

113TH CONGRESS
1ST SESSION

H. R. 1939

To amend the Workforce Investment Act of 1998 to establish lifelong learning accounts programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 2013

Mr. KILMER (for himself and Mr. POLIS) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Workforce Investment Act of 1998 to establish lifelong learning accounts programs, 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 2013”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDING.—Congress finds the following:

8 (1) It will not be possible for adult workers in
9 the United States to maintain a high standard of liv-

1 ing in a competitive global economy without a dra-
2 matic increase in their skills.

3 (2) Workers need up-to-date skills and skill cre-
4 dentials to keep pace with the changing and increas-
5 ingly complex demands of the 21st century economy.

6 (3) The fastest-growing occupations and best-
7 paying jobs are those that require some postsec-
8 ondary education. Maintaining a competitive edge
9 requires knowledge and other skills. Increases in a
10 country's overall level of educational attainment lead
11 to increases in its overall rate of economic growth.

12 (4) The high cost of education and skill devel-
13 opment has limited the options of many workers.
14 Current major benefits such as the use of a HOPE
15 tax credit or a Coverdell education savings account
16 are not available to students who attend school less
17 than half-time. Other workers do not earn enough to
18 qualify for available education and training tax cred-
19 its and deductions. Most available financial aid is in-
20 tended for full-time students studying for degrees
21 rather than the many adults who cannot attend edu-
22 cation or skill development programs full-time be-
23 cause of demanding family and work commitments.

1 (5) Employers increasingly need workers with
2 21st century workplace and technical skills to stay
3 competitive.

4 (b) PURPOSE.—The purpose of this Act is to estab-
5 lish an innovative program to support lifelong learning,
6 that—

7 (1) motivates workers to participate in edu-
8 cation and skill development activities in which the
9 workers would not otherwise participate;

10 (2) provides a financial incentive to workers to
11 save for education and skill development activities
12 for their careers, and better manage their careers by
13 upgrading, at the time and place of their choosing,
14 their skills;

15 (3) offers workers labor market and career in-
16 formation to make informed choices when enhancing
17 skills to prosper in today’s dynamic and highly com-
18 petitive global economy; and

19 (4) provides an incentive to small employers to
20 invest in and offer learning opportunities to improve
21 their employees’ skills and productivity.

22 **SEC. 3. LIFELONG LEARNING ACCOUNTS.**

23 (a) IN GENERAL.—Subtitle B of title I of the Work-
24 force Investment Act of 1998 (29 U.S.C. 2811 et seq.)
25 is amended—

1 (1) by redesignating chapter 6 as chapter 7;

2 and

3 (2) by inserting after chapter 5 the following:

4 **“CHAPTER 6—LIFELONG LEARNING**
5 **ACCOUNTS**

6 **“SEC. 135. DEFINITIONS.**

7 “In this chapter:

8 “(1) CAREER PATHWAY.—The term ‘career
9 pathway’ means a series of connected education and
10 training strategies and support services that enable
11 individuals to—

12 “(A) secure industry relevant certification;

13 “(B) obtain employment within an occupa-
14 tional area and to advance to higher levels of
15 future education and employment in that area;
16 and

17 “(C) progress through one or more post-
18 secondary education or training options.

19 “(2) CAREER PLAN.—The term ‘career plan’
20 means an individual employment plan described in
21 section 134(d)(3)(C)(ii) that—

22 “(A) describes a worker’s career goal, and
23 steps or alternative routes associated with ac-
24 quiring the skills and skill credentials needed to
25 achieve the goal; and

1 “(B) includes labor market and career in-
2 formation on local in-demand industries and
3 high growth industries.

4 “(3) EDUCATION OR SKILL DEVELOPMENT.—
5 The term ‘education or skill development’ means an
6 activity provided—

7 “(A) through a program or course of in-
8 struction by a postsecondary educational insti-
9 tution described in section 122(a)(2)(A);

10 “(B) through a registered apprenticeship
11 program; or

12 “(C) through a program or course of in-
13 struction that provides training services, within
14 the meaning of section 134(d)(4).

15 “(4) ELIGIBLE EDUCATION OR SKILL DEVELOP-
16 MENT EXPENSE.—The term ‘eligible education or
17 skill development expense’ means an amount paid
18 for a program or course of instruction (including a
19 registered apprenticeship program) of career-related
20 education or skill development, provided by an eligi-
21 ble provider, including—

22 “(A) tuition, fees, and similar payments;

23 “(B) payments for books, supplies, equip-
24 ment, tools, and information technology devices,
25 required for such program or course; and

1 “(C) any expenses related to an assess-
2 ment of an eligible worker’s prior learning or
3 competency used to award credit for or place-
4 ment in a program or course of instruction.

5 “(5) ELIGIBLE PROVIDER.—The term ‘eligible
6 provider’ means—

7 “(A) a postsecondary educational institu-
8 tion described in section 122(a)(2)(A) or a pro-
9 vider described in section 122(a)(2)(B); or

10 “(B) a provider identified as an eligible
11 provider of training services under section
12 122(e).

13 “(6) ELIGIBLE WORKER.—The term ‘eligible
14 worker’ means an individual—

15 “(A) who is age 16 or older;

16 “(B) on whose behalf a lifelong learning
17 account is established; and

18 “(C) who, on the date of application for
19 the establishment of the account, was employed,
20 was self-employed, or had previously been em-
21 ployed and was looking for work.

22 “(7) INSTITUTION OF HIGHER EDUCATION.—
23 The term ‘institution of higher education’ has the
24 meaning given the term in section 101(a) of the
25 Higher Education Act of 1965 (20 U.S.C. 1001(a)).

1 “(8) LABOR MARKET AND CAREER INFORMA-
2 TION.—The term ‘labor market and career informa-
3 tion’ means information about—

4 “(A) a regional labor market and prom-
5 ising industries and occupations for a worker in
6 that market;

7 “(B) skills and skill credentials needed by
8 a worker to achieve the worker’s career goal;
9 and

10 “(C) skill and work experience assessment
11 results for the worker.

12 “(9) LIFELONG LEARNING ACCOUNT.—

13 “(A) IN GENERAL.—The term ‘lifelong
14 learning account’ means an individual eligible
15 worker’s federally tax exempt portable edu-
16 cation savings account, established as a trust—

17 “(i) that contains contributions, which
18 may be made by the worker, the worker’s
19 employer, or a third party, or which may
20 be made by the worker and matched by the
21 employer;

22 “(ii) that is established for the pur-
23 pose of paying for eligible education and
24 skill development expenses, to bolster the

1 worker's existing career or a transition to
2 a new career; and

3 “(iii) for which—

4 “(I) no contribution may be ac-
5 cepted unless the contribution is in
6 cash;

7 “(II) except in the case of a roll-
8 over contribution, the total amount of
9 contributions to the account, by the
10 worker, the employer, or a third
11 party, may not exceed \$5,000 for a
12 single taxable year;

13 “(III) no part of the trust assets
14 may be invested in life insurance con-
15 tracts;

16 “(IV) no part of the trust assets
17 may be invested in any collectible (as
18 defined in section 408(m) of the In-
19 ternal Revenue Code of 1986);

20 “(V) the assets of the trust may
21 not be commingled with other prop-
22 erty except in a common trust fund or
23 common investment fund;

24 “(VI) the interest of an indi-
25 vidual in the balance in the individ-

1 ual’s account shall be nonforfeitable;
2 and

3 “(VII) no distribution shall be
4 made from the account except for eli-
5 gible education or skill development
6 expenses or after an event described
7 in section 135E(b)(4)(I).

8 “(B) ADJUSTMENT FOR INFLATION.—The
9 amount set forth in subparagraph (A)(iii)(I)
10 shall be adjusted in accordance with increases
11 in the Consumer Price Index for all urban con-
12 sumers of the Bureau of Labor Statistics.

13 “(10) ONE-STOP CENTER.—The term ‘one-stop
14 center’ means a one-stop center referred to in sec-
15 tion 134(e).

