

119TH CONGRESS
1ST SESSION

S. 3217

To amend the Internal Revenue Code of 1986 to provide for lifelong learning accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 2025

Ms. KLOBUCHAR (for herself and Mr. McCORMICK) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for lifelong learning accounts, and for other purposes.

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 “Skills Investment Act
5 of 2025”.

6 **SEC. 2. COVERDELL LIFELONG LEARNING ACCOUNTS.**

7 (a) IN GENERAL.—

8 (1) RENAMING OF COVERDELL EDUCATION SAV-
9 INGS ACCOUNTS.—Section 530 of the Internal Rev-
10 enue Code of 1986 is amended—

(A) by striking “Coverdell education savings account” each place it appears and inserting “Coverdell lifelong learning account”; and

(B) by striking “**COVERDELL EDUCATION SAVINGS ACCOUNTS**” in the heading and inserting “**COVERDELL LIFELONG LEARNING ACCOUNTS**”.

(2) CONFORMING AMENDMENTS.—

(A) Section 26(b)(2)(E) of the Internal Revenue Code of 1986 is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(B) Section 72(e)(9) of such Code is amended—

(i) by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”; and

(ii) by striking “**COVERDELL EDUCATION SAVINGS ACCOUNT**” in the heading and inserting “**COVERDELL LIFELONG LEARNING ACCOUNT**”.

(C) Section 135(c)(2)(C) of such Code is amended—

(i) by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”; and

(ii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNT” in the heading and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”.

(D) Section 408A(e)(2)(A)(ii) of such Code is amended by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”.

(E) Section 529(c) of such Code is amended—

(i) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of paragraph (3)(B)(vi) and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”; and

(ii) by striking “an Coverdell education savings account” in paragraph (6) and inserting “a Coverdell lifelong learning account”.

(F) Section 877A(e)(2) of such Code is amended by striking “Coverdell education sav-

ings account” and inserting “Coverdell lifelong learning account”.

(G) Section 4973 of such Code is amended—

(i) by striking “Coverdell education savings account” each place it appears in subsections (a)(4) and (e)(2)(A) and inserting “Coverdell lifelong learning account”;

(ii) by striking “Coverdell education savings accounts” in subsection (e)(1) and inserting “Coverdell lifelong learning accounts”; and

(iii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of subsection (e) and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”.

(H) Section 4975 of such Code is amended—

(i) by striking “Coverdell education savings account” each place it appears in subsections (c)(5) and (e)(1)(F) and inserting “Coverdell lifelong learning account”; and

(ii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of subsection (c)(5) and inserting “COVERDELL LIFELONG LEARNING ACCOUNTS”.

(I) Section 6693(a)(2)(F) of such Code is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(J) The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(3) TREATMENT OF EXISTING ACCOUNTS.—For purposes of section 530(b)(1) of the Internal Revenue Code of 1986, any account established before January 1, 2026, and designated as a Coverdell education savings account shall be deemed to have been designated as a Coverdell lifelong learning account.

(b) EXPANDED USE OF ACCOUNTS.—

(1) ELIGIBLE EXPENSES.—

(A) IN GENERAL.—Section 530(b)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of clause (i), by

striking the period at the end of clause (ii) and inserting “, and”, and by adding at the end the following new clause:

“(iii) qualified educational or skill development expenses (as defined in paragraph (5)).”.

(B) QUALIFIED EDUCATIONAL OR SKILL DEVELOPMENT EXPENSES.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

“(5) QUALIFIED EDUCATIONAL OR SKILL DEVELOPMENT EXPENSES.—The term ‘qualified educational or skill development expenses’ means—

“(A) expenses paid or incurred—

“(i) after the beneficiary attains age 16, and

“(ii) for participation or enrollment of the beneficiary in services or activities that are—

“(I) training services described in section 134(c)(3)(D) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174(c)(3)(D)) that are offered by a provider included on the list of eligible providers of training

1 services described in section 122 of
2 such Act (29 U.S.C. 3152),

3 “(II) career and technical edu-
4 cation activities defined in section 3 of
5 the Carl D. Perkins Career and Tech-
6 nical Education Act of 2006 (20
7 U.S.C. 2302) that are offered through
8 an eligible institution (as defined in
9 such section),

10 “(III) career services described in
11 clauses (iii), (iv), and (xi) of section
12 134(c)(2)(A) of the Workforce Inno-
13 vation and Opportunity Act (29
14 U.S.C. 3174(c)(2)(A)) that are pro-
15 vided by providers eligible under sec-
16 tion 134(c)(2)(C) of such Act,

17 “(IV) youth workforce investment
18 activities described in section
19 129(c)(2) of the Workforce Innovation
20 and Opportunity Act (29 U.S.C.
21 3164(c)(2)) that are provided by eligi-
22 ble providers of youth workforce in-
23 vestment activities under section 123
24 of such Act, or

1 “(V) adult education and literacy
2 activities, as defined in section 203 of
3 the Adult Education and Family Lit-
4 eracy Act (29 U.S.C. 3272), that are
5 provided by eligible providers of adult
6 education and literacy activities under
7 section 231 of such Act (29 U.S.C.
8 3321),

