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(Original Signature of Member)

108<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R.** \_\_\_\_\_

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IN THE HOUSE OF REPRESENTATIVES

Mr. SAM JOHNSON of Texas introduced the following bill; which was referred to the Committee on \_\_\_\_\_

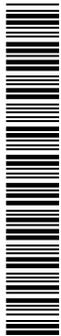
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**A BILL**

To amend the Internal Revenue Code of 1986 to create  
Lifetime 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. LIFETIME SAVINGS ACCOUNTS.**

4 (a) IN GENERAL.—Subchapter F of Chapter 1 of the  
5 Internal Revenue Code of 1986 (relating to exempt organi-  
6 zations) is amended by adding at the end the following  
7 new part:



1           **“PART IX—LIFETIME SAVINGS ACCOUNTS**

2   **“SEC. 530A. LIFETIME SAVINGS ACCOUNTS.**

3           “(a) GENERAL RULE.—A Lifetime Savings Account  
4 shall be exempt from taxation under this subtitle. Not-  
5 withstanding the preceding sentence, such account shall  
6 be subject to the taxes imposed by section 511 (relating  
7 to imposition of tax on unrelated business income of chari-  
8 table organizations).

9           “(b) LIFETIME SAVINGS ACCOUNT.—For purposes of  
10 this section, the term ‘Lifetime Savings Account’ means  
11 a trust created or organized in the United States for the  
12 exclusive benefit of an individual or his beneficiaries and  
13 which is designated (in such manner as the Secretary shall  
14 prescribe) at the time of the establishment of the trust  
15 as a Lifetime Savings Account, but only if the written gov-  
16 erning instrument creating the trust meets the following  
17 requirements:

18                   “(1) Except in the case of a qualified rollover  
19 contribution described in subsection (d)—

20                           “(A) no contribution will be accepted un-  
21 less it is in cash, and

22                           “(B) contributions will not be accepted for  
23 the calendar year in excess of the contribution  
24 limit specified in subsection (c)(1).

25                   “(2) The trustee is a bank (as defined in sec-  
26 tion 408(n)) or another person who demonstrates to



1 the satisfaction of the Secretary that the manner in  
 2 which that person will administer the trust will be  
 3 consistent with the requirements of this section or  
 4 who has so demonstrated with respect to any indi-  
 5 vidual retirement plan.

6 “(3) No part of the trust assets will be invested  
 7 in life insurance contracts.

8 “(4) The interest of an individual in the bal-  
 9 ance of his account is nonforfeitable.

10 “(5) The assets of the trust shall not be com-  
 11 mingled with other property except in a common  
 12 trust fund or common investment fund.

13 “(c) TREATMENT OF CONTRIBUTIONS AND DIS-  
 14 TRIBUTIONS.—

15 “(1) CONTRIBUTION LIMIT.—

16 “(A) IN GENERAL.—The aggregate  
 17 amount of contributions (other than qualified  
 18 rollover contributions described in subsection  
 19 (d)) for any calendar year to all Lifetime Sav-  
 20 ings Accounts maintained for the benefit of an  
 21 individual shall not exceed \$5,000.

22 “(B) COST-OF-LIVING ADJUSTMENT.—

23 “(i) IN GENERAL.—In the case of any  
 24 calendar year after 2005, the \$5,000



1 amount under subparagraph (A) shall be  
2 increased by an amount equal to—

3 “(I) such dollar amount, multi-  
4 plied by

5 “(II) the cost-of-living adjust-  
6 ment determined under section 1(f)(3)  
7 for the calendar year, determined by  
8 substituting ‘calendar year 2004’ for  
9 ‘calendar year 1992’ in subparagraph  
10 (B) thereof.

11 “(ii) ROUNDING RULES.—If any  
12 amount after adjustment under clause (i)  
13 is not a multiple of \$500, such amount  
14 shall be rounded to the next lower multiple  
15 of \$500.

16 “(2) DISTRIBUTIONS.—Any distribution from a  
17 Lifetime Savings Account shall not be includible in  
18 gross income.