16 “(11) REGISTERED APPRENTICESHIP PRO-
17 GRAM.—The term ‘registered apprenticeship pro-
18 gram’ means a program—

19 “(A) with an industry skills training ap-
20 proach that combines technical and theoretical
21 training—

22 “(i) through structured on-the-job
23 learning with related instruction (in a
24 classroom or through distance learning)
25 while an individual is employed, working

1 under the direction of qualified personnel
2 or a mentor, and earning incremental wage
3 increases aligned to enhanced job pro-
4 ficiency; and

5 “(ii) resulting in the acquisition of na-
6 tionally recognized and portable certificate,
7 including a certificate of completion of ap-
8 prenticeship; and

9 “(B) carried out under a plan approved by
10 the Office of Apprenticeship or a State agency
11 recognized by the Department of Labor, and
12 meeting the standards required under sections
13 29 and 30 of title 29, Code of Federal Regula-
14 tions (or any corresponding similar regulation
15 or ruling), including such matters as the re-
16 quirement for a written apprenticeship agree-
17 ment.

18 “(12) STATE AGENCY.—The term ‘State agen-
19 cy’ means an agency appointed under section
20 135B(b)(1).

21 “(13) TRUSTEE.—The term ‘trustee’ means a
22 Governor-designated entity, which may be a bank
23 (as defined in section 408(n) of the Internal Rev-
24 enue Code of 1986), that demonstrates to the Gov-
25 ernor that the entity will establish and manage a

1 lifelong learning account in a manner consistent
2 with the requirements of this chapter, which dem-
3 onstration may be accomplished by showing a record
4 of success in establishing and managing similar re-
5 tirement or education savings accounts.

6 “(14) WORKER.—The term ‘worker’ means an
7 individual—

8 “(A) who is age 16 or older; and

9 “(B) who is employed, is self-employed, or
10 was previously employed and is looking for
11 work; or

12 **“SEC. 135A. LIFELONG LEARNING ACCOUNT PROGRAMS.**

13 “The Secretary shall make grants to States to pay
14 for the Federal share of establishing lifelong learning ac-
15 count programs, to enhance and expand education and
16 skill development activities for eligible workers.

17 **“SEC. 135B. STATE SUPPLEMENTAL PLANS.**

18 “(a) IN GENERAL.—For a State to be eligible to re-
19 ceive a grant under this chapter, the Governor of the State
20 shall submit a five-year plan to the Secretary at such time,
21 in such manner, and containing such information as the
22 Secretary may require.

23 “(b) CONTENTS.—The plan shall consist of a supple-
24 ment to the State plan described in section 112 and shall
25 include, at a minimum—

1 “(1) information identifying a fiscal and admin-
2 istrative agency that is a member of the State board
3 appointed by the Governor of the State to design, es-
4 tablish, and implement the lifelong learning account
5 program proposed for the State;

6 “(2)(A) an assurance that the Governor of the
7 State will designate, on the recommendation of the
8 State Board, a trustee to establish and manage the
9 lifelong learning accounts of eligible workers
10 throughout the entire State; and

11 “(B) a description of any criteria, developed in
12 cooperation with State board, other than criteria
13 issued under this chapter, that the Governor will use
14 to designate such a trustee;

15 “(3) information describing the formula the
16 State will use to allocate funding equitably to local
17 areas within the State to provide assistance to one-
18 stop centers, as described in section 135C(a)(1)(C);

19 “(4) information describing how the State
20 board will oversee the design, establishment, and im-
21 plementation of the lifelong learning accounts pro-
22 gram;

23 “(5) a description of the State requirements for
24 the program, including requirements to ensure that
25 the trustee manages the lifelong learning accounts in

1 a manner consistent with the fiscal control and ac-
2 counting procedures described in paragraph (11);

3 “(6) a schedule for implementation of the life-
4 long learning account program, which (notwith-
5 standing any other provision of this chapter) may
6 specify implementation in phases if the schedule pro-
7 vides for full statewide implementation not later
8 than 2 years after the date of approval of the plan;

9 “(7)(A)(i) a description of the career informa-
10 tion, guidance, counseling, and related activities to
11 be carried out through the one-stop centers in the
12 State, to enable workers seeking to establish or use
13 a lifelong learning account to make informed deci-
14 sions about meeting their education and skill devel-
15 opment needs, including labor market and career in-
16 formation, career planning, and information on the
17 high-skill, high-demand industries identified under
18 subparagraph (B) and related career pathways; and

19 “(ii) a description of information to be provided
20 as described in paragraphs (2), (3), and (4) of sec-
21 tion 135E(a); and

22 “(B) information, as reported in the State plan,
23 identifying high-skill, high-demand industries in each
24 region of the State or in the State, and sets of

1 courses aligned with the needs of those industries,
2 and services, that constitute career pathways;

3 “(8) a description of the methods the State
4 agency will use to determine and carry out State-
5 level activities described in section 135C(b) and any
6 criteria established by the State for State contribu-
7 tions under section 135C(a)(2);

8 “(9) a description of how the State agency will
9 monitor and assess the implementation (including
10 operation) of the lifelong learning account program,
11 including a description of the methods the State
12 agency will use for collecting and reporting data on
13 the program as required by the Secretary and pro-
14 viding technical assistance to the one-stop centers in
15 the State, to implement and continuously improve
16 the implementation of a fully operational lifelong
17 learning account program;

18 “(10) information describing how the State will
19 use the funds the State receives under this chapter
20 to leverage other Federal, State, local, and private
21 resources, to maximize the effective use of those re-
22 sources and maximize the effectiveness of the life-
23 long learning account program, and to expand the
24 participation of workers (especially lower-income

1 workers) and employers (especially small and mid-
2 sized employers) in the program;

3 “(11) an assurance that the State agency will
4 provide for fiscal control and accounting procedures
5 to ensure the proper disbursing of and accounting
6 for funds made available to the State through the
7 grant and for funds paid into lifelong learning ac-
8 counts;

9 “(12) a description of the process that the
10 State used to provide an opportunity for comment
11 on, and input on the development of, the State sup-
12 plemental plan by the State board and by the public,
13 representatives of business, and representatives of
14 labor organizations;

15 “(13)(A) an assurance that the State agency
16 will, at the request of a eligible worker who has
17 moved to a second State, direct the trustee man-
18 aging the worker’s lifelong learning account to
19 transfer the account to a trustee in the second State
20 and will otherwise comply with the portability plan
21 described in subsection (e); and

22 “(B) a description of the means by which the
23 State agency will direct the transfers, and otherwise
24 comply with the portability plan, referred to in sub-
25 paragraph (A);

1 “(14) if the State requires a minimum amount
2 of contributions described in section 135E(b)(2)(B),
3 the minimum amount;

4 “(15) an assurance that the State will partici-
5 pate in any evaluation or research conducted under
6 section 135H; and

7 “(16) an assurance that the State will use no
8 more than 10 percent of the funds for administrative
9 costs.

10 “(c) REQUEST FOR WAIVER.—At the election of a
11 State, the State may include in the plan a request for a
12 waiver of section 135E(b)(4)(D), to permit a one-stop cen-
13 ter staff or system operator of the statewide web-based
14 system in the State to rely on an eligible worker’s state-
15 ment described in section 135E(b)(4)(C)(iv). The Sec-
16 retary may approve the request as a portion of the plan,
17 or may deny the request.

18 “(d) SUPPLEMENTAL PLAN SUBMISSION AND AP-
19 PROVAL.—A State supplemental plan submitted to the
20 Secretary under this section by a Governor shall be consid-
21 ered to be approved by the Secretary at the end of the
22 90-day period beginning on the day the Secretary receives
23 the plan, unless the Secretary makes a written determina-
24 tion, during the 90-day period, that the plan is incon-
25 sistent with the provisions of this chapter.

1 “(e) PORTABILITY PLAN.—The Secretary shall de-
2 velop, in consultation with State agencies and other enti-
3 ties and individuals, a plan to ensure the portability of
4 lifelong learning accounts among States. The plan shall
5 address the extent of portability of lifelong learning ac-
6 counts established for eligible workers. The Secretary shall
7 ensure that States comply with the plan, in determining
8 whether to approve State supplemental plans under this
9 section.

