

113TH CONGRESS
2D SESSION

H. R. 5427

To amend the Internal Revenue Code of 1986 to establish small business savings accounts.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 9, 2014

Mr. ISRAEL (for himself and Mr. BISHOP of New York) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish small business 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 “SAVE for Small Busi-
5 nesses Act” or the “Savings Accounts for a Variable Econ-
6 omy for Small Businesses Act”.

7 **SEC. 2. SMALL BUSINESS SAVINGS ACCOUNTS.**

8 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
9 enue Code of 1986 is amended by adding at the end the
10 following new section:

1 **“SEC. 7529. SMALL BUSINESS SAVINGS ACCOUNTS.**

2 “(a) IN GENERAL.—Any eligible small business may
3 enter into an agreement with the Secretary under this sec-
4 tion to establish a small business savings account with re-
5 spect to such business under terms which meet the re-
6 quirements of this section.

7 “(b) SMALL BUSINESS SAVINGS ACCOUNTS.—For
8 purposes of this section, the term ‘small business savings
9 account’ means a tax preferred savings account which is
10 designated at the time of establishment of the plan as a
11 small business savings account. Such designation shall be
12 made in such manner as the Secretary may by regulation
13 prescribe.

14 “(c) CONTRIBUTIONS.—

15 “(1) DEDUCTION.—There shall be allowed as a
16 deduction an amount equal to the contributions to a
17 small business savings account for the taxable year.

18 “(2) LIMITATION.—The aggregate amount of
19 contributions for any taxable year to all small busi-
20 ness savings accounts maintained for the benefit of
21 an eligible small business shall not exceed an
22 amount equal to 10 percent of the gross profits of
23 the business for the preceding taxable year.

24 “(d) DISTRIBUTIONS.—

1 “(1) IN GENERAL.—Any qualified distribution
2 from a small business savings account shall not be
3 includible in gross income.

4 “(2) INCLUSION OF NONQUALIFIED DISTRIBUTIONS.—Any amounts distributed out of a small
5 business savings account that are not qualified dis-
6 tributions shall be included in gross income for the
7 taxable year of the distribution.

8 “(3) QUALIFIED DISTRIBUTION.—For purposes
9 of this subsection—

10 “(A) IN GENERAL.—The term ‘qualified
11 distribution’ means any amount—

12 “(i) distributed from a small business
13 savings account during a specified period
14 of economic hardship, and

15 “(ii) the distribution of which is cer-
16 tified by the taxpayer as part of a plan
17 which provides for the reinvestment of
18 such distribution for the funding of worker
19 hiring or financial stabilization for the pur-
20 poses of job retention or creation.

21 “(B) SPECIFIED PERIOD OF ECONOMIC
22 HARDSHIP.—The term ‘specified period of eco-
23 nomic hardship’ means—
24

1 “(i) any 1-year period beginning im-
2 mediately after the end of any 3 consecu-
3 tive quarters during which the annual rate
4 of real gross domestic product (as deter-
5 mined by the Bureau of Economic Analysis
6 of the Department of Commerce) de-
7 creases, or

8 “(ii) any period, in no event shorter
9 than 1 year, specified by the Administrator
10 of the Small Business Administration for
11 purposes of this section.

12 “(C) **FEDERALLY DECLARED DISASTER**
13 **AREAS.**—The Administrator of the Small Busi-
14 ness Administration may specify a period under
15 subparagraph (B)(ii) with respect to a specified
16 area in the case of an area determined by the
17 President to warrant assistance from the Fed-
18 eral Government under the Robert T. Stafford
19 Disaster Relief and Emergency Assistance Act
20 (as in effect on the date of the enactment of the
21 SAVE for Small Businesses Act).

22 “(D) **LIMITATION.**—The Administrator of
23 the Small Business Administration shall, in
24 consultation with the Secretary, for each speci-
25 fied period of economic hardship establish a dis-

1 tribution limitation for qualified distributions
2 from eligible small business accounts with re-
3 spect to such period. The aggregate qualified
4 distributions for any such period from all ac-
5 counts with respect to an eligible small business
6 shall not exceed such limitation.

7 “(E) AMOUNTS NOT USED FOR REINVEST-
8 MENT.—Any distribution not used in the man-
9 ner certified under subparagraph (A)(ii) shall
10 be treated as a distribution other than a quali-
11 fied distribution in the taxable year of such dis-
12 tribution.