19 “(d) QUALIFIED ROLLOVER CONTRIBUTION.—For  
20 purposes of this section, the term ‘qualified rollover con-  
21 tribution’ means a contribution to a Lifetime Savings  
22 Account—

23 “(1) from another such account of the same  
24 beneficiary, but only if such amount is contributed



1 not later than the 60th day after the distribution  
2 from such other account,

3 “(2) from a Lifetime Savings Account of a  
4 spouse of the beneficiary of the account to which the  
5 contribution is made, but only if such amount is  
6 contributed not later than the 60th day after the  
7 distribution from such other account, and

8 “(3) before January 1, 2006, from—

9 “(A) a qualified tuition program pursuant  
10 to section 529(c)(3)(E), or

11 “(B) a Coverdell education savings account  
12 pursuant to section 530(d)(9).

13 “(e) LOSS OF TAXATION EXEMPTION OF ACCOUNT  
14 WHERE BENEFICIARY ENGAGES IN PROHIBITED TRANS-  
15 ACTION.—Rules similar to the rules of paragraph (2) of  
16 section 408(e) shall apply to any Lifetime Savings Ac-  
17 count.

18 “(f) CUSTODIAL ACCOUNTS.—For purposes of this  
19 section, a custodial account or an annuity contract issued  
20 by an insurance company qualified to do business in a  
21 State shall be treated as a trust under this section if—

22 “(1) the custodial account or annuity contract  
23 would, except for the fact that it is not a trust, con-  
24 stitute a trust which meets the requirements of sub-  
25 section (b), and



1           “(2) in the case of a custodial account, the as-  
2           sets of such account are held by a bank (as defined  
3           in section 408(n)) or another person who dem-  
4           onstrates, to the satisfaction of the Secretary, that  
5           the manner in which he will administer the account  
6           will be consistent with the requirements of this sec-  
7           tion.

8 For purposes of this title, in the case of a custodial ac-  
9 count or annuity contract treated as a trust by reason of  
10 the preceding sentence, the person holding the assets of  
11 such account or holding such annuity contract shall be  
12 treated as the trustee thereof.

13           “(g) REPORTS.—The trustee of a Lifetime Savings  
14 Account shall make such reports regarding such account  
15 to the Secretary and to the beneficiary of the account with  
16 respect to contributions, distributions, and such other  
17 matters as the Secretary may require. The reports re-  
18 quired by this subsection shall be filed at such time and  
19 in such manner and furnished to such individuals at such  
20 time and in such manner as may be required.”.

21           (b) TAX ON EXCESS CONTRIBUTIONS.—

22           (1) IN GENERAL.—Subsection (a) of section  
23           4973 of the Internal Revenue Code of 1986 (relating  
24           to tax on excess contributions to certain tax-favored  
25           accounts and annuities) is amended by striking “or”



1 at the end of paragraph (4), by inserting “or” at the  
2 end of paragraph (5), and by inserting after para-  
3 graph (5) the following new paragraph:

4 “(6) a Lifetime Savings Account (as defined in  
5 section 530A),”.

6 (2) EXCESS CONTRIBUTION.—Section 4973 of  
7 such Code is amended by adding at the end the fol-  
8 lowing new subsection:

9 “(h) EXCESS CONTRIBUTIONS TO LIFETIME SAVINGS  
10 ACCOUNTS.—For purposes of this section—

11 “(1) IN GENERAL.—In the case of Lifetime  
12 Savings Accounts (within the meaning of section  
13 530A), the term ‘excess contributions’ means the  
14 sum of—

15 “(A) the amount by which the amount con-  
16 tributed for the calendar year to such accounts  
17 (other than qualified rollover contributions (as  
18 defined in section 530A(d))) exceeds the con-  
19 tribution limit under section 530A(e)(1), and

20 “(B) the amount determined under this  
21 subsection for the preceding calendar year, re-  
22 duced by the excess (if any) of the maximum  
23 amount allowable as a contribution under sec-  
24 tion 530A(e)(1) for the calendar year over the



1 amount contributed to the accounts for the cal-  
2 endar year.

3 “(2) SPECIAL RULE.—A contribution shall not  
4 be taken into account under paragraph (1) if such  
5 contribution (together with the amount of net in-  
6 come attributable to such contribution) is returned  
7 to the beneficiary before July 1 of the year following  
8 the year in which the contribution is made.”.

9 (c) FAILURE TO PROVIDE REPORTS ON LIFETIME  
10 SAVINGS ACCOUNTS.—Paragraph (2) of section 6693(a)  
11 of the Internal Revenue Code of 1986 (relating to failure  
12 to provide reports on individual retirement accounts or an-  
13 nnuities) is amended by striking “and” at the end of sub-  
14 paragraph (D), by striking the period at the end of sub-  
15 paragraph (E) and inserting “, and”, and by adding at  
16 the end the following new subparagraph:

17 “(F) section 530A(g) (relating to Lifetime  
18 Savings Accounts).”.