10 “(f) MODIFICATIONS TO PLAN.—A State may submit
11 modifications to a State supplemental plan in accordance
12 with the requirements of this section and section 135C(e)
13 as necessary during the period covered by the plan.

14 “(g) COMPLIANCE WITH PLAN REQUIREMENTS.—A
15 State shall comply with the requirements of the State sup-
16 plemental plan to be eligible to receive funds under this
17 chapter. Nothing in this chapter shall be construed to af-
18 fect the eligibility of a State for an allotment under section
19 127 or 132, or financial assistance under the Wagner-
20 Peyser Act (29 U.S.C. 49 et seq.), on the basis of the
21 State’s compliance with the requirements of the State sup-
22 plemental plan.

23 **“SEC. 135C. STATE ACTIVITIES.**

24 “(a) IN GENERAL.—A State that receives a grant
25 under this chapter—

1 “(1) shall use the funds made available through
2 the grant—

3 “(A) for the design, establishment, and im-
4 plementation (including monitoring and assess-
5 ment) of lifelong learning accounts programs,
6 as described in subsection (b);

7 “(B) to provide funds to one or more
8 trustees in the State for the establishment and
9 management of lifelong learning accounts as de-
10 scribed in section 135E(b); and

11 “(C) to provide assistance to the one-stop
12 centers in the State, to enable the one-stop cen-
13 ter staff to carry out the responsibilities de-
14 scribed in section 135E(a); and

15 “(2) may, after carrying out paragraph (1), use
16 a portion of the grant funds to make contributions
17 to lifelong learning accounts in the State that meet
18 criteria established by the State, such as accounts to
19 which small- and mid-sized employers have made
20 contributions or accounts of lower-income eligible
21 workers.

22 “(b) STATE-LEVEL ACTIVITIES.—The State agency
23 shall design, establish, and implement (including moni-
24 toring and assessing) the lifelong learning accounts pro-
25 gram, including—

1 “(1) establishing and maintaining a worker-ac-
2 cessible statewide web-based system to provide the
3 assistance described in paragraphs (1) through (4)
4 of section 135E(a) and meet the applicable require-
5 ments of section 135E(b);

6 “(2) developing outreach and marketing activi-
7 ties to be carried out in the State;

8 “(3) reviewing the State list of training services
9 providers compiled under section 122(e)(4) to deter-
10 mine the currency and accuracy of the list, updating
11 the list, improving the format of the list, and in-
12 creasing access to the list;

13 “(4) providing capacity building and technical
14 assistance to local boards, one-stop center staff, (and
15 employees of such centers who provide career infor-
16 mation, guidance, counseling, and related activities),
17 and eligible providers, with respect to the authorities
18 and responsibilities of such entities under this chap-
19 ter;

20 “(5) developing, disseminating, and presenting
21 information on the lifelong learning account program
22 of the State to workers, employers, and general pub-
23 lic, and carrying out creative efforts to engage pri-
24 vate sector organizations (such as labor organiza-
25 tions, industry organizations, and nonprofit organi-

1 zations) and public sector organizations as partners
2 in the program; and

3 “(6) preparing reports for the State board for
4 the State, containing assessments of the program.

5 “(c) STATE BOARD RESPONSIBILITIES.—The State
6 board for the State shall—

7 “(1) make recommendations to the Governor
8 about the designation of a trustee;

9 “(2) provide advice to the Governor and the
10 State agency on a general vision for a lifelong learn-
11 ing account program that suggests ways to create
12 opportunities for all workers, but especially for
13 workers earning less than 200 percent of the poverty
14 line or workers without a degree from a 2-year or
15 4-year nationally recognized postsecondary (or not
16 participating in an apprenticeship program), to suc-
17 cessfully participate in the program, with the goal of
18 improving their skills and the likelihood of long-term
19 prosperity for themselves and their families;

20 “(3) provide independent advice to the State
21 agency about the operation and performance of the
22 lifelong learning account program, and, as appro-
23 priate, enter into contracts for studies or assess-
24 ments of the program in order to provide that ad-
25 vice;

1 “(4) review and provide advice to the Governor
2 on proposals for State supplemental plans; and

3 “(5) receive and comment on reports from the
4 trustee and the State agency, containing assess-
5 ments of the lifelong learning account program, and
6 from, as appropriate, the Secretary and other enti-
7 ties evaluating or researching the program.

8 **“SEC. 135D. LOCAL SUPPLEMENTAL PLANS.**

9 “(a) IN GENERAL.—Each local board shall develop
10 and submit to the Governor a local supplemental plan, in
11 partnership with the appropriate chief elected official. The
12 plan shall be consistent with the State supplemental plan.

13 “(b) CONTENTS.—The plan shall consist of a supple-
14 ment to the local plan described in section 118 and shall
15 include, at a minimum—

16 “(1) the description referred to in section
17 135B(b)(7)(A), with respect to information and ac-
18 tivities to be provided through the one-stop centers
19 in the local area involved;

20 “(2) an assurance that the local one-stop deliv-
21 ery system will, through the one-stop centers in the
22 local area, provide the assistance described in para-
23 graphs (1) through (5) of section 135E(a);

24 “(3) an assurance that the one-stop center staff
25 for the one-stop centers in the local area will coordi-

1 nate activities carried out through the centers with
2 State-level activities, including the operation of the
3 statewide web-based system, to provide the assist-
4 ance described in paragraphs (1) through (4) of sec-
5 tion 135E(a);

6 “(4) information describing how the local board
7 will use the funds the local area receives under this
8 chapter to leverage other Federal, State, local, and
9 private resources, to maximize the effective use of
10 those resources and maximize the effectiveness of
11 the lifelong learning account program in the State,
12 and to expand the participation of workers (espe-
13 cially lower-income workers) and employers (espe-
14 cially small- and mid-sized employers) in the pro-
15 gram; and

16 “(5) other assurances as required by the Gov-
17 ernor.

18 “(c) SUPPLEMENTAL PLAN SUBMISSION AND AP-
19 PROVAL.—A local supplemental plan submitted to a Gov-
20 ernor under this section by a local board and chief elected
21 official shall be considered to be approved by the Governor
22 at the end of the 90-day period beginning on the day the
23 Governor receives the plan, unless the Governor makes a
24 written determination, during the 90-day period, that—

1 “(1) deficiencies in activities carried out under
2 this chapter have been identified, and the local area
3 has not made acceptable progress in implementing
4 corrective measures to address the deficiencies; or

5 “(2) the plan is inconsistent with the provisions
6 of this chapter.

7 **“SEC. 135E. LOCAL ACTIVITIES.**

8 “(a) ONE-STOP CENTER STAFF.—The one-stop cen-
9 ter staff that receives assistance under section
10 135C(a)(1)(C) shall use the assistance to—

11 “(1) provide career information, guidance,
12 counseling, and related activities for workers seeking
13 to establish or use a lifelong learning account, in-
14 cluding labor market and career information, career
15 planning, and information on the high-skill, high-de-
16 mand industries, in the region involved, that are
17 identified under section 135B(b)(7)(B) and related
18 career pathways;

19 “(2) provide information on lifelong learning
20 accounts, and assistance in establishing and using
21 lifelong learning accounts, including applying to es-
22 tablish such an account;

23 “(3) provide information on eligible providers,
24 their education and skill development programs or
25 courses, and the eligible education or skill develop-

1 ment expenses associated with the programs or
2 courses;

3 “(4) provide information about other public or
4 private education or skill development activities
5 (other than activities eligible for funding through a
6 lifelong learning account) that workers may be eligi-
7 ble to participate in to meet their education and skill
8 development needs;

9 “(5) carry out outreach and marketing activi-
10 ties; and

11 “(6) meet the applicable requirements of sub-
12 section (b).

13 “(b) TRUSTEES.—A trustee shall establish and man-
14 age lifelong learning accounts in accordance with the fol-
15 lowing requirements:

16 “(1) ESTABLISHMENT.—

17 “(A) REQUEST.—A worker who resides in
18 a State and who meets the requirements of sec-
19 tion 135(6) but does not have a lifelong learn-
20 ing account may, at the election of the worker,
21 request a lifelong learning account. The worker
22 may submit the request through a one-stop cen-
23 ter (to the one-stop center staff) or through the
24 statewide web-based system (to the system op-
25 erator). The request shall include an assurance

1 that the employer of the worker has not re-
2 quired, coerced, or influenced the worker to es-
3 tablish the account.