13 “(F) EIGHT-YEAR RULE.—Any amount
14 contributed to a small business savings account
15 (and any earnings attributable thereto), once
16 distributed, shall not be treated as a qualified
17 distribution unless such distribution is made
18 not later than 8 years after the date of such
19 contribution. For purposes of the preceding sen-
20 tence, amounts (and the earnings attributable
21 thereto) shall be treated as distributed on a
22 first-in first-out basis.

23 “(e) TAX TREATMENT OF ACCOUNT.—Any small
24 business savings account is exempt from taxation under
25 this subtitle A unless such account has ceased to be a

1 small business savings account. Notwithstanding the pre-
2 ceding sentence, any such account is subject to the taxes
3 imposed by section 511 (relating to imposition of tax on
4 unrelated business income of charitable, etc. organiza-
5 tions).

6 “(f) ELIGIBLE SMALL BUSINESS.—For purposes of
7 this section—

8 “(1) IN GENERAL.—The term ‘eligible small
9 business’ means, with respect to any calendar year,
10 any person if the annual average number of full-time
11 employees employed by such person during the pre-
12 ceding calendar year was 50 or fewer. For purposes
13 of the preceding sentence, a preceding calendar year
14 may be taken into account only if the person was in
15 existence throughout the year.

16 “(2) FULL-TIME EMPLOYEES.—

17 “(A) IN GENERAL.—The term ‘full-time
18 employee’ means, with respect to any year, an
19 employee who is employed on average at least
20 40 hours of service per week.

21 “(B) HOURS OF SERVICE.—The Secretary,
22 in consultation with the Secretary of Labor,
23 shall prescribe such regulations, rules, and
24 guidance as may be necessary to determine the
25 hours of service of an employee, including rules

1 for the application of this paragraph to employ-
2 ees who are not compensated on an hourly
3 basis.

4 “(3) STARTUPS, CONTROLLED GROUPS, AND
5 PREDECESSORS.—Rules similar to the rules of sub-
6 paragraphs (B) and (D) of section 220(c)(4) shall
7 apply for purposes of this subsection.

8 “(g) EFFECT OF PLEDGING ACCOUNT AS SECUR-
9 RITY.—If, during any taxable year of the eligible small
10 business for whose benefit an account is established, the
11 account or any portion thereof is pledged as security for
12 a loan, the portion so pledged shall be treated as distrib-
13 uted in a distribution other than a qualified distribution.”.

14 (b) SMALL BUSINESS SAVINGS ACCOUNT PRO-
15 GRAMS.—

16 (1) IN GENERAL.—The Secretary of the Treas-
17 ury shall establish a program to administer small
18 business savings accounts under section 7529 of the
19 Internal Revenue Code of 1986.

20 (2) ACCOUNT STANDARDS.—The Secretary
21 shall establish minimum standards for small busi-
22 ness savings accounts and shall establish accounts
23 within the Department of the Treasury or enter into
24 agreements with trustees that meet these standards
25 to administer such accounts. In establishing such

1 standards and making such agreements the Sec-
2 retary shall, to the extent practicable, seek to mini-
3 mize fees, minimize risk of loss of principal, and en-
4 sure a range of investment risk options available to
5 account beneficiaries.

6 (c) EXCESS CONTRIBUTIONS.—Section 4973 of the
7 Internal Revenue Code of 1986 is amended by adding at
8 the end the following new subsection:

9 “(h) EXCESS CONTRIBUTIONS TO SMALL BUSINESS
10 SAVINGS ACCOUNTS.—For purposes of this section, in the
11 case of contributions to all small business savings accounts
12 (within the meaning of section 7529(b)) maintained for
13 the benefit of an individual, the term ‘excess contributions’
14 means the sum of—

15 “(1) the excess (if any) of—

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

18 “(B) the amount allowable as a contribu-
19 tion under section 7529(c)(2) for such taxable
20 year, and

21 “(2) the amount determined under this sub-
22 section for the preceding taxable year, reduced by
23 the sum of—

24 “(A) the distributions out of the accounts
25 for the taxable year, and

1 “(B) the excess (if any) of—

2 “(i) the maximum amount allowable
3 as a contribution under section 7529(c)(2)
4 for such taxable year, over

5 “(ii) the amount contributed to such
6 accounts for such taxable year.”.

7 (d) CLERICAL AMENDMENT.—The table of sections
8 for chapter 77 of the Internal Revenue Code of 1986 is
9 amended by adding at the end the following new item:

“Sec. 7529. Small Business Savings Accounts.”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 the date of the enactment of this Act.

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