

112TH CONGRESS
1ST SESSION

H. R. 1869

To amend the Internal Revenue Code of 1986 to establish lifelong learning accounts to provide an incentive for employees to save for career-related skills development and to promote a competitive workforce through lifelong learning.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2011

Mr. LARSON of Connecticut (for himself, Mr. ROSKAM, Mr. POLIS, and Mr. PAULSEN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, 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 Internal Revenue Code of 1986 to establish lifelong learning accounts to provide an incentive for employees to save for career-related skills development and to promote a competitive workforce through lifelong learning.

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 “Lifelong Learning Ac-
5 counts Act of 2011”.

1 **SEC. 2. LIFELONG LEARNING ACCOUNTS.**

2 (a) IN GENERAL.—Subpart C of part IV of sub-
3 chapter A of chapter 1 of the Internal Revenue Code of
4 1986 (relating to refundable credits) is amended by insert-
5 ing after section 36C the following new section:

6 **“SEC. 36D. CONTRIBUTIONS TO LIFELONG LEARNING AC-
7 COUNTS.**

8 “(a) CREDIT ALLOWED.—In the case of an eligible
9 individual, there shall be allowed as a credit against the
10 tax imposed by this subtitle for the taxable year an
11 amount equal to the applicable percentage of the contribu-
12 tions (other than rollover contributions described in sub-
13 section (e)(5)) paid in cash during such taxable year by
14 or on behalf of such individual to a lifelong learning ac-
15 count of such individual.

16 “(b) LIMITATIONS AND DEFINITIONS RELATED TO
17 ALLOWANCE OF CREDIT.—

18 “(1) DOLLAR LIMITATION.—

19 “(A) IN GENERAL.—The amount of con-
20 tributions taken into account under subsection
21 (a) with respect to any eligible individual for
22 any taxable year shall not exceed the lesser of—

23 “(i) \$2,500, or

24 “(ii) an amount equal to the com-
25 pensation (as defined in section 219(f)(1))

1 includible in the individual's gross income
2 for such taxable year.

3 “(B) CATCH-UP CONTRIBUTIONS FOR INDI-
4 VIDUALS 50 OR OLDER.—

5 “(i) IN GENERAL.—In the case of an
6 individual who has attained the age of 50
7 before the close of the taxable year, the
8 dollar limitation otherwise applicable under
9 subparagraph (A)(i) (without regard to
10 paragraph (2)) for such taxable year shall
11 be increased by—

12 “(I) \$1,000 in the case of taxable
13 years beginning after 2011 and before
14 2016, and

15 “(II) \$1,500 in the case of tax-
16 able years beginning after 2015.

17 “(C) COST-OF-LIVING ADJUSTMENT.—

18 “(i) IN GENERAL.—In the case of any
19 taxable year beginning in a calendar year
20 after 2015, the \$2,500 amount in subpara-
21 graph (A) shall be increased by an amount
22 equal to—

23 “(I) such dollar amount, multi-
24 plied by

1 “(II) the cost-of-living adjust-
2 ment determined under section 1(f)
3 for the calendar year in which the tax-
4 able year begins, determined by sub-
5 stituting ‘calendar year 2014’ for ‘cal-
6 endar year 1992’ in subparagraph (B)
7 thereof.

8 “(ii) ROUNDING RULES.—If any
9 amount after adjustment under clause (i)
10 is not a multiple of \$100, such amount
11 shall be rounded to the next lower multiple
12 of \$100.

13 “(2) LIMITATIONS BASED ON MODIFIED AD-
14 JUSTED GROSS INCOME.—

15 “(A) IN GENERAL.—The dollar amount ap-
16 plicable under paragraph (1) for any taxable
17 year (without regard to this paragraph) shall be
18 reduced (but not below zero) by the reduction
19 amount.

20 “(B) REDUCTION AMOUNT.—For purposes
21 of subparagraph (A), the reduction amount is
22 the amount which bears the same ratio to the
23 dollar amount applicable under paragraph (1)
24 for any taxable year (without regard to this
25 paragraph) as—

1 “(i) the excess of—

2 “(I) the account beneficiary’s
3 modified adjusted gross income for
4 such taxable year, over

5 “(II) \$100,000 (twice such
6 amount in the case of a joint return),
7 bears to

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

10 For purposes of the preceding sentence, the
11 term ‘modified adjusted gross income’ means
12 adjusted gross income increased by any amount
13 excluded from gross income under section 911,
14 931, or 933.

