

119TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to create American dream accounts.

IN THE SENATE OF THE UNITED STATES

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to create American dream 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 “American Dream Ac-
5 counts Act of 2026”.

6 **SEC. 2. AMERICAN DREAM ACCOUNTS.**

7 (a) IN GENERAL.—Subchapter F of Chapter 1 of the
8 Internal Revenue Code of 1986 is amended by adding at
9 the end the following new part:

1 **“PART X—AMERICAN DREAM ACCOUNTS**

“Sec. 530B. American dream accounts.

2 **“SEC. 530B. AMERICAN DREAM ACCOUNTS.**

3 “(a) GENERAL RULE.—An American dream 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) AMERICAN DREAM ACCOUNT.—For purposes of
10 this section—

11 “(1) IN GENERAL.—The term ‘American dream
12 account’ means a trust created or organized in the
13 United States for the exclusive benefit of an eligible
14 individual and which is designated (in such manner
15 as the Secretary shall prescribe) at the time of the
16 establishment of the trust as an American dream ac-
17 count, but only if the written governing instrument
18 creating the trust meets the following requirements:

19 “(A) No contribution will be accepted—

20 “(i) unless it is in cash,

21 “(ii) after the date the beneficiary
22 makes a qualified first-time homebuyer dis-
23 tribution or a rollover distribution de-
24 scribed in clause (ii) or (iii) of subsection
25 (d)(5)(A), and

1 “(iii) except in the case of a rollover
2 contribution, if such contribution would re-
3 sult in aggregate contributions to all
4 American dream accounts of the bene-
5 ficiary for the calendar year in excess of
6 the amount determined under subsection
7 (c).

8 “(B) The trustee is a bank (as defined in
9 section 408(n)) or another person who dem-
10 onstrates to the satisfaction of the Secretary
11 that the manner in which that person will ad-
12 minister the trust will be consistent with the re-
13 quirements of this section or who has so dem-
14 onstrated with respect to any individual retire-
15 ment plan.

16 “(C) No part of the trust funds will be in-
17 vested in life insurance contracts.

18 “(D) The assets of the trust shall not be
19 commingled with other property except in a
20 common trust fund or common investment
21 fund.

22 “(E) The interest of an individual in the
23 balance of his account is nonforfeitable.

24 “(F) The trustee requires the beneficiary
25 to annually attest, to the best of their knowl-

1 edge, to any contributions made to any other
2 American dream account established for the
3 benefit of the same beneficiary.

4 “(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible
5 individual’ means any individual who is a citizen of
6 the United States.

7 “(c) CONTRIBUTION LIMITATION.—

8 “(1) IN GENERAL.—The amount determined
9 under this subsection is the lesser of—

10 “(A) \$7,500, or

11 “(B) \$250,000, reduced by the aggregate
12 amount of contributions made to all American
13 dream accounts of the beneficiary for such tax-
14 able year and all prior taxable years.

15 “(2) CATCHUP CONTRIBUTIONS.—In the case of
16 an American dream account the beneficiary of which
17 has attained the age of 35 before the close of the
18 calendar year, paragraph (1)(A) shall be applied by
19 substituting ‘\$10,000’ for ‘\$7,500’.

20 “(3) TREATMENT OF ROLLOVER CONTRIBU-
21 TIONS.—For purposes of this subsection—

22 “(A) any rollover contribution described in
23 subsection (d)(5) shall not be taken into ac-
24 count for purposes of determining the amount
25 of contribution under paragraph (1)(A), and

1 “(B) a rollover contribution described in
2 subsection (d)(5)(A)(i) shall not be taken into
3 account for purposes of determining the amount
4 under paragraph (1)(B).

5 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

6 “(1) IN GENERAL.—Except as provided in para-
7 graph (2), any distribution shall be includible in the
8 gross income of the distributee in the manner pro-
9 vided in section 72.