9 “(B) expenses for transportation required
10 for or provided by any of the services or activi-
11 ties described in subparagraph (A),

12 “(C) expenses for testing necessary for en-
13 rollment in, or certification in connection with,
14 services or activities described in subparagraph
15 (A), or

16 “(D) expenses for the purchase of any
17 computer software (as defined by section
18 197(e)(3)(B)), computer or peripheral equip-
19 ment (as defined by section 168(i)(2)(B)), fiber
20 optic cable related to computer use, internet ac-
21 cess and related services, if such software,
22 equipment, or services are to be used by the
23 beneficiary for services or activities described in
24 subparagraph (A) during any of the years the
25 beneficiary is participating in or enrolled in any

1 of the services or activities described in sub-
 2 paragraph (A).”.

3 (c) MODIFICATION OF RULES RELATING TO AGE RE-
 4 STRICTIONS AND CONTRIBUTIONS.—

5 (1) \$10,000 ACCOUNT LIMIT AFTER AGE 30.—

6 (A) IN GENERAL.—Subparagraph (E) of
 7 section 530(b)(1) of the Internal Revenue Code
 8 of 1986 is amended by inserting “in excess of
 9 \$10,000” after “any balance to the credit of
 10 the designated beneficiary”.

11 (B) CONTRIBUTION LIMIT.—Paragraph (1)
 12 of section 530(b) of such Code is amended by
 13 striking “or” at the end of clause (ii), by strik-
 14 ing the period at the end of clause (iii) and in-
 15 serting “, or”, and by adding at the end the fol-
 16 lowing new clause:

17 “(iv) in the case of a beneficiary who
 18 is over the age of 30, if such contribution
 19 would result in the balance of the account
 20 exceeding \$10,000.”.

21 (2) INCREASED AGE LIMIT FOR CONTRIBU-
 22 TIONS.—Clause (ii) of section 530(b)(1)(A) of the
 23 Internal Revenue Code of 1986 is amended by strik-
 24 ing “age 18” and inserting “age 70”.

1 (3) INCREASED CONTRIBUTION LIMITATION
2 FOR INDIVIDUALS OVER AGE 30.—

3 (A) IN GENERAL.—Section
4 530(b)(1)(A)(iii) of the Internal Revenue Code
5 of 1986 is amended by inserting “(\$4,000 in
6 the case of an account the designated bene-
7 ficiary of which has attained age of 30 before
8 the end of the taxable year)” after “\$2,000”.

9 (B) CONFORMING AMENDMENT.—Section
10 4973(e)(1)(A) of such Code is amended by
11 striking “\$2,000” and inserting “the limitation
12 applicable under section 530(b)(1)(A)(iii)”.

13 (4) NO CHANGE IN BENEFICIARY AFTER AGE
14 30.—Paragraph (6) of section 530(d) of the Internal
15 Revenue Code of 1986 is amended by striking “shall
16 not be treated as a distribution for purposes of para-
17 graph (1) if the new beneficiary” and inserting
18 “shall not be treated as a distribution for purposes
19 of paragraph (1) if—

20 “(A) the old beneficiary has not attained
21 age 30 before the date of the change in bene-
22 ficiary, and

23 “(B) the new beneficiary”.

24 (d) CREDIT FOR EMPLOYER CONTRIBUTIONS.—

1 (1) IN GENERAL.—Subpart D of part IV of
 2 subchapter A of chapter 1 of the Internal Revenue
 3 Code of 1986 is amended by adding at the end the
 4 following new section:

5 **“SEC. 45BB. EMPLOYEE EDUCATIONAL SKILLS AND DEVEL-**
 6 **OPMENT EXPENSES.**

7 “(a) GENERAL RULE.—For purposes of section 38,
 8 the employee educational skills and development contribu-
 9 tion credit determined under this section for any taxable
 10 year is 25 percent of the nonelective contributions made
 11 by the taxpayer during the taxable year to a Coverdell life-
 12 long learning account (as defined in section 530(b)) the
 13 designated beneficiary of which is an employee of the tax-
 14 payer.

15 “(b) SPECIAL RULES AND DEFINITIONS.—For pur-
 16 poses of this section—

17 “(1) EMPLOYEE.—

18 “(A) CERTAIN EMPLOYEES EXCLUDED.—

19 The term ‘employee’ shall not include—

20 “(i) an employee within the meaning
 21 of section 401(c)(1),

22 “(ii) any 2-percent shareholder (as de-
 23 fined in section 1372(b)) of an S corpora-
 24 tion,

1 “(iii) any 5-percent owner (as defined
2 in section 416(i)(1)(B)(i)) of taxpayer, or

3 “(iv) any individual who bears any of
4 the relationships described in subpara-
5 graphs (A) through (G) of section
6 152(d)(2) to, or is a dependent described
7 in section 152(d)(2)(H) of, an individual
8 described in clause (i), (ii), or (iii).

9 “(B) LEASED EMPLOYEES.—The term
10 ‘employee’ shall include a leased employee with-
11 in the meaning of section 414(n).

