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119TH CONGRESS
2D SESSION

S. 4026

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

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2026

Mr. SCOTT of Florida 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 create American dream accounts.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''American Dream Accounts Act of 2026''.

SEC. 2. AMERICAN DREAM ACCOUNTS.

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

"PART X—AMERICAN DREAM ACCOUNTS

"Sec. 530B. American dream accounts.

"SEC. 530B. AMERICAN DREAM ACCOUNTS.

"(a) GENERAL RULE.—An American dream account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such account shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

"(b) AMERICAN DREAM ACCOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'American dream account' means a trust created or organized in the United States for the exclusive benefit of an eligible individual and which is designated (in such manner as the Secretary shall prescribe) at the time of the establishment of the trust as an American dream account, but only if the written governing instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted—

"(i) unless it is in cash,

"(ii) after the date the beneficiary makes a qualified first-time homebuyer distribution or a rollover distribution described in clause (ii) or (iii) of subsection (d)(5)(A), and

''(iii) except in the case of a rollover contribution, if such contribution would result in aggregate contributions to all American dream accounts of the beneficiary for the calendar year in excess of the amount determined under subsection (c).

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

''(C) No part of the trust funds will be invested in life insurance contracts.

''(D) The assets of the trust shall not be commingled with other property except in a common trust fund or common investment fund.

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

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

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

''(2) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means any individual who is a citizen of the United States.

''(c) CONTRIBUTION LIMITATION.—

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

''(A) $7,500, or

''(B) $250,000, reduced by the aggregate amount of contributions made to all American dream accounts of the beneficiary for such taxable year and all prior taxable years.

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

''(3) TREATMENT OF ROLLOVER CONTRIBUTIONS.—For purposes of this subsection—

''(A) any rollover contribution described in subsection (d)(5) shall not be taken into account for purposes of determining the amount of contribution under paragraph (1)(A), and

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

''(d) TAX TREATMENT OF DISTRIBUTIONS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any distribution shall be includible in the gross income of the distributee in the manner provided in section 72.

''(2) QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTIONS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), any amount paid or distributed out of an American dream account which is a qualified first-time homebuyer distribution shall not be includible in gross income.

''(B) QUALIFIED FIRST-TIME HOMEBUYER DISTRIBUTION.—For purposes of this section, the term 'qualified first-time homebuyer distribution' has the meaning given such term under section 72(t)(8), determined without regard to subparagraph (B) thereof and by substituting '3-year period' for '2-year period' in subparagraph (D)(i)(I) thereof.

''(C) LIMITATIONS.—

"(i) DOLLAR LIMITATION.—

"(I) IN GENERAL.—The amount treated as a qualified first-time homebuyer distribution under subparagraph (A) shall not exceed $500,000.

"(II) SPECIAL RULE.—In any case in which there is a distribution with respect to a residence which is acquired by the beneficiary and another person jointly and such other person makes distributions from an American dream account in connection with such acquisition, subclause (I) shall be applied by substituting '$250,000' for '$500,000'.

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

"(D) AMOUNT INCLUDED IN INCOME IN YEAR SOLD BEFORE 3 YEARS.—

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

''(ii) EXCEPTIONS.—Clause (i) shall not apply to any sale if, during the period described in such clause, one of the following events occurs:

''(I) The death of the taxpayer or the spouse of the taxpayer.

''(II) A change in the legal marital status of the taxpayer.

''(III) A change in the number of the dependents of the taxpayer.

''(IV) The termination of the employment of the taxpayer or the taxpayer's spouse.

''(V) A change in the required location of employment (including in

connection with Government orders received by the taxpayer, or the taxpayer's spouse) for qualified official extended duty service (as defined in section 36(f)(4)(E)) to a location of 50 or more miles from the previous location of employment.

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

''(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR QUALIFIED EXPENSES.—

''(A) IN GENERAL.—The tax imposed by this chapter for any taxable year on any taxpayer who receives a payment or distribution from an American dream account which is includible in gross income shall be increased by 10 percent of the amount which is so includible.

''(B) EXCEPTIONS.—Subparagraph (A) shall not apply if the payment or distribution is—

''(i) made to the beneficiary (or to the estate of the beneficiary) on or after the death of the beneficiary, or

''(ii) attributable to the beneficiary's being disabled (within the meaning of section 72(m)(7)),

''(C) CONTRIBUTIONS RETURNED BEFORE CERTAIN DATE.—Rules similar to the rules of section 530(d)(4)(C) shall apply for purposes of this paragraph.