4 “(B) INFORMATION.—On receipt of a re-
5 quest described in subparagraph (A) for such a
6 worker, the one-stop center staff involved or the
7 operator of the web-based system shall supply
8 information to the worker on the manner in
9 which the account will be managed, the require-
10 ments for withdrawing and using funds from
11 the account, and information on the prohibition
12 and procedure described in paragraph (4)(H),
13 and will ask the worker to acknowledge receipt
14 of the information.

15 “(C) ESTABLISHMENT.—On receiving the
16 acknowledgment from the worker, the one-stop
17 center staff or system operator shall forward
18 the application to the appropriate trustee, who
19 shall establish the account.

20 “(2) CONTRIBUTIONS.—

21 “(A) IN GENERAL.—A contribution may be
22 made to an eligible worker’s lifelong learning
23 account by—

24 “(i) the worker;

1 “(ii) the employer of the worker, who
2 may provide contributions without regard
3 to the worker’s contributions, or as match-
4 ing funds; or

5 “(iii) a third party, such as the State,
6 a political subdivision of the State, the
7 Federal government through any Federal
8 program; an individual, or a foundation.

9 “(B) MINIMUM CONTRIBUTION FOR EM-
10 PLOYER CONTRIBUTIONS.—The State may re-
11 quire a worker to provide a minimum amount
12 of contributions to the worker’s lifelong learn-
13 ing account before permitting the worker’s em-
14 ployer to provide employer contributions under
15 this paragraph.

16 “(3) TRANSFERS.—If the eligible worker moves
17 to a second State, at the request of the eligible
18 worker, the State described in paragraph (1) shall
19 direct the trustee to transfer the worker’s lifelong
20 learning account to the second State, in compliance
21 with the portability plan described in subsection (d).
22 The program requirements of the lifelong learning
23 account program in the second State shall apply to
24 the account.

25 “(4) WITHDRAWAL OF AMOUNTS.—

1 “(A) APPLICATION TO ONE-STOP CENTER
2 STAFF.—

3 “(i) IN GENERAL.—An eligible worker
4 who desires to withdraw funds from the
5 worker’s lifelong learning account shall
6 submit an application to withdraw the
7 funds—

8 “(I) at a one-stop center, to the
9 one-stop center staff; or

10 “(II) through the statewide web-
11 based system, to the system operator.

12 “(ii) ASSURANCE.—The application
13 shall include assurances that—

14 “(I) the worker is not requesting
15 funds for routine health and safety
16 training or training that relates to use
17 of new equipment that is otherwise
18 covered by the employer;

19 “(II) the worker is not requesting
20 funds for an education or skill devel-
21 opment activity that was previously
22 provided by the worker’s employer or
23 that is an activity for which the em-
24 ployer previously provided financial
25 assistance (such as tuition assistance)

1 to workers, if the employer initiates
2 discontinuance of the activity or fi-
3 nancial assistance, respectively, less
4 than 6 months before the date of the
5 request; and

6 “(III) the employer of the worker
7 has not required, coerced, or influ-
8 enced the worker to establish the ac-
9 count or to use, or refrain from using,
10 funds from the account for any type
11 of education or skill development ac-
12 tivity for which the worker may use
13 the funds under this chapter, or for
14 an activity described in subclause (I)
15 or (II).

16 “(B) SERVICES.—The one-stop center staff
17 or system operator shall offer career informa-
18 tion, guidance, counseling, and related activities
19 described in subsection (a)(1) to the eligible
20 worker.

21 “(C) APPLICATION TO TRUSTEE.—On re-
22 ceiving or declining the services described in
23 subparagraph (B) the eligible worker shall sub-
24 mit an application to the one-stop center staff

1 or system operator, for the trustee, con-
2 taining—

3 “(i) a career goal (and, if developed,
4 a career plan);

5 “(ii) a description of the career-re-
6 lated education or skill development activ-
7 ity to be funded through the withdrawal;

8 “(iii) the eligible provider who will
9 provide the education or skill development
10 activity; and

11 “(iv) a statement of the eligible edu-
12 cation or skill development expense associ-
13 ated with the activity.

14 “(D) VERIFICATION.—Except in a State
15 covered by a waiver approved under section
16 135B(c), on receiving the application, the one-
17 stop center staff or system operator shall en-
18 deavor to verify the amount of the expense
19 specified on the statement described in subpara-
20 graph (C)(iv). If the one-stop center staff or
21 system operator is able to verify the amount (or
22 is in a State covered by such a waiver), and the
23 application contains the items described in
24 clauses (i) through (iv) of subparagraph (C),

1 the one-stop center staff or system operator
2 shall forward the application to the trustee.

3 “(E) APPROVAL.—The trustee shall ap-
4 prove the application not later than 10 days
5 after receipt, unless—

6 “(i) the application fails to contain an
7 item described in clause (i) through (iv) of
8 subparagraph (C); or

9 “(ii) the amount in the eligible work-
10 er’s account is less than the amount of the
11 expense specified on the statement de-
12 scribed in subparagraph (C)(iv).

13 “(F) DISBURSEMENT.—On approving the
14 application, the trustee shall disburse the
15 amount of the expense specified on the state-
16 ment to the eligible provider. In the event that
17 the amount of the expense includes an amount
18 for an item described in section 135(4)(B), and
19 that amount is not payable to the provider, the
20 provider may reimburse the worker for the
21 amount of that item.

22 “(G) FAILURE TO DISBURSE.—If, not ear-
23 lier than 10 days after the date on which the
24 trustee has received the application, the trustee
25 has failed to approve or disapprove the applica-

1 tion, or has approved the application but failed
2 to make a disbursement as provided in subpara-
3 graph (F), the eligible worker may bring an ac-
4 tion in a court of appropriate jurisdiction to
5 compel disbursement of the amount.

6 “(H) PROHIBITION ON EMPLOYER RE-
7 QUIREMENTS, COERCION, OR INFLUENCE.—

8 “(i) IN GENERAL.—No employer of
9 the eligible worker, or contributor to the
10 worker’s lifelong learning account, may re-
11 quire, coerce, or influence a worker to es-
12 tablish the account, or to use, or refrain
13 from using, funds from the account for any
14 type of education or skill development ac-
15 tivity for which the worker may use the
16 funds under this chapter, or any activity
17 described in subclause (I) or (II) of sub-
18 paragraph (A)(ii).

19 “(ii) GRIEVANCE OR COMPLAINT.—An
20 eligible worker alleging a violation of this
21 subparagraph may file a grievance or com-
22 plaint in accordance with section 181(c).

23 “(I) SPECIAL DISBURSEMENTS.—For pur-
24 poses of this paragraph, any disbursement (or
25 request for disbursement) made after the ac-

1 count beneficiary dies, becomes disabled (within
2 the meaning of section 72(m)(7) of the Internal
3 Revenue Code of 1986), or has attained age 70,
4 shall be treated as a disbursement (or request
5 for disbursement) for eligible education or skill
6 development expenses.

7 “(5) TREATMENT OF ACCOUNT.—

8 “(A) SEPARATION OR DIVORCE.—If a sep-
9 aration or divorce agreement awards the life-
10 long learning account, or the benefits of the ac-
11 count, of an eligible worker to the worker’s
12 spouse or former spouse, the trustee shall
13 transfer the account to the spouse or former
14 spouse.

15 “(B) DEATH.—On the death of an eligible
16 worker—

17 “(i) if the designated beneficiary for
18 the lifelong learning account elects the ap-
19 plication of this clause, such designated
20 beneficiary shall be treated as the account
21 beneficiary for purposes of such account;
22 or

23 “(ii) in any case not described in
24 clause (i), the trustee shall pay the funds

1 in the account to the beneficiary, and close
2 the account.