12 “(2) NONELECTIVE CONTRIBUTION.—The term
13 ‘nonelective contribution’ means an employer con-
14 tribution other than an employer contribution pursu-
15 ant to a salary reduction arrangement.

16 “(3) AGGREGATION AND OTHER RULES MADE
17 APPLICABLE.—

18 “(A) AGGREGATION RULES.—All employ-
19 ers treated as a single employer under sub-
20 section (b), (c), (m), or (o) of section 414 shall
21 be treated as a single employer for purposes of
22 this section.

23 “(B) OTHER RULES.—Rules similar to the
24 rules of subsections (c), (d), and (e) of section
25 52 shall apply.”.

1 (2) CREDIT TREATED AS PART OF GENERAL
 2 BUSINESS CREDIT.—Section 38(b) of such Code is
 3 amended by striking “plus” at the end of paragraph
 4 (40), by striking the period at the end of paragraph
 5 (41) and inserting “, plus”, and by adding at the
 6 end the following new paragraph:

7 “(42) the employee educational skills and devel-
 8 opment contribution credit determined under section
 9 45BB(a).”.

10 (3) CLERICAL AMENDMENT.—The table of sec-
 11 tions for subpart D of part IV of subchapter A of
 12 chapter 1 of such Code is amended by adding at the
 13 end the following new item:

“Sec. 45BB. Employee educational skills and development expenses.”.

14 (e) ALLOWANCE OF DEDUCTION FOR BENE-
 15 FICIARY.—

16 (1) IN GENERAL.—Part VIII of subchapter B
 17 of chapter 1 of the Internal Revenue Code of 1986
 18 is amended by redesignating section 226 as section
 19 227 and by inserting after section 225 the following
 20 new section:

21 **“SEC. 226. COVERDELL LIFELONG LEARNING ACCOUNT**
 22 **CONTRIBUTIONS.**

23 “(a) IN GENERAL.—In the case of an individual
 24 who—

1 “(1) is the designated beneficiary of a Coverdell
2 lifelong learning account (as defined in section
3 530(b)(1)), and

4 “(2) has attained the age of 18 before the close
5 of the taxable year,

6 there shall be allowed as a deduction an amount equal to
7 the contributions for the taxable year by or on behalf of
8 such individual to the account described in paragraph (1).

9 “(b) RECONTRIBUTED AMOUNTS.—No deduction
10 shall be allowed under this section with respect to a roll-
11 over contribution described in section 530(d)(5).”.

12 (2) INCREASE IN ADDITIONAL TAX.—

13 (A) INCREASE.—

14 (i) IN GENERAL.—Section
15 530(d)(4)(A) of the Internal Revenue Code
16 of 1986 is amended by striking “10 per-
17 cent” and inserting “20 percent”.

18 (ii) CONFORMING AMENDMENT.—Sec-
19 tion 529(c)(6) of such Code is amended by
20 inserting “, except that ‘10 percent’ shall
21 be substituted for ‘20 percent’ in subpara-
22 graph (A) thereof” before the period at the
23 end of the first sentence.

24 (B) MODIFICATION OF TAX TREATMENT
25 OF DEDUCTIBLE CONTRIBUTIONS.—Paragraph

(1) of section 530(d) of such Code is amended
to read as follows:

“(1) INCLUSION IN GROSS INCOME.—

“(A) IN GENERAL.—Any distribution shall
be includible in the gross income of the dis-
tributee as follows:

“(i) So much of the distribution as is
equal to or less than the deductible amount
shall be fully included in gross income.

“(ii) So much of the distribution
which exceeds the deductible amount shall
be included in gross income in the manner
as provided in section 72 (determined by
applying such section without regard to
any amounts to which clause (i) applies).

“(B) DEDUCTIBLE AMOUNT.—For pur-
poses of this paragraph, the term ‘deductible
amount’ means the excess of—

“(i) the sum of contributions to the
account for which a deduction was allowed
under section 226 in such year and any
preceding taxable year, over

“(ii) the amount of distributions to
which subparagraph (A)(i) applied to in
any preceding taxable year.”.

1 (3) CLERICAL AMENDMENT.—The table of sec-
 2 tions for part VIII of subchapter B of chapter 1 of
 3 such Code is amended by redesignating the item re-
 4 lating to section 226 as relating to section 227 and
 5 by inserting after the item relating to section 225
 6 the following new item:

“Sec. 226. Coverdell lifelong learning account contributions.”.

7 (f) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as otherwise pro-
 9 vided in this subsection, the amendments made by
 10 this section shall take effect on January 1, 2026.

11 (2) ELIGIBLE EXPENSES.—The amendments
 12 made by subsection (b) shall apply to distributions
 13 made after December 31, 2025.

14 (3) CONTRIBUTIONS.—The amendments made
 15 by paragraphs (1)(B) and (2) of subsection (c) shall
 16 apply to contributions made after December 31,
 17 2025.

18 (4) EMPLOYER CONTRIBUTION CREDIT AND
 19 BENEFICIARY DEDUCTIONS.—The amendments
 20 made by subsections (d) and (e) shall apply to tax-
 21 able years beginning after December 31, 2025.

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