

115TH CONGRESS
2D SESSION

S. 3228

To amend the Internal Revenue Code of 1986 to provide for distributions from 529 programs to pay apprenticeship and qualified early education expenses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 17, 2018

Mr. GARDNER 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 distributions from 529 programs to pay apprenticeship and qualified early education expenses, 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 “529 Expansion and
5 Modernization Act of 2018”.

6 **SEC. 2. EXPANSION OF 529 PROGRAM EXPENSES.**

7 (a) DISTRIBUTIONS FROM QUALIFIED TUITION PRO-
8 GRAMS FOR CERTAIN EXPENSES ASSOCIATED WITH REG-

1 REGISTERED APPRENTICESHIP PROGRAMS.—Section
 2 529(e)(3) of the Internal Revenue Code of 1986 is amend-
 3 ed by adding at the end the following new subparagraph:

4 “(C) CERTAIN EXPENSES ASSOCIATED
 5 WITH REGISTERED APPRENTICESHIP PRO-
 6 GRAMS.—The term ‘qualified higher education
 7 expenses’ shall include books, supplies, and
 8 equipment required for the enrollment or at-
 9 tendance of a designated beneficiary in an ap-
 10 prenticeship program registered and certified
 11 with the Secretary of Labor under section 1 of
 12 the National Apprenticeship Act (29 U.S.C.
 13 50).”.

14 (b) SPECIAL RULES FOR 529 PROGRAMS WITH RE-
 15 SPECT TO QUALIFIED EARLY EDUCATION EXPENSES.—
 16 Section 529(e)(3) of the Internal Revenue Code of 1986,
 17 as amended by subsection (c), is amended by adding at
 18 the end the following new subparagraph:

19 “(D) SPECIAL RULES PERMITTING LIM-
 20 ITED TREATMENT OF QUALIFIED EARLY EDU-
 21 CATION EXPENSES.—

22 “(i) IN GENERAL.—Except as pro-
 23 vided in clause (ii), qualified early edu-
 24 cation expenses shall be treated as quali-
 25 fied higher education expenses.

1 “(ii) LIMITATION.—If the aggregate
 2 amount of cash distributions from all
 3 qualified tuition programs described in
 4 subsection (b)(1)(A)(ii) with respect to a
 5 beneficiary for qualified early education ex-
 6 penses during any taxable year exceeds
 7 \$10,000, such excess shall be treated for
 8 purposes of subsection (c)(3) as distribu-
 9 tions in excess of the qualified higher edu-
 10 cation expenses of the beneficiary.

11 “(iii) QUALIFIED EARLY EDUCATION
 12 EXPENSES.—For purposes of this subpara-
 13 graph, the term ‘qualified early education
 14 expenses’ means expenses for providing
 15 educational and other care to a child under
 16 age 5 (including childcare provided before
 17 and after school), as determined under the
 18 law of the State, pursuant to attendance at
 19 a school or facility licensed in the State for
 20 such purpose.”.

21 (c) CAREER AND TECHNICAL EDUCATION EX-
 22 PENSES.—Section 529(e)(3) of the Internal Revenue Code
 23 of 1986, as amended by the preceding subsections, is
 24 amended by adding at the end the following new subpara-
 25 graph:

1 “(E) TREATMENT OF CAREER AND TECH-
 2 NICAL EDUCATION EXPENSES.—Such term shall
 3 include expenses for books, supplies, and equip-
 4 ment required for enrollment or attendance of
 5 a designated beneficiary in a career and tech-
 6 nical education program (as defined in section
 7 3 of the Carl D. Perkins Career and Technical
 8 Education Act of 2006 (20 U.S.C. 2302)).”.

9 (d) INDUSTRY INTERMEDIARY EDUCATION EX-
 10 PENSES.—Section 529(e)(3) of the Internal Revenue Code
 11 of 1986, as amended by the preceding subsections, is
 12 amended by adding at the end the following new subpara-
 13 graph:

14 “(F) TREATMENT OF INDUSTRY INTER-
 15 MEDIARY EDUCATION EXPENSES.—

16 “(i) IN GENERAL.—Such term shall
 17 include expenses for books, supplies, and
 18 equipment required for enrollment or at-
 19 tendance of a designated beneficiary in an
 20 industry intermediary education program.

