Diana Harshbarger

Proudly Representing **Tennessee's 1st District**

The Universal Savings Account (USA) Act

Freedom-Based Tax-Advantaged Savings for America

Universal Savings Accounts (USAs) are an innovative tax policy reform to reduce taxes on savings and help families build their own financial security through a single, simple, and flexible savings account. Freedom-based USAs have proven successful in a number of countries around the world, supporting savers and giving them the flexibility to save for their own priorities.

Though the current U.S. tax code provides several types of savings accounts that receive proper tax treatment (only one layer of taxation) for narrow saving purposes, their complex rules and restrictions complicate and discourage saving, and are severely limited for Americans to use them only for "government-approved" purposes.

USAs would be all-purpose tax-advantaged accounts that allow individuals to decide **what** to use their savings for **and when**, without the government micromanaging their choices. With USAs Americans can save without the restrictions, confusion, and penalties associated with other savings accounts. Under USAs there are **no** minimum contribution requirements, and **no** restrictions or penalties for withdrawals. And hard-earned cash is only taxed once, at the time of contribution.

Summary provisions of the **Universal Savings Account (USA) Act**:

- Ø Anyone 18 years of age or older (and a U.S. citizen or legal permanent resident) could open a USA with an initial contribution limit of $10,000 after-tax ($20,000 for married couples filing jointly), that increases by $500 every year, until it reaches $25,000, and adjusts for inflation thereafter *(the same tax treatment framework as Roth IRAs)*;
- Ø No income limitation for account holders, meaning, any American, of any income level, can open an account and contribute up to the contribution limit each year;
- Ø Funds could be invested in bonds and equities, and grow tax-free; and account holders can use the **tax-free withdrawals** for **any** purpose and at **any time**. Withdrawals can be recontributed;
- Ø Taxpayers can open custodial accounts for minors, and USA savings can be transferred to a spouse and/or children upon death.

The USA Act is modeled on similar provisions in the Family Savings Act of 2018 (H.R. 6757), which passed the House of Representatives as part of efforts to build on President Donald Trump's landmark Tax Cuts and Jobs Act of 2017.