3 “(c) OVERSIGHT.—Consistent with its responsibilities
4 to oversee the one-stop delivery system in the local area,
5 the local board shall oversee the implementation of the
6 lifelong learning account program in the local area, and
7 shall monitor and assess the performance of the program.

8 **“SEC. 135F. FEDERAL SHARE.**

9 “(a) IN GENERAL.—The Federal share of the cost
10 described in section 135A for administering the lifelong
11 learning accounts program established by this chapter
12 shall be 80 percent.

13 “(b) NON-FEDERAL SHARE.—The State may provide
14 the non-Federal share of the cost in cash or in-kind, fairly
15 evaluated, including plant, equipment, or services. The
16 State may provide the non-Federal share from State, local,
17 or private sources.

18 **“SEC. 135G. TRUSTEE REPORTS.**

19 “(a) PREPARATION.—Each State that carries out a
20 lifelong learning account program under this chapter shall
21 require each trustee in the State to annually prepare a
22 report containing information on contributions to and
23 withdrawals from such accounts in the State, an assess-
24 ment of the State lifelong learning account program, and
25 information on such additional matters as the Secretary

1 of Labor, after consultation with the Secretary of the
2 Treasury, may require.

3 “(b) SUBMISSION.—The trustee shall submit each
4 such report to the Governor and the State legislature of
5 the State. The Governor shall transmit each such report
6 to the Secretary of Labor, the Secretary of the Treasury,
7 and Congress, and shall make the report available to the
8 general public.

9 **“SEC. 135H. EVALUATIONS AND OTHER RESEARCH.**

10 “(a) IN GENERAL.—The Secretary shall conduct
11 evaluations and other research, directly or through grants
12 or contracts, to determine the effectiveness of the lifelong
13 learning account programs carried out under this chapter
14 in meeting the objectives of this chapter.

15 “(b) METHODOLOGY AND RESEARCH DESIGNS.—
16 The Secretary shall use appropriate methodology and re-
17 search designs for the evaluations and research.

18 “(c) TOPICS.—In conducting the evaluations and re-
19 search, the Secretary may address topics including wheth-
20 er the programs increased the wages or salaries of work-
21 ers, resulted in promotions, new positions, or better posi-
22 tions for the workers, increased the number of workers
23 who acquired industry-recognized skill credentials, en-
24 hanced the job performance of workers, or increased work-
25 er retention.

1 ployment and training activities carried out under chapter
 2 5 that is funded through individual training accounts de-
 3 scribed in section 134(d)(4)(G), the activities (including
 4 training, other employment services, and provision of al-
 5 lowances) carried out under part II of subchapter B of
 6 chapter 2 of title II of the Trade Act of 1974 (29 U.S.C.
 7 2295 et seq.), and another Federal employment and train-
 8 ing program identified by the Secretary.

9 **“SEC. 135J. ELIGIBILITY FOR OTHER FEDERAL BENEFITS.**

10 “No Federal agency may take into consideration the
 11 amount deposited to, or withdrawn from, an eligible work-
 12 er’s lifelong learning account in determining the eligibility
 13 of the worker for any benefit or service under any provi-
 14 sion of Federal law, including any education or skill devel-
 15 opment benefit or service, other than this chapter.”.

16 (b) CONFORMING AMENDMENT.—The table of con-
 17 tents in section 1(b) of the Workforce Investment Act of
 18 1998 is amended—

19 (1) by redesignating the item relating to the
 20 chapter heading of chapter 6, as the item relating to
 21 the chapter heading of chapter 7, of subtitle B of
 22 title I; and

23 (2) by inserting after the items relating to
 24 chapter 5 of that subtitle the following:

“CHAPTER 6—LIFELONG LEARNING ACCOUNTS

“Sec. 135. Definitions.

- “Sec. 135A. Lifelong learning account programs.
- “Sec. 135B. State supplemental plans.
- “Sec. 135C. State activities.
- “Sec. 135D. Local supplemental plans.
- “Sec. 135E. Local activities.
- “Sec. 135F. Federal share.
- “Sec. 135G. Trustee reports.
- “Sec. 135H. Evaluations and other research.
- “Sec. 135I. Study on contributions from Federal programs.
- “Sec. 135J. Eligibility for other Federal benefits.”.

1 **SEC. 4. AUTHORIZATION OF APPROPRIATIONS.**

2 Section 137 of the Workforce Investment Act of 1998
 3 (29 U.S.C. 2872) is amended by adding at the end the
 4 following:

5 “(d) LIFELONG LEARNING ACCOUNT PROGRAMS.—
 6 There is authorized to be appropriated to carry out chap-
 7 ter 6 such sums as may be necessary for each of fiscal
 8 years 2015 through 2020.”.

9 **SEC. 5. CREDIT FOR CONTRIBUTIONS TO LIFELONG LEARN-**
 10 **ING ACCOUNTS.**

11 (a) IN GENERAL.—Subpart C of part IV of sub-
 12 chapter A of chapter 1 of the Internal Revenue Code of
 13 1986 (relating to refundable credits) is amended by insert-
 14 ing after section 36B the following new section:

15 **“SEC. 36C. CONTRIBUTIONS TO LIFELONG LEARNING AC-**
 16 **COUNTS.**

17 “(a) CREDIT ALLOWED.—In the case of an eligible
 18 individual, there shall be allowed as a credit against the
 19 tax imposed by this chapter for the taxable year an
 20 amount equal to the applicable percentage of the contribu-

1 tions (other than rollover contributions described in sub-
2 section (e)(5)) paid in cash during such taxable year by
3 or on behalf of such individual to a lifelong learning ac-
4 count of such individual.

5 “(b) LIMITATIONS AND DEFINITIONS RELATED TO
6 ALLOWANCE OF CREDIT.—

7 “(1) DOLLAR LIMITATION.—The amount of
8 contributions taken into account under subsection
9 (a) with respect to any eligible individual for any
10 taxable year shall not exceed the lesser of—

11 “(A) \$3,000, or

12 “(B) an amount equal to the compensation
13 (as defined in section 219(f)(1)) includible in
14 the individual’s gross income for such taxable
15 year.

16 “(2) LIMITATIONS BASED ON MODIFIED AD-
17 JUSTED GROSS INCOME.—

18 “(A) PHASEOUT OF DOLLAR LIMITATION
19 BASED ON ACCOUNT BENEFICIARY’S MODIFIED
20 ADJUSTED GROSS INCOME.—The \$3,000
21 amount contained in paragraph (1)(A) shall be
22 reduced (but not below zero) by the account
23 beneficiary’s reduction amount.

24 “(B) PER CONTRIBUTOR LIMITATION
25 BASED ON CONTRIBUTOR’S MODIFIED AD-

1 JUSTED GROSS INCOME.—In the case of a con-
2 tributor who is an individual (other than an em-
3 ployer of the account beneficiary), the aggre-
4 gate amount of the contributions of such con-
5 tributor which may be taken into account under
6 subsection (a) with respect to any eligible indi-
7 vidual for any taxable year shall not exceed the
8 excess (if any) of \$3,000 over such contribu-
9 tor's reduction amount.

10 “(C) ACCOUNT BENEFICIARY'S REDUCTION
11 AMOUNT.—For purposes of subparagraph (A),
12 the account beneficiary's reduction amount is
13 the amount which bears the same ratio to
14 \$3,000 as—

15 “(i) the excess of—

16 “(I) the account beneficiary's
17 modified adjusted gross income for
18 such taxable year, over

19 “(II) \$100,000 (twice such
20 amount in the case of a joint return),
21 bears to

22 “(ii) \$20,000 (twice such amount in
23 the case of a joint return).

24 For purposes of the preceding sentence, the
25 term ‘modified adjusted gross income’ means

1 adjusted gross income increased by any amount
2 excluded from gross income under section 911,
3 931, or 933.

4 “(D) CONTRIBUTOR’S REDUCTION
5 AMOUNT.—For purposes of subparagraph (B),
6 the contributor’s reduction amount is the
7 amount that would be determined under sub-
8 paragraph (C) if ‘contributor’ were substituted
9 for ‘account beneficiary’ each place it appears
10 therein.

