

114TH CONGRESS  
2D SESSION

# S. 2471

To amend the Internal Revenue Code of 1986 to improve and expand  
Coverdell education savings accounts.

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IN THE SENATE OF THE UNITED STATES

JANUARY 28, 2016

Mr. KIRK (for himself, Mr. HATCH, Mr. TOOMEY, and Mr. VITTER) 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  
and expand Coverdell education savings accounts.

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 “401(Kids) Education  
5 Savings Account Modernization Act of 2016”.

1 **SEC. 2. ELIMINATION OF INCOME-BASED REDUCTION IN**  
 2 **PERMITTED CONTRIBUTIONS BY NON-**  
 3 **CUSTODIANS TO COVERDELL EDUCATION**  
 4 **SAVINGS ACCOUNTS.**

5 (a) IN GENERAL.—Paragraph (1) of section 530(c)  
 6 of the Internal Revenue Code of 1986 is amended by strik-  
 7 ing “who is an individual” and inserting “who is an indi-  
 8 vidual and is the custodial parent of the designated bene-  
 9 ficiary”.

10 (b) EFFECTIVE DATE.—The amendment made by  
 11 this section shall apply to contributions in taxable years  
 12 beginning after December 31, 2016.

13 **SEC. 3. INCREASE IN ANNUAL CONTRIBUTION LIMITATION**  
 14 **FOR COVERDELL EDUCATION SAVINGS AC-**  
 15 **COUNTS.**

16 (a) IN GENERAL.—Subparagraph (A) of section  
 17 530(b)(1) of the Internal Revenue Code of 1986 is amend-  
 18 ed—

19 (1) by striking “\$2,000” in clause (iii) and in-  
 20 serting “the dollar amount in effect under section  
 21 2503(b) (relating to exclusion from gifts) for the  
 22 taxable year”,

23 (2) by striking “or” at the end of clause (ii),

24 (3) by striking the period at the end of clause  
 25 (iii) and inserting “, or”, and

1 (4) by adding at the end the following new  
 2 clause:

3 “(iv) if such contribution would result  
 4 in aggregate contributions for the taxable  
 5 year exceeding \$5,500 from any one  
 6 donor.”.

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

10 **SEC. 4. ALLOWANCE OF HOME SCHOOL EXPENSES AS**  
 11 **QUALIFIED EDUCATION EXPENSES FOR PUR-**  
 12 **POSES OF A COVERDELL EDUCATION SAV-**  
 13 **INGS ACCOUNT.**

14 (a) IN GENERAL.—Paragraph (3) of section 530(b)  
 15 of the Internal Revenue Code of 1986 is amended by add-  
 16 ing at the end the following new subparagraph:

17 “(C) PRIVATE SCHOOL.—For purposes of  
 18 this section, the term ‘private school’ includes  
 19 any home school that meets the requirements of  
 20 State law applicable to such home schools,  
 21 whether or not such school is deemed a private  
 22 school for purposes of State law.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
 24 this section shall apply to taxable years beginning after  
 25 December 31, 2016.

1 **SEC. 5. QUALIFIED ROLLOVER CONTRIBUTIONS FROM**  
 2 **COVERDELL EDUCATION SAVINGS ACCOUNTS**  
 3 **TO ROTH IRAS.**

4 (a) IN GENERAL.—Paragraph (5) of section 530(d)  
 5 of the Internal Revenue Code of 1986 is amended by in-  
 6 serting “, or into a Roth IRA of the beneficiary (but only  
 7 to the extent such amount does not exceed \$10,000)” after  
 8 “as of such date”.

9 (b) CONFORMING AMENDMENT; TECHNICAL COR-  
 10 RECTION.—Paragraph (1) of section 408A(e) of the Inter-  
 11 nal Revenue Code of 1986 is amended to read as follows:

12 “(1) IN GENERAL.—The term ‘qualified rollover  
 13 contribution’ means a rollover contribution to a Roth  
 14 IRA from another such account, from an eligible re-  
 15 tirement plan (as defined in section 402(c)(8)(B)),  
 16 or from a Coverdell education savings account (as  
 17 defined in section 530(b)(1)), but only if—

18 “(A) such rollover contribution meets the  
 19 requirements of section 408(d)(3),

20 “(B) in the case of a rollover contribution  
 21 from an eligible retirement plan described in  
 22 clause (iii), (iv), (v), or (vi) of section  
 23 402(c)(8)(B), such contribution meets the re-  
 24 quirements of section 402(c), 403(b)(8), or  
 25 457(e)(16), whichever is applicable, and

1           “(C) in the case of a rollover contribution  
2           from a Coverdell education savings account,  
3           such contribution meets the requirements of  
4           section 530(d)(5).

5           For purposes of section 408(d)(3)(B), there shall be  
6           disregarded any qualified rollover contribution from  
7           an individual retirement plan (other than a Roth  
8           IRA) to a Roth IRA.”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10          this section shall apply to rollover contributions made in  
11          taxable years beginning after December 31, 2016.

12       **SEC. 6. 401KIDS.GOV.**

13          The Secretary of Education shall establish an Inter-  
14          net website (to be known as “401Kids.gov”) on which in-  
15          formation is provided to the public free of charge con-  
16          cerning the available options for tax-favored education  
17          savings accounts under the Internal Revenue Code of  
18          1986.

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