10 “(2) QUALIFIED FIRST-TIME HOMEBUYER DIS-
11 TRIBUTIONS.—

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B), any amount paid or distrib-
14 uted out of an American dream account which
15 is a qualified first-time homebuyer distribution
16 shall not be includible in gross income.

17 “(B) QUALIFIED FIRST-TIME HOMEBUYER
18 DISTRIBUTION.—For purposes of this section,
19 the term ‘qualified first-time homebuyer dis-
20 tribution’ has the meaning given such term
21 under section 72(t)(8), determined without re-
22 gard to subparagraph (B) thereof and by sub-
23 stituting ‘3-year period’ for ‘2-year period’ in
24 subparagraph (D)(i)(I) thereof.

25 “(C) LIMITATIONS.—

1 “(i) DOLLAR LIMITATION.—

2 “(I) IN GENERAL.—The amount
3 treated as a qualified first-time home-
4 buyer distribution under subpara-
5 graph (A) shall not exceed \$500,000.

6 “(II) SPECIAL RULE.—In any
7 case in which there is a distribution
8 with respect to a residence which is
9 acquired by the beneficiary and an-
10 other person jointly and such other
11 person makes distributions from an
12 American dream account in connec-
13 tion with such acquisition, subclause
14 (I) shall be applied by substituting
15 ‘\$250,000’ for ‘\$500,000’.

16 “(ii) LIFETIME LIMITATION.—No
17 amount shall be treated as a qualified
18 first-time homebuyer distribution if the
19 beneficiary has previously made a qualified
20 first-time home buyer distribution from an
21 American dream account in any preceding
22 year.

23 “(D) AMOUNT INCLUDED IN INCOME IN
24 YEAR SOLD BEFORE 3 YEARS.—

1 “(i) IN GENERAL.—If the principal
2 residence acquired by the taxpayer in a
3 distribution described in subparagraph (A)
4 is sold before the date that is 3 years after
5 the date on which such principal residence
6 was acquired, the amount which would
7 have been included in gross income in the
8 year of the distribution shall be included in
9 gross income in the year in which such
10 principal residence is sold.

11 “(ii) EXCEPTIONS.—Clause (i) shall
12 not apply to any sale if, during the period
13 described in such clause, one of the fol-
14 lowing events occurs:

15 “(I) The death of the taxpayer or
16 the spouse of the taxpayer.

17 “(II) A change in the legal mar-
18 ital status of the taxpayer.

19 “(III) A change in the number of
20 the dependents of the taxpayer.

21 “(IV) The termination of the em-
22 ployment of the taxpayer or the tax-
23 payer’s spouse.

24 “(V) A change in the required lo-
25 cation of employment (including in

1 connection with Government orders
2 received by the taxpayer, or the tax-
3 payer's spouse, for qualified official
4 extended duty service (as defined in
5 section 36(f)(4)(E)) to a location of
6 50 or more miles from the previous lo-
7 cation of employment.

8 “(3) SPECIAL RULES FOR APPLYING ESTATE
9 AND GIFT TAXES WITH RESPECT TO ACCOUNT.—
10 Rules similar to the rules of paragraphs (2), (4),
11 and (5) of section 529(e) shall apply for purposes of
12 this section.

13 “(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
14 USED FOR QUALIFIED EXPENSES.—

15 “(A) IN GENERAL.—The tax imposed by
16 this chapter for any taxable year on any tax-
17 payer who receives a payment or distribution
18 from an American dream account which is in-
19 cludible in gross income shall be increased by
20 10 percent of the amount which is so includible.

21 “(B) EXCEPTIONS.—Subparagraph (A)
22 shall not apply if the payment or distribution
23 is—

1 spect to which the distribution was made,
2 or

3 “(iii) a Roth IRA maintained for the
4 benefit of the same beneficiary.