21 “(ii) INDUSTRY INTERMEDIARY EDU-
 22 CATION PROGRAM.—For purposes of this
 23 subparagraph, the term ‘industry inter-
 24 mediary education program’ means any en-
 25 tity that—

1 “(I) in order to accelerate ap-
2 prenticeship program development and
3 help establish new apprenticeship
4 partnerships at the national, State, or
5 regional level, serves as a conduit be-
6 tween an employer and an entity, such
7 as an industry partner, the Depart-
8 ment of Labor, or a State agency re-
9 sponsible for workforce development
10 programs,

11 “(II) demonstrates a capacity to
12 work with employers and other key
13 partners to identify workforce trends
14 and foster public-private funding to
15 establish new apprenticeship pro-
16 grams, and

17 “(III) is a business, a consortium
18 of businesses, a business-related non-
19 profit organization (including industry
20 associations and business federations),
21 a private organization functioning as
22 a workforce intermediary for the ex-
23 press purpose of serving the needs of
24 businesses (including community-
25 based nonprofit service providers and

1 industry-aligned training providers),
 2 or a consortium of any of such enti-
 3 ties.”.

4 (e) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to contributions made and distribu-
 6 tions paid after December 31, 2018.

7 **SEC. 3. EMPLOYER CONTRIBUTIONS TO QUALIFIED TUI-**
 8 **TION PROGRAMS.**

9 (a) IN GENERAL.—Subsection (a) of section 132 of
 10 the Internal Revenue Code of 1986 is amended by striking
 11 “or” at the end of paragraph (7), by striking the period
 12 at the end of paragraph (8) and inserting “, or”, and by
 13 adding at the end the following new paragraph:

14 “(9) qualified tuition program contributions.”.

15 (b) QUALIFIED TUITION PROGRAM CONTRIBU-
 16 TIONS.—Section 132 of the Internal Revenue Code of
 17 1986 is amended by redesignating subsection (o) as sub-
 18 section (p) and by inserting after subsection (n) the fol-
 19 lowing new subsection:

20 “(o) QUALIFIED TUITION PROGRAM CONTRIBU-
 21 TIONS.—For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified tuition
 23 program contributions’ means contributions (includ-
 24 ing matching contributions) made by an employer

1 directly to a qualified tuition program (as described
2 in section 529) designated by an employee if—

3 “(A) such contribution is made to an ac-
4 count under such program for which the des-
5 ignated beneficiary is the employee or a mem-
6 ber of the family of the employee (within the
7 meaning of section 529(e)(2)), and

8 “(B) such contribution is made in connec-
9 tion with a qualified payroll deduction contribu-
10 tion program established by the employer.

11 “(2) QUALIFIED PAYROLL DEDUCTION CON-
12 TRIBUTION PROGRAM.—For purposes of this sub-
13 section, the term ‘qualified payroll deduction con-
14 tribution program’ means a program established by
15 an employer—

16 “(A) under which employees may elect to
17 make contributions to accounts described in
18 paragraph (1)(A) which reduce the amount of
19 wages received directly by such employee by the
20 amount of such contribution, and

21 “(B) which is made available on substan-
22 tially the same terms to each member of a
23 group of employees which is defined under a
24 reasonable classification set up by the employer
25 which does not discriminate in favor of highly

1 compensated employees (as defined in section
2 414(q)).

3 “(3) LIMITATION ON EXCLUSION.—The amount
4 of qualified tuition program contributions which may
5 be excluded from gross income under subsection
6 (a)(9) with respect to any employee shall not exceed
7 \$500 in any calendar year.

8 “(4) INFLATION ADJUSTMENT.—

9 “(A) IN GENERAL.—In the case of any
10 taxable year beginning in a calendar year after
11 2019, the \$500 amount contained in paragraph
12 (3) shall be increased by an amount equal to—

13 “(i) such dollar amount, multiplied by

14 “(ii) the cost-of-living adjustment de-
15 termined under section 1(f)(3) for the cal-
16 endar year in which the taxable year be-
17 gins, determined by substituting ‘calendar
18 year 2018’ for ‘calendar year 2016’ in sub-
19 paragraph (A)(ii) thereof.

20 “(B) ROUNDING.—Any increase deter-
21 mined under subparagraph (A) shall be rounded
22 to the nearest multiple of \$25.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions made after De-
3 cember 31, 2018.

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