11 “(E) SPECIAL RULE FOR MARRIED INDI-
12 VIDUALS FILING A SEPARATE RETURN.—In the
13 case of a married individual filing a separate re-
14 turn, subparagraph (C)(I)(II) shall be applied
15 by substituting ‘zero’ for the dollar amount
16 therein.

17 “(3) TREATMENT OF EMPLOYER CONTRIBU-
18 TIONS.—

19 “(A) EXCLUSION FROM GROSS INCOME.—
20 Gross income shall not include any contribution
21 to a lifelong learning account made by an em-
22 ployer of the account beneficiary to the extent
23 that the aggregate amount of such contribu-
24 tions made during the taxable year does not ex-
25 ceed the limitation in effect under paragraph

1 (1) (determined without regard to subpara-
2 graph (B) of this paragraph) for such taxable
3 year with respect to such beneficiary.

4 “(B) COORDINATION WITH CREDIT.—The
5 limitation which would (but for this subpara-
6 graph) apply under paragraph (1) with respect
7 to the eligible individual for any taxable year
8 shall be reduced (but not below zero) by the ag-
9 gregate amount contributed to lifelong learning
10 accounts of such individual which is excludable
11 from the taxpayer’s gross income for such tax-
12 able year under subparagraph (A) (and such
13 amount shall not be taken into account in de-
14 termining the credit under subsection (a)).

15 “(4) APPLICABLE PERCENTAGE.—For purposes
16 of this section, the term ‘applicable percentage’
17 means—

18 “(A) 50 percent with respect to the first
19 \$500 of contributions taken into account under
20 subsection (a) with respect to any eligible indi-
21 vidual for any taxable year, and

22 “(B) 25 percent with respect to so much of
23 such contributions as exceeds \$500.

24 “(5) ELIGIBLE INDIVIDUAL.—For purposes of
25 this section, the term ‘eligible individual’ means any

1 individual for any taxable year if, as of the first day
2 of such taxable year, such individual has attained
3 age 16.

4 “(c) LIFELONG LEARNING ACCOUNTS.—For pur-
5 poses of this section—

6 “(1) IN GENERAL.—The term ‘lifelong learning
7 account’ means a trust created or organized in the
8 United States as a lifelong learning account under
9 a lifelong learning account program established by a
10 State under chapter 6 of subtitle B of title I of the
11 Workforce Investment Act of 1998 exclusively for
12 the purpose of paying the eligible education or skill
13 development expenses of the account beneficiary and
14 maintained by a trustee consist with the require-
15 ments of section 135E(b) of such Act, but only if
16 the written governing instrument creating the trust
17 meets the following requirements:

18 “(A) No contribution will be accepted un-
19 less it is in cash.

20 “(B) Except in the case of a rollover con-
21 tribution described in subsection (e)(5), no con-
22 tribution will be accepted if such contribution,
23 when added to all previous contributions to the
24 trust for the calendar year, would exceed
25 \$5,000.

1 “(C) The trust assets will be held by a
2 trustee who will administer the trust consistent
3 with the requirements of such lifelong learning
4 account program and this section.

5 “(D) No part of the trust assets will be in-
6 vested in life insurance contracts.

7 “(E) No part of the trust assets will be in-
8 vested in any collectible (as defined in section
9 408(m)).

10 “(F) The assets of the trust will not be
11 commingled with other property except in a
12 common trust fund or common investment
13 fund.

14 “(G) The interest of an individual in the
15 balance in his account is nonforfeitable.

16 “(H) No distribution shall be made from
17 the account except—

18 “(i) for eligible education or skill de-
19 velopment expenses, or

20 “(ii) after an event described in sub-
21 section (e)(2)(B).

22 “(2) ELIGIBLE EDUCATION OR SKILL DEVELOP-
23 MENT EXPENSE.—The term ‘eligible education or
24 skill development expense’ means any eligible edu-
25 cation or skill development expense (as defined in

1 section 135 of the Workforce Investment Act of
2 1998) which meets the requirements of subclauses
3 (I) and (II) of section 135E(b)(4)(A)(ii) of such Act.

4 “(3) ACCOUNT BENEFICIARY.—The term ‘ac-
5 count beneficiary’ means the individual on whose be-
6 half the lifelong learning account was established.

7 “(4) TRUSTEE.—The term ‘trustee’ has the
8 meaning given the term in section 135 of the Work-
9 force Investment Act of 1998.

10 “(5) CERTAIN RULES TO APPLY.—Rules similar
11 to the following rules shall apply for purposes of this
12 section:

13 “(A) Section 219(f)(3) (relating to time
14 when contributions deemed made).

15 “(B) Section 408(g) (relating to commu-
16 nity property laws).

17 “(C) Section 408(h) (relating to custodial
18 accounts).

19 “(d) TAX TREATMENT OF ACCOUNTS.—

20 “(1) IN GENERAL.—A lifelong learning account
21 is exempt from taxation under this subtitle unless
22 such account has ceased to be a lifelong learning ac-
23 count. Notwithstanding the preceding sentence, any
24 such account is subject to the taxes imposed by sec-

1 tion 511 (relating to imposition of tax on unrelated
2 business income of charitable, etc. organizations).

3 “(2) NONQUALIFIED DISTRIBUTION TREATED
4 AS ACCOUNT TERMINATION.—If there is a non-
5 qualified distribution (as defined in subsection (e))
6 from a lifelong learning account for any taxable
7 year—

8 “(A) such account shall cease to be treated
9 as a lifelong learning account as of the close of
10 such taxable year, and

11 “(B) any amounts in such account as of
12 the close of such taxable year shall be treated
13 as distributed to the account beneficiary on the
14 last day of such taxable year and shall be treat-
15 ed as not used to pay eligible education or skill
16 development expenses.

17 “(3) APPLICATION OF OTHER RULES TREATING
18 CERTAIN EVENTS AS ACCOUNT TERMINATIONS.—
19 Rules similar to the rules of paragraphs (2) and (4)
20 of section 408(e) shall apply to lifelong learning ac-
21 counts, and any amount treated as distributed under
22 such rules shall be treated as not used to pay eligible
23 education or skill development expenses.

24 “(e) INCLUSION OF DISTRIBUTIONS IN GROSS IN-
25 COME.—

1 “(1) INCLUSION IN GROSS INCOME.—Any
2 amount distributed out of a lifelong learning account
3 shall be included in gross income by the account
4 beneficiary.

5 “(2) ADDITIONAL TAX.—

6 “(A) IN GENERAL.—Except as otherwise
7 provided in this subsection, the tax imposed by
8 this chapter on the account beneficiary for any
9 taxable year in which there is a nonqualified
10 distribution from a lifelong learning account
11 shall be increased by 10 percent of the amount
12 of such distribution.

13 “(B) EXCEPTIONS.—Subparagraph (A)
14 and subsection (d)(2) shall not apply if the dis-
15 tribution is made after the account beneficiary
16 dies, becomes disabled (within the meaning of
17 section 72(m)(7)), or has attained age 70.

18 “(3) NONQUALIFIED DISTRIBUTION.—For pur-
19 poses of this section, the term ‘nonqualified distribu-
20 tion’ means the excess (if any) of—

21 “(A) the aggregate distributions from the
22 account during the taxable year, over

23 “(B) the eligible education or skill develop-
24 ment expenses of the account beneficiary for
25 the taxable year.

1 “(4) EXCESS CONTRIBUTIONS RETURNED BE-
2 FORE DUE DATE OF RETURN.—

3 “(A) IN GENERAL.—If any excess con-
4 tribution is contributed for a taxable year to
5 any lifelong learning account of an individual,
6 paragraphs (1) and (2) and subsection (d)(2)
7 shall not apply to distributions from the lifelong
8 learning accounts of such individual (to the ex-
9 tent such distributions do not exceed the aggre-
10 gate excess contributions to all such accounts of
11 such individual for such year) if—

12 “(i) such distribution is received by
13 the individual on or before the last day
14 prescribed by law (including extensions of
15 time) for filing such individual’s return for
16 such taxable year, and

17 “(ii) such distribution is accompanied
18 by the amount of net income attributable
19 to such excess contribution.

20 Any net income described in clause (ii) shall be
21 included in the gross income of the individual
22 for the taxable year in which it is received.