5 “(B) CHANGE IN DESIGNATED BENE-
6 FICIARIES AT DEATH.—In the case of the death
7 of a beneficiary, a change in the beneficiary of
8 an American dream account shall not be treated
9 as a distribution for purposes of paragraph (1)
10 if the new beneficiary is a member of the family
11 of the old beneficiary. The preceding sentence
12 shall not apply to the extent of any amount in
13 excess of the dollar amount in effect under sub-
14 section (c)(1)(B).

15 “(C) LIMITATIONS ON SAME-BENEFICIARY
16 ROLLOVERS.—Subparagraph (A)(i) shall not
17 apply to any payment or distribution if it ap-
18 plied to any prior payment or distribution dur-
19 ing the 12-month period ending on the date of
20 the payment or distribution.

21 “(D) DOLLAR LIMITATIONS.—

22 “(i) ANNUAL LIMITATION FOR TRANS-
23 FERS TO OTHER BENEFICIARIES.—Sub-
24 paragraph (A)(ii) shall only apply to so
25 much of any distribution—

1 “(I) which is paid in a direct
2 trustee-to-trustee transfer, and

3 “(II) as does not exceed the
4 amount applicable to the transferee
5 beneficiary under subsection (c) for
6 the taxable year (reduced by the
7 amount of aggregate contributions
8 made during the taxable year to all
9 American dream accounts maintained
10 for the benefit of the transferee bene-
11 ficiary).

12 “(ii) ANNUAL LIMITATION FOR ROTH
13 IRAS.—Subparagraph (A)(iii) shall only
14 apply to so much of any distribution—

15 “(I) which is paid in a direct
16 trustee-to-trustee transfer, and

17 “(II) as does not exceed the
18 amount applicable to the beneficiary
19 under section 408A(c)(2) for the tax-
20 able year (reduced by the amount of
21 aggregate contributions made during
22 the taxable year to all individual re-
23 tirement plans maintained for the
24 benefit of the beneficiary).

1 “(iii) LIFETIME ACCOUNT LIMITA-
2 TION.—Clauses (ii) and (iii) of subpara-
3 graph (A) shall not apply to any payment
4 or distribution made from an American
5 dream account if the aggregate amount of
6 payments or distributions made from such
7 account during the taxable year and all
8 prior taxable years to which such clauses
9 applied (determined without regard to this
10 subparagraph) exceeds \$100,000.

11 “(E) MEMBER OF FAMILY.—For purposes
12 of this paragraph, the term ‘member of the
13 family’ has the same meaning given such term
14 under section 529(e)(2).

15 “(6) SPECIAL RULES FOR DEATH AND DI-
16 VORCE.—Rules similar to the rules of paragraphs
17 (7) and (8) of section 220(f) shall apply.

18 “(e) TAX TREATMENT OF ACCOUNTS.—Rules similar
19 to the rules of paragraphs (2) and (4) of section 408(e)
20 shall apply to any American dream account.

21 “(f) COMMUNITY PROPERTY LAWS.—This section
22 shall be applied without regard to any community property
23 laws.

24 “(g) CUSTODIAL ACCOUNTS.—For purposes of this
25 section, a custodial account shall be treated as a trust

1 under this section if the assets of such account are held
2 by a bank (as defined in section 408(n)) or another person
3 who demonstrates, to the satisfaction of the Secretary,
4 that the manner in which he will administer the account
5 will be consistent with the requirements of this section,
6 and if the custodial account would, except for the fact that
7 it is not a trust, constitute a trust which meets the re-
8 quirements of subsection (b). For purposes of this title,
9 in the case of a custodial account treated as a trust by
10 reason of the preceding sentence, the custodian of such
11 account shall be treated as the trustee thereof.

12 “(h) REPORTS.—

13 “(1) IN GENERAL.—The trustee of an American
14 dream account shall make such reports regarding
15 such account to the Secretary and to the beneficiary
16 with respect to contributions, distributions, and such
17 other matters as the Secretary may require. The re-
18 ports required by this subsection shall be filed at
19 such time and in such manner and furnished to such
20 individuals at such time and in such manner as may
21 be required.