19 (d) ROLLOVERS FROM CERTAIN OTHER TAX-FREE  
20 ACCOUNTS.—

21 (1) QUALIFIED STATE TUITION PLANS.—Para-  
22 graph (3) of section 529(c) of the Internal Revenue  
23 Code of 1986 (relating to distributions) is amended  
24 by adding at the end the following new subpara-  
25 graph:



1                   “(E) ROLLOVERS TO LIFETIME SAVINGS  
2                   ACCOUNTS.—

3                   “(i) IN GENERAL.—Subparagraph (A)  
4                   shall not apply to the qualified portion of  
5                   any distribution which, before January 1,  
6                   2006, and within 60 days of such distribu-  
7                   tion, is transferred to a Lifetime Savings  
8                   Account (within the meaning of section  
9                   530A) of the designated beneficiary. This  
10                  subparagraph shall only apply to distribu-  
11                  tions in accordance with the previous sen-  
12                  tence from an account which was in exist-  
13                  ence with respect to such designated bene-  
14                  ficiary on December 31, 2003.

15                  “(ii) QUALIFIED PORTION.—For pur-  
16                  poses of this subparagraph, the term  
17                  ‘qualified portion’ means the amount equal  
18                  to the sum of—

19                                 “(I) the lesser of \$50,000 or the  
20                                 amount which is in the account of the  
21                                 designated beneficiary on December  
22                                 31, 2003,

23                                 “(II) any contributions to such  
24                                 account for the taxable year beginning



1 after December 31, 2004, and before  
2 January 1, 2005, and

3 “(III) any earnings of such ac-  
4 count for such year.

5 “(iii) LIMITATION.—The sum of the  
6 amounts taken into account under clause  
7 (ii)(II) with respect to all accounts of the  
8 designated beneficiary plus any amounts  
9 with respect to such designated beneficiary  
10 taken into account under section  
11 530(d)(9)(B)(ii) shall not exceed the sum  
12 of \$5,000 plus the earnings attributable to  
13 such amounts.”.

14 (2) COVERDELL EDUCATION SAVINGS AC-  
15 COUNTS.—Subsection (d) of section 530 of such  
16 Code (relating to tax treatment of distributions) is  
17 amended by inserting at the end the following new  
18 paragraph:

19 “(9) ROLLOVERS TO LIFETIME SAVINGS AC-  
20 COUNTS.—

21 “(A) IN GENERAL.—Paragraph (1) shall  
22 not apply to the qualified portion of any  
23 amount paid or distributed from a Coverdell  
24 education savings account to the extent that the  
25 amount received is paid, before January 1,



1           2006, and not later than the 60th day after the  
2           date of such payment or distribution, into a  
3           Lifetime Savings Account (within the meaning  
4           of section 530A) for the benefit of the same  
5           beneficiary. This paragraph shall only apply to  
6           amounts paid or distributed in accordance with  
7           the preceding sentence from an account which  
8           was in existence with respect to such bene-  
9           ficiary on December 31, 2003.

10           “(B) QUALIFIED PORTION.—For purposes  
11           of this paragraph, the term ‘qualified portion’  
12           means the amount equal to the sum of—

13                   “(i) the amount which is in the ac-  
14                   count of the beneficiary on December 31,  
15                   2003,

16                   “(ii) any contributions to such ac-  
17                   count for the taxable year beginning after  
18                   December 31, 2004, and before January 1,  
19                   2005, and

20                   “(iii) any earnings of such account for  
21                   such year.

22           “(C) LIMITATION.—The sum of the  
23           amounts taken into account under subpara-  
24           graph (B)(ii) with respect to all accounts of the  
25           beneficiary plus any amounts with respect to



1           such beneficiary taken into account under sec-  
2           tion 529(c)(3)(E)(ii)(II) shall not exceed the  
3           sum of \$5,000 plus the earnings attributable to  
4           such amounts.”.

5           (e) CONFORMING AMENDMENT.—The table of parts  
6 for subchapter F of chapter 1 of the Internal Revenue  
7 Code of 1986 is amended by adding at the end the fol-  
8 lowing new item:

                  “Part IX. Lifetime Savings Accounts.”.

9           (f) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2004.