''(5) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—Paragraph (1) shall not apply to any amount paid or distributed from an American dream account to the extent that the amount received is paid, not later than the 60th day after the date of such payment or distribution, into—

''(i) another American dream account for the benefit of the same beneficiary,

''(ii) another American dream account the beneficiary of which (referred to in this paragraph as a 'transferee beneficiary') is a member of the family of the beneficiary of the American dream account with re-

spect to which the distribution was made, or

''(iii) a Roth IRA maintained for the benefit of the same beneficiary.

''(B) CHANGE IN DESIGNATED BENEFICIARIES AT DEATH.—In the case of the death of a beneficiary, a change in the beneficiary of an American dream account shall not be treated as a distribution for purposes of paragraph (1) if the new beneficiary is a member of the family of the old beneficiary. The preceding sentence shall not apply to the extent of any amount in excess of the dollar amount in effect under subsection (c)(1)(B).

''(C) LIMITATIONS ON SAME-BENEFICIARY ROLLOVERS.—Subparagraph (A)(i) shall not apply to any payment or distribution if it applied to any prior payment or distribution during the 12-month period ending on the date of the payment or distribution.

''(D) DOLLAR LIMITATIONS.—

''(i) ANNUAL LIMITATION FOR TRANSFERS TO OTHER BENEFICIARIES.—Subparagraph (A)(ii) shall only apply to so much of any distribution—

''(I) which is paid in a direct trustee-to-trustee transfer, and

''(II) as does not exceed the amount applicable to the transferee beneficiary under subsection (c) for the taxable year (reduced by the amount of aggregate contributions made during the taxable year to all American dream accounts maintained for the benefit of the transferee beneficiary).

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

''(I) which is paid in a direct trustee-to-trustee transfer, and

''(II) as does not exceed the amount applicable to the beneficiary under section 408A(c)(2) for the taxable year (reduced by the amount of aggregate contributions made during the taxable year to all individual retirement plans maintained for the benefit of the beneficiary).

''(iii) LIFETIME ACCOUNT LIMITATION.—Clauses (ii) and (iii) of subparagraph (A) shall not apply to any payment or distribution made from an American dream account if the aggregate amount of payments or distributions made from such account during the taxable year and all prior taxable years to which such clauses applied (determined without regard to this subparagraph) exceeds $100,000.

''(E) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' has the same meaning given such term under section 529(e)(2).

''(6) SPECIAL RULES FOR DEATH AND DIVORCE.—Rules similar to the rules of paragraphs (7) and (8) of section 220(f) shall apply.

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

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

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

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

''(h) REPORTS.—

''(1) IN GENERAL.—The trustee of an American dream account shall make such reports regarding such account to the Secretary and to the beneficiary with respect to contributions, distributions, and such other matters as the Secretary may require. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required.

''(2) ROLLOVER DISTRIBUTIONS.—In the case of any distribution described in subsection (d)(5)(D), the officer or employee having control of the American dream account (or their designee) shall provide

a report to the trustee of the Roth IRA or American dream account to which the distribution is made. Such report shall be filed at such time and in such manner as the Secretary may require and shall include information with respect to the contributions, distributions, and earnings of the American dream account as of the date of the distribution described in subsection (d)(5)(D), together with such other matters as the Secretary may require.''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4973(a) of the Internal Revenue Code of 1986 is amended by striking ''or'' at the end of paragraph (5), by inserting ''or'' at the end of paragraph (6), and by inserting after paragraph (6) the following new paragraph:

''(7) an American dream account (as defined in section 530B),''.

(2) EXCESS CONTRIBUTION.—Section 4973 of such Code is amended by adding at the end the following new subsection:

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

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

530B), the term 'excess contributions' means the sum of—

"(A) the amount (if any) by which the amount contributed for the taxable year to such accounts exceeds the dollar amount in effect under section 530B(c) with respect to the beneficiary, and

"(B) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(i) the distributions out of the accounts for the taxable year (other than rollover distributions), and

"(ii) the excess (if any) of the maximum amount which may be contributed to the accounts for the taxable year over the amount contributed to the accounts for the taxable year.

"(2) SPECIAL RULE.—For purposes of paragraph (1), the following contributions shall not be taken into account:

"(A) Any contribution which is distributed out of an American dream account in a distribution to which section 530B(d)(4)(C) applies.

''(B) Any rollover contribution.''.

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

''(H) an American dream account (as defined in section 530B).''.

(d) FAILURE TO PROVIDE REPORTS ON AMERICAN DREAM ACCOUNTS.—Paragraph (2) of section 6693(a) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (F), by striking the period at the end of subparagraph (G) and inserting '', and'', and by adding at the end the following new subparagraph:

''(H) section 530B(h) (relating to American dream accounts).''.

(e) ROLLOVERS TO ROTH IRAS.—Section 408A(e) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

"(D) from an American dream account to the extent provided in section 530B(d)(5)(A)(iii).".

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

"PART X—AMERICAN DREAM ACCOUNTS".

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

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