22 “(2) ROLLOVER DISTRIBUTIONS.—In the case
23 of any distribution described in subsection (d)(5)(D),
24 the officer or employee having control of the Amer-
25 ican dream account (or their designee) shall provide

1 a report to the trustee of the Roth IRA or American
2 dream account to which the distribution is made.
3 Such report shall be filed at such time and in such
4 manner as the Secretary may require and shall in-
5 clude information with respect to the contributions,
6 distributions, and earnings of the American dream
7 account as of the date of the distribution described
8 in subsection (d)(5)(D), together with such other
9 matters as the Secretary may require.”.

10 (b) TAX ON EXCESS CONTRIBUTIONS.—

11 (1) IN GENERAL.—Section 4973(a) of the In-
12 ternal Revenue Code of 1986 is amended by striking
13 “or” at the end of paragraph (5), by inserting “or”
14 at the end of paragraph (6), and by inserting after
15 paragraph (6) the following new paragraph:

16 “(7) an American dream account (as defined in
17 section 530B),”.

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

21 “(i) EXCESS CONTRIBUTIONS TO AMERICAN DREAM
22 ACCOUNTS.—For purposes of this section—

23 “(1) IN GENERAL.—In the case of American
24 dream accounts (within the meaning of section

1 530B), the term ‘excess contributions’ means the
2 sum of—

3 “(A) the amount (if any) by which the
4 amount contributed for the taxable year to such
5 accounts exceeds the dollar amount in effect
6 under section 530B(c) with respect to the bene-
7 ficiary, and

8 “(B) the amount determined under this
9 subsection for the preceding taxable year, re-
10 duced by the sum of—

11 “(i) the distributions out of the ac-
12 counts for the taxable year (other than
13 rollover distributions), and

14 “(ii) the excess (if any) of the max-
15 imum amount which may be contributed to
16 the accounts for the taxable year over the
17 amount contributed to the accounts for the
18 taxable year.

19 “(2) SPECIAL RULE.—For purposes of para-
20 graph (1), the following contributions shall not be
21 taken into account:

22 “(A) Any contribution which is distributed
23 out of an American dream account in a dis-
24 tribution to which section 530B(d)(4)(C) ap-
25 plies.

1 “(B) Any rollover contribution.”.

2 (c) TAX ON PROHIBITED TRANSACTIONS.—Section
3 4975(e)(1) of the Internal Revenue Code of 1986 is
4 amended by striking “or” at the end of subparagraph (F),
5 by striking the period at the end of subparagraph (G) and
6 inserting “, or”, and by adding at the end the following
7 new subparagraph:

8 “(H) an American dream account (as de-
9 fined in section 530B).”.

10 (d) FAILURE TO PROVIDE REPORTS ON AMERICAN
11 DREAM ACCOUNTS.—Paragraph (2) of section 6693(a) of
12 the Internal Revenue Code of 1986 is amended by striking
13 “and” at the end of subparagraph (F), by striking the
14 period at the end of subparagraph (G) and inserting “,
15 and”, and by adding at the end the following new subpara-
16 graph:

17 “(H) section 530B(h) (relating to Amer-
18 ican dream accounts).”.

19 (e) ROLLOVERS TO ROTH IRAS.—Section 408A(e) of
20 the Internal Revenue Code of 1986 is amended by striking
21 “and” at the end of subparagraph (B)(ii), by striking the
22 period at the end of subparagraph (C) and inserting “,
23 and”, and by adding at the end the following new subpara-
24 graph:

1 “(D) from an American dream account to
2 the extent provided in section
3 530B(d)(5)(A)(iii).”.

4 (f) CLERICAL AMENDMENT.—The table of parts for
5 subchapter F of chapter 1 of the Internal Revenue Code
6 of 1986 is amended by adding at the end the following
7 new item:

 “PART X—AMERICAN DREAM ACCOUNTS”.

8 (g) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2026.