15 “(C) SPECIAL RULE FOR MARRIED INDI-
16 VIDUALS FILING A SEPARATE RETURN.—In the
17 case of a married individual filing a separate re-
18 turn, subparagraph (B)(i)(II) shall be applied
19 by substituting ‘zero’ for the dollar amount
20 therein.

21 “(3) TREATMENT OF EMPLOYER CONTRIBU-
22 TIONS.—

23 “(A) EXCLUSION FROM GROSS INCOME.—
24 Gross income shall not include any contribution
25 to a lifelong learning account made by an em-

1 employer of the account beneficiary to the extent
2 that the aggregate amount of such contribu-
3 tions made during the taxable year does not ex-
4 ceed the limitation in effect under paragraph
5 (1) (determined without regard to subpara-
6 graph (B) of this paragraph) for such taxable
7 year with respect to such beneficiary.

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

19 “(4) APPLICABLE PERCENTAGE.—For purposes
20 of this section, the term ‘applicable percentage’
21 means—

22 “(A) 50 percent with respect to the first
23 \$500 of contributions taken into account under
24 subsection (a) with respect to any eligible indi-
25 vidual for any taxable year, and

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

3 “(5) ELIGIBLE INDIVIDUAL.—For purposes of
4 this section, the term ‘eligible individual’ means any
5 individual for any taxable year if, as of the first day
6 of such taxable year, such individual has attained
7 age 18 but has not attained age 71.

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

10 “(1) IN GENERAL.—The term ‘lifelong learning
11 account’ means a trust created or organized in the
12 United States as a lifelong learning account exclu-
13 sively for the purpose of paying the qualified edu-
14 cation expenses of the account beneficiary, but only
15 if the written governing instrument creating the
16 trust meets the following requirements:

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

19 “(B) Except in the case of a rollover con-
20 tribution described in subsection (e)(5), no con-
21 tribution will be accepted if such contribution,
22 when added to all previous contributions to the
23 trust for the calendar year, would exceed the
24 dollar amount applicable to the account bene-
25 ficiary under subsection (b).

1 “(C) The trustee is a bank (as defined in
2 section 408(n)), an agency or instrumentality of
3 a State, or another person who demonstrates to
4 the satisfaction of the Secretary that the man-
5 ner in which that person will administer the
6 trust will be consistent with the requirements of
7 this section.

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

10 “(E) No part of the trust assets will be in-
11 vested in any collectible (as defined in section
12 408(m)).

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

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

19 “(2) QUALIFIED EDUCATION EXPENSES.—The
20 term ‘qualified education expenses’ means amounts
21 paid by the account beneficiary for education of, or
22 courses of instruction (including training and ap-
23 prenticeship programs) for, the account beneficiary,
24 including—

1 “(A) tuition, fees, and similar payments,
2 and

3 “(B) books, supplies, equipment, tools, and
4 information technology devices, required for
5 such course or education.

6 Such term shall not include amounts paid for any
7 course or other education involving sports, games, or
8 hobbies.

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

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

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

17 “(B) Section 408(g) (relating to commu-
18 nity property laws).

19 “(C) Section 408(h) (relating to custodial
20 accounts).

21 “(d) TAX TREATMENT OF ACCOUNTS.—

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

1 such account is subject to the taxes imposed by sec-
2 tion 511 (relating to imposition of tax on unrelated
3 business income of charitable, etc. organizations).

4 “(2) ACCOUNT TERMINATIONS.—Rules similar
5 to the rules of paragraphs (2) and (4) of section
6 408(e) shall apply to lifelong learning accounts, and
7 any amount treated as distributed under such rules
8 shall be treated as not used to pay qualified edu-
9 cation expenses.

10 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

11 “(1) INCLUSION IN GROSS INCOME.—Any
12 amount distributed out of a lifelong learning account
13 shall be included in gross income by the distributee.

14 “(2) ADDITIONAL TAX.—

15 “(A) IN GENERAL.—Except as otherwise
16 provided in this subsection, the tax imposed by
17 this chapter on the account beneficiary for any
18 taxable year in which there is a nonqualified
19 distribution from a lifelong learning account
20 shall be increased by 10 percent of the amount
21 of such distribution.

