all preceding calendar years with respect to such individual.

“(ii) APPLICABLE AMOUNT.—With respect to any individual described in clause (i), the applicable amount is equal to the amount of the loan contribution under paragraph (1)(A) determined for the first calendar year described in such clause for KidSave Accounts established in such year.

“(c) TREATMENT OF MINORS AND INCOMPETENT IN-

DIVIDUALS.—

1 “(1) DESIGNATIONS.—Any designation under
2 subsection (b)(2) to be made by a minor, or an indi-
3 vidual mentally incompetent or under other legal dis-
4 ability, may be made by the person who is con-
5 stituted guardian or other fiduciary by the law of
6 the State of residence of the individual or is other-
7 wise legally vested with the care of the individual or
8 his estate.

9 “(2) DISTRIBUTIONS.—Payment under this
10 part due a minor, or an individual mentally incom-
11 petent or under other legal disability, may be made
12 to the person who is constituted guardian or other
13 fiduciary by the law of the State of residence of the
14 claimant or is otherwise legally vested with the care
15 of the claimant or his estate.

16 “(3) OTHER PERSONS DESIGNATED.—In any
17 case in which a guardian or other fiduciary of the
18 individual under legal disability has not been ap-
19 pointed under the law of the State of residence of
20 the individual, if any other person, in the judgment
21 of the Commissioner, is responsible for the care of
22 such individual, any designation under subsection
23 (b)(2) which may otherwise be made by such indi-
24 vidual may be made by such person, any payment
25 under this part which is otherwise payable to such

1 individual may be made to such person, and the pay-
 2 ment of an annuity payment under this part to such
 3 person bars recovery by any other person.

4 “TREATMENT OF THRIFT SAVINGS FUND

5 “SEC. 253. For purposes of subchapter VIII of chap-
 6 ter 84 of title 5, United States Code, the KidSave Ac-
 7 counts established in the Thrift Savings Fund under sec-
 8 tion 251 shall be separately maintained and accounted for
 9 by the Federal Retirement Thrift Investment Board from
 10 the accounts established under such subchapter in such
 11 Fund.”.

12 (b) CONFORMING AMENDMENTS REGARDING ROLL-
 13 OVERS.—

14 (1) Section 402(c)(5) of the Internal Revenue
 15 Code of 1986 is amended by striking “(i) or (ii)”
 16 and inserting “(i), (ii), or (v)”.

17 (2) Section 402(c)(8)(B) of such Code is
 18 amended by striking “and” at the end of clause (iii),
 19 by striking the period at the end of clause (iv) and
 20 inserting “, and”, and by adding at the end the fol-
 21 lowing new clause:

22 “(v) a KidSave Account established
 23 under section 251(a) of the Social Security
 24 Act.”.

25 (3) Section 408(d)(3)(A)(i) of such Code is
 26 amended by inserting “or a KidSave Account estab-

- 1 lished under section 251(a) of the Social Security
- 2 Act” after “contract)”.

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