23 “(B) EXCESS CONTRIBUTION.—For pur-
24 poses of subparagraph (A), the term ‘excess
25 contribution’ means any contribution (other

1 than a rollover contribution described in para-
2 graph (6)) which is not taken into account for
3 purposes of determining the credit allowed
4 under subsection (a) or the amount excludable
5 from the taxpayer's gross income under sub-
6 section (b)(3).

7 “(5) ROLLOVER CONTRIBUTION.—An amount is
8 described in this paragraph as a rollover contribu-
9 tion if it meets the requirements of subparagraphs
10 (A) and (B).

11 “(A) IN GENERAL.—Paragraphs (1) and
12 (2) and subsection (d)(2) shall not apply to any
13 amount paid or distributed from a lifelong
14 learning account to the account beneficiary to
15 the extent the amount received is paid into a
16 lifelong learning account for the benefit of such
17 beneficiary not later than the 60th day after
18 the day on which the beneficiary receives the
19 payment or distribution.

20 “(B) LIMITATION.—This paragraph shall
21 not apply to any amount described in subpara-
22 graph (A) received by an individual from a life-
23 long learning account if, at any time during the
24 1-year period ending on the day of such receipt,
25 such individual received any other amount de-

1 scribed in subparagraph (A) from a lifelong
2 learning account to which paragraphs (1) and
3 (2) did not apply by reason of the application
4 of this paragraph.

5 “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-
6 VORCE.—The transfer of an individual’s interest in
7 a lifelong learning account to an individual’s spouse
8 or former spouse under a divorce or separation in-
9 strument described in subparagraph (A) of section
10 71(b)(2) shall not be considered a taxable transfer
11 made by such individual notwithstanding any other
12 provision of this subtitle, and such interest shall,
13 after such transfer, be treated as a lifelong learning
14 account with respect to which such spouse is the ac-
15 count beneficiary.

16 “(7) TREATMENT AFTER DEATH OF ACCOUNT
17 BENEFICIARY.—

18 “(A) TREATMENT IF DESIGNATED BENE-
19 FICIARY IS SPOUSE OR ELECTS TO CONTINUE
20 ACCOUNT.—If any individual acquires the ac-
21 count beneficiary’s interest in a lifelong learn-
22 ing account by reason of being the designated
23 beneficiary of such account at the death of the
24 account beneficiary and such individual elects
25 the application of this subparagraph, such life-

1 long learning account shall be treated as if such
2 designated beneficiary were the account bene-
3 ficiary.

4 “(B) OTHER CASES.—

5 “(i) IN GENERAL.—If, by reason of
6 the death of the account beneficiary, any
7 person acquires the account beneficiary’s
8 interest in a lifelong learning account in a
9 case to which subparagraph (A) does not
10 apply—

11 “(I) such account shall cease to
12 be a lifelong learning account as of
13 the date of death, and

14 “(II) an amount equal to the fair
15 market value of the assets in such ac-
16 count on such date shall be includible
17 if such person is not the estate of
18 such beneficiary, in such person’s
19 gross income for the taxable year
20 which includes such date, or if such
21 person is the estate of such bene-
22 ficiary, in such beneficiary’s gross in-
23 come for the last taxable year of such
24 beneficiary.

1 “(ii) DEDUCTION FOR ESTATE
2 TAXES.—An appropriate deduction shall be
3 allowed under section 691(c) to any person
4 (other than the decedent or the decedent’s
5 spouse) with respect to amounts included
6 in gross income under clause (I) by such
7 person.

8 “(f) REPORTS.—The trustee of a lifelong learning ac-
9 count shall make such reports regarding such account to
10 the Secretary and to the account beneficiary with respect
11 to contributions, distributions, and such other matters as
12 the Secretary may require under regulations. The reports
13 required by this subsection shall be filed at such time and
14 in such manner and furnished to such individuals at such
15 time and in such manner as may be required by those reg-
16 ulations.”.

17 (b) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
18 of the Internal Revenue Code of 1986 is amended—

19 (1) by striking “or” at the end of subsection
20 (a)(4), by inserting “or” at the end of subsection
21 (a)(5), and by inserting after subsection (a)(5) the
22 following new paragraph:

23 “(6) a lifelong learning account (within the
24 meaning of section 36C(c)),”, and

1 (2) by adding at the end the following new sub-
2 section:

3 “(h) EXCESS CONTRIBUTIONS TO LIFELONG LEARN-
4 ING ACCOUNTS.—For purposes of this section, in the case
5 of lifelong learning accounts (within the meaning of sec-
6 tion 36C(e)), the term ‘excess contributions’ means the
7 sum of—

8 “(1) the aggregate amount contributed for the
9 taxable year to the accounts (other than rollover
10 contributions described in section 36C(e)(5)) which
11 is not taken into account for purposes of deter-
12 mining the credit allowed under section 36C(a) or
13 the amount excludable from the taxpayer’s gross in-
14 come under section 36C(b)(3), and

15 “(2) the amount determined under this sub-
16 section for the preceding taxable year, reduced by
17 the sum of—

18 “(A) the distributions out of the accounts
19 with respect to which additional tax was im-
20 posed under section 36C(e)(2)(A) for the tax-
21 able year, and

22 “(B) the excess (if any) of—

23 “(i) the maximum amount of con-
24 tributions which may be taken into account

1 under section 36C(a) for the taxable year,
2 over

3 “(ii) the amount contributed to the
4 accounts for the taxable year.

5 For purposes of this subsection, any contribu-
6 tion which is distributed out of the lifelong
7 learning account in a distribution to which sec-
8 tion 36C(e)(5) applies shall be treated as an
9 amount not contributed.”.

10 (c) TAX ON PROHIBITED TRANSACTIONS.—

11 (1) Paragraph (1) of section 4975(e) of the In-
12 ternal Revenue Code of 1986 (relating to prohibited
13 transactions) is amended by redesignating subpara-
14 graph (G) as subparagraph (H), by striking “or” at
15 the end of subparagraph (F), and by inserting after
16 subparagraph (F) the following new subparagraph:

17 “(G) a lifelong learning account described
18 in section 36C(c), or”.

19 (2) Subsection (c) of section 4975 of such Code
20 is amended by adding at the end the following new
21 paragraph:

22 “(7) SPECIAL RULE FOR LIFELONG LEARNING
23 ACCOUNTS.—An individual for whose benefit a life-
24 long learning account is established shall be exempt
25 from the tax imposed by this section with respect to

1 any transaction concerning such account (which
2 would otherwise be taxable under this section) if,
3 with respect to such transaction, the account ceases
4 to be a lifelong learning account by reason of the ap-
5 plication of paragraph (2) or (3) of section 36C(d)
6 to such account.”.

7 (d) FAILURE TO PROVIDE REPORTS ON LIFELONG
8 LEARNING ACCOUNTS.—Paragraph (2) of section 6693(a)
9 of the Internal Revenue Code of 1986 is amended by strik-
10 ing “and” at the end of subparagraph (D), by redesi-
11 gnating subparagraph (E) as subparagraph (F), and by in-
12 serting after subparagraph (D) the following new subpara-
13 graph:

14 “(E) section 36C(f) (relating to lifelong
15 learning accounts), and”.

16 (e) EXCLUSION FROM EMPLOYMENT TAXES.—

17 (1) FEDERAL INSURANCE CONTRIBUTIONS
18 ACT.—Subsection (a) of section 3121 of the Internal
19 Revenue Code of 1986 is amended by striking “or”
20 at the end of paragraph (22), by striking the period
21 at the end of paragraph (23) and inserting “; or”,
22 and by inserting after paragraph (23) the following
23 new paragraph:

24 “(24) any payment made to or for the benefit
25 of an employee if at the time of such payment it is

1 reasonable to believe that the employee will be able
2 to exclude such payment from income under section
3 36C(b)(3).”.

4 (2) RAILROAD RETIREMENT TAX.—Subsection
5 (e) of section 3231 of such Code is amended by add-
6 ing at the end the following new paragraph:

7 “(13) LEARNING ACCOUNT CONTRIBUTIONS.—
8 The term ‘compensation’ shall not include any pay-
9 ment made to or for the benefit of an employee if
10 at the time of such payment it is reasonable to be-
11 lieve that the employee will be able to exclude such
12 payment from income under section 36C(b)(3).”.