22 “(B) EXCEPTIONS.—Subparagraph (A)
23 shall not apply if the distribution is made after
24 the account beneficiary dies, becomes disabled

1 (within the meaning of section 72(m)(7)), or
2 has attained age 70.

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

6 “(A) the aggregate distributions from the
7 account during the taxable year, over

8 “(B) the qualified education expenses of
9 the account beneficiary for the taxable year.

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

12 “(A) IN GENERAL.—If any excess con-
13 tribution is contributed for a taxable year to
14 any lifelong learning account of an individual,
15 paragraphs (1) and (2) shall not apply to dis-
16 tributions from the lifelong learning accounts of
17 such individual (to the extent such distributions
18 do not exceed the aggregate excess contribu-
19 tions to all such accounts of such individual for
20 such year) if—

21 “(i) such distribution is received by
22 the individual on or before the last day
23 prescribed by law (including extensions of
24 time) for filing such individual’s return for
25 such taxable year, and

1 “(ii) such distribution is accompanied
2 by the amount of net income attributable
3 to such excess contribution.

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

7 “(B) EXCESS CONTRIBUTION.—For pur-
8 poses of subparagraph (A), the term ‘excess
9 contribution’ means any contribution (other
10 than a rollover contribution described in para-
11 graph (5)) which is not taken into account for
12 purposes of determining the credit allowed
13 under subsection (a) or the amount excludable
14 from the taxpayer’s gross income under sub-
15 section (b)(3).

16 “(5) ROLLOVER CONTRIBUTION.—An amount is
17 described in this paragraph as a rollover contribu-
18 tion if it meets the requirements of subparagraphs
19 (A) and (B).

20 “(A) IN GENERAL.—Paragraphs (1) and
21 (2) shall not apply to any amount paid or dis-
22 tributed from a lifelong learning account to the
23 account beneficiary to the extent the amount
24 received is paid into a lifelong learning account
25 for the benefit of such beneficiary not later

1 than the 60th day after the day on which the
2 beneficiary receives the payment or distribution.

3 “(B) LIMITATION.—This paragraph shall
4 not apply to any amount described in subpara-
5 graph (A) received by an individual from a life-
6 long learning account if, at any time during the
7 1-year period ending on the day of such receipt,
8 such individual received any other amount de-
9 scribed in subparagraph (A) from a lifelong
10 learning account to which paragraphs (1) and
11 (2) did not apply by reason of the application
12 of this paragraph.

13 “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-
14 VORCE.—The transfer of an individual’s interest in
15 a lifelong learning account to an individual’s spouse
16 or former spouse under a divorce or separation in-
17 strument described in subparagraph (A) of section
18 71(b)(2) shall not be considered a taxable transfer
19 made by such individual notwithstanding any other
20 provision of this subtitle, and such interest shall,
21 after such transfer, be treated as a lifelong learning
22 account with respect to which such spouse is the ac-
23 count beneficiary.

24 “(7) TREATMENT AFTER DEATH OF ACCOUNT
25 BENEFICIARY.—

1 “(A) TREATMENT IF DESIGNATED BENE-
2 FICIARY IS SPOUSE.—If the account bene-
3 ficiary’s surviving spouse acquires such bene-
4 ficiary’s interest in a lifelong learning account
5 by reason of being the designated beneficiary of
6 such account at the death of the account bene-
7 ficiary, such lifelong learning account shall be
8 treated as if the spouse were the account bene-
9 ficiary.

10 “(B) OTHER CASES.—

11 “(i) IN GENERAL.—If, by reason of
12 the death of the account beneficiary, any
13 person acquires the account beneficiary’s
14 interest in a lifelong learning account in a
15 case to which subparagraph (A) does not
16 apply—

17 “(I) such account shall cease to
18 be a lifelong learning account as of
19 the date of death, and

20 “(II) an amount equal to the fair
21 market value of the assets in such ac-
22 count on such date shall be includible
23 if such person is not the estate of
24 such beneficiary, in such person’s
25 gross income for the taxable year

1 which includes such date, or if such
2 person is the estate of such bene-
3 ficiary, in such beneficiary's gross in-
4 come for the last taxable year of such
5 beneficiary.

6 “(ii) DEDUCTION FOR ESTATE
7 TAXES.—An appropriate deduction shall be
8 allowed under section 691(c) to any person
9 (other than the decedent or the decedent's
10 spouse) with respect to amounts included
11 in gross income under clause (i) by such
12 person.