13 (3) UNEMPLOYMENT TAX.—Subsection (b) of
14 section 3306 of such Code is amended by striking
15 “or” at the end of paragraph (19), by striking the
16 period at the end of paragraph (20) and inserting “;
17 or”, and by inserting after paragraph (20) the fol-
18 lowing new paragraph:

19 “(21) any payment made to or for the benefit
20 of an employee if at the time of such payment it is
21 reasonable to believe that the employee will be able
22 to exclude such payment from income under section
23 36C(b)(3).”.

24 (4) WITHHOLDING TAX.—Subsection (a) of sec-
25 tion 3401 of such Code is amended by striking “or”

1 at the end of paragraph (22), by striking the period
2 at the end of paragraph (23) and inserting “; or”,
3 and by inserting after paragraph (23) the following
4 new paragraph:

5 “(24) any payment made to or for the benefit
6 of an employee if at the time of such payment it is
7 reasonable to believe that the employee will be able
8 to exclude such payment from income under section
9 36C(b)(3).”.

10 (5) SOCIAL SECURITY TRUST FUNDS HELD
11 HARMLESS.—There is hereby appropriated (out of
12 any money in the Treasury not otherwise appro-
13 priated) for each fiscal year to each fund under the
14 Social Security Act an amount equal to the reduc-
15 tion in the transfers to such fund for such fiscal
16 year by reason of the amendment made by para-
17 graph (1).

18 (f) EXEMPTION FROM ERISA REQUIREMENTS.—
19 Subsection (b) of section 4 of the Employee Retirement
20 Income Security Act of 1974 is amended by striking “or”
21 at the end of paragraph (4), by striking the period at the
22 end of paragraph (5) and inserting “; or”, and by insert-
23 ing after paragraph (5) the following new paragraph:

24 “(6) such plan is maintained solely for the pur-
25 poses of establishing, and making contributions to,

1 lifelong learning accounts (within the meaning of
2 section 36C(e) of the Internal Revenue Code of
3 1986) on behalf of employees.”.

4 (g) CONFORMING AMENDMENTS.—

5 (1) The table of sections for subpart C of part
6 IV of subchapter A of chapter 1 of the Internal Rev-
7 enue Code of 1986 is amended by inserting after the
8 item relating to section 36B the following new item:

“Sec. 36C. Contributions to lifelong learning accounts.”.

9 (2) Section 6211(b)(4)(A) of such Code is
10 amended by inserting “36C,” after “36B,”.

11 (3) Section 1324(b)(2) of title 31, United
12 States Code, is amended by inserting “36C,” after
13 “36B,”.

14 (h) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2013.

17 **SEC. 6. CREDIT FOR SMALL BUSINESSES WITH RESPECT TO**
18 **LIFELONG LEARNING ACCOUNT PROGRAMS.**

19 (a) IN GENERAL.—Subpart D of part IV of sub-
20 chapter A of chapter 1 of the Internal Revenue Code of
21 1986 (relating to business related credits) is amended by
22 adding at the end the following new section:

1 **“SEC. 45S. LIFELONG LEARNING ACCOUNTS CREDIT.**

2 “(a) IN GENERAL.—For purposes of section 38, in
3 the case of an eligible employer, the lifelong learning ac-
4 counts credit is the sum of—

5 “(1) the lifelong learning account contributions
6 credit, and

7 “(2) the lifelong learning account administra-
8 tive costs credit.

9 “(b) LIFELONG LEARNING ACCOUNT CONTRIBU-
10 TIONS CREDIT.—

11 “(1) IN GENERAL.—For purposes of this sec-
12 tion, the term ‘lifelong learning account contribu-
13 tions credit’ means the amount equal to 25 percent
14 of the aggregate amount paid or incurred by the tax-
15 payer during the taxable year as contributions to
16 lifelong learning accounts (within the meaning of
17 section 36C(c)) of employees of the taxpayer.

18 “(2) DOLLAR LIMITATION.—The amount of the
19 contributions taken into account under paragraph
20 (1) with respect to any employee for any taxable
21 year shall not exceed \$3,000.

22 “(c) LIFELONG LEARNING ACCOUNT ADMINISTRA-
23 TIVE COSTS CREDIT.—

24 “(1) IN GENERAL.—For purposes of this sec-
25 tion, the term ‘lifelong learning account administra-
26 tive costs credit’ means the amount equal to 50 per-

1 cent of the aggregate amount paid or incurred by
2 the taxpayer during the taxable year as administra-
3 tive expenses in carrying out a program to make
4 payments to the lifelong learning accounts (within
5 the meaning of section 36C(c)) of employees of the
6 taxpayer.

7 “(2) DOLLAR LIMITATION.—The amount of the
8 credit determined under this subsection for any tax-
9 able year shall not exceed—

10 “(A) \$500 per eligible employer for the
11 first credit year and each of the 2 taxable years
12 immediately following the first credit year, and

13 “(B) zero for any other taxable year.

14 “(3) FIRST CREDIT YEAR.—For purposes of
15 this subsection, the term ‘first credit year’ means
16 the first taxable year for which the taxpayer claims
17 a credit under this section.

18 “(4) SPECIAL RULES.—For purposes of this
19 subsection, rules similar to the rules of paragraphs
20 (1), (2), and (3) of section 45E(e) shall apply.

21 “(d) ELIGIBLE EMPLOYER.—For purposes of this
22 section, the term ‘eligible employer’ has the meaning given
23 such term by section 408(p)(2)(C)(I) applied—

24 “(1) by substituting ‘250 employees’ for ‘100
25 employees’ in subclause (I) thereof,

1 “(2) for purposes of determining eligibility for
2 the lifelong learning account contributions credit for
3 any taxable year, without regard to subclause (II)
4 thereof, and

5 “(3) for purposes of determining eligibility for
6 the lifelong learning account administrative costs
7 credit for any taxable year, by treating the plan de-
8 scribed in subsection (c)(1) as the plan referred to
9 in such subclause (II).

10 “(e) RECAPTURE IN CASE OF EMPLOYEE COERCION,
11 ETC.—If the Secretary, after consultation with the Sec-
12 retary of Labor, determines that the taxpayer has re-
13 quired, coerced, or influenced an employee to establish a
14 life long learning account or to use, or refrain from using,
15 funds from the account for any eligible education or skill
16 development expense (as defined in section 36C)—

17 “(1) the tax imposed on the taxpayer under this
18 subtitle for the taxable year which includes the date
19 of such determination shall be increased by the
20 amount of the credits allowed under this section to
21 the taxpayer for all taxable years which include any
22 portion of the period during which such requirement,
23 coercion, or influence occurred, and

24 “(2) no credit shall be allowed to the taxpayer
25 under this section for the taxable year which in-

1 includes the date of such determination and the suc-
2 ceeding taxable year.”.

3 (b) CREDIT PART OF GENERAL BUSINESS CREDIT.—
4 Section 38(b) of the Internal Revenue Code of 1986 is
5 amended by striking “plus” at the end of paragraph (35),
6 by striking the period at the end of paragraph (36) and
7 inserting “, plus”, and by adding at the end the following
8 new paragraph:

9 “(37) the lifelong learning accounts credit de-
10 termined under section 45S.”.

11 (c) DEDUCTION FOR UNUSED CREDIT.—Section
12 196(c) of the Internal Revenue Code of 1986 is amended
13 by striking “and” at the end of paragraph (13), by strik-
14 ing the period at the end of paragraph (14) and inserting
15 “, and”, and by adding at the end the following new para-
16 graph:

17 “(15) the lifelong learning accounts credit de-
18 termined under section 45S.”.

19 (d) CLERICAL AMENDMENT.—The table of sections
20 for subpart D of part IV of subchapter A of chapter 1
21 of the Internal Revenue Code of 1986 is amended by add-
22 ing at the end the following new item:

“Sec. 45S. Lifelong learning accounts credit.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2013.

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