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

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

24 (1) by striking “or” at the end of subsection

25 (a)(4), by inserting “or” at the end of subsection

1 (a)(5), and by inserting after subsection (a)(5) the
2 following new paragraph:

3 “(6) a lifelong learning account (within the
4 meaning of section 36D(c)),”, and

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

7 “(h) EXCESS CONTRIBUTIONS TO LIFELONG LEARN-
8 ING ACCOUNTS.—For purposes of this section, in the case
9 of lifelong learning accounts (within the meaning of sec-
10 tion 36D(c)), the term ‘excess contributions’ means the
11 sum of—

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

19 “(2) the amount determined under this sub-
20 section for the preceding taxable year, reduced by
21 the sum of—

22 “(A) the distributions out of the accounts
23 with respect to which additional tax was im-
24 posed under section 36D(e)(2)(A) for the tax-
25 able year, and

1 “(B) the excess (if any) of—

2 “(i) the maximum amount of con-
3 tributions which may be taken into account
4 under section 36D(a) for the taxable year,
5 over

6 “(ii) the amount contributed to the
7 accounts for the taxable year.

8 For purposes of this subsection, any contribu-
9 tion which is distributed out of the lifelong
10 learning account in a distribution to which sec-
11 tion 36D(e)(4) applies shall be treated as an
12 amount not contributed.”.

13 (c) TAX ON PROHIBITED TRANSACTIONS.—

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

20 “(G) a lifelong learning account described
21 in section 36D(c), or”.

22 (2) Subsection (c) of section 4975 of such Code
23 is amended by adding at the end the following new
24 paragraph:

1 “(7) SPECIAL RULE FOR LIFELONG LEARNING
2 ACCOUNTS.—An individual for whose benefit a life-
3 long learning account is established shall be exempt
4 from the tax imposed by this section with respect to
5 any transaction concerning such account (which
6 would otherwise be taxable under this section) if,
7 with respect to such transaction, the account ceases
8 to be a lifelong learning account by reason of the ap-
9 plication of section 36D(d)(2) to such account.”.

10 (d) FAILURE TO PROVIDE REPORTS ON LIFELONG
11 LEARNING ACCOUNTS.—Paragraph (2) of section 6693(a)
12 of the Internal Revenue Code of 1986 is amended by re-
13 designating subparagraphs (A) through (E) as subpara-
14 graphs (B) through (F), respectively, and by inserting be-
15 fore subparagraph (B) (as so redesignated) the following
16 new subparagraph:

17 “(A) section 36D(f) (relating to lifelong
18 learning accounts),”.

19 (e) EXCLUSION FROM EMPLOYMENT TAXES.—

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

1 and by inserting after paragraph (23) the following
2 new paragraph:

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

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

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

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

23 “(21) any payment made to or for the benefit
24 of an employee if at the time of such payment it is
25 reasonable to believe that the employee will be able

1 to exclude such payment from income under section
2 36D(b)(3).”.

3 (4) WITHHOLDING TAX.—Subsection (a) of sec-
4 tion 3401 of such Code is amended by striking “or”
5 at the end of paragraph (22), by striking the period
6 at the end of paragraph (23) and inserting “; or”,
7 and by inserting after paragraph (23) the following
8 new paragraph:

9 “(24) any payment made to or for the benefit
10 of an employee if at the time of such payment it is
11 reasonable to believe that the employee will be able
12 to exclude such payment from income under section
13 36D(b)(3).”.

14 (5) EMPLOYER CONTRIBUTIONS REQUIRED TO
15 BE SHOWN ON W-2.—Subsection (a) of section 6051
16 of such Code is amended by striking “and” at the
17 end of paragraph (13), by striking the period at the
18 end of paragraph (14) and inserting “, and”, and by
19 inserting after paragraph (14) the following new
20 paragraph:

21 “(15) the amount contributed to any lifelong
22 learning account (as defined in section 36D) on be-
23 half of such employee.”.

24 (6) SOCIAL SECURITY TRUST FUNDS HELD
25 HARMLESS.—There is hereby appropriated (out of

1 any money in the Treasury not otherwise appro-
2 priated) for each fiscal year to each fund under the
3 Social Security Act an amount equal to the reduc-
4 tion in the transfers to such fund for such fiscal
5 year by reason of the amendment made by para-
6 graph (1).

7 (f) EXEMPTION FROM ERISA REQUIREMENTS.—
8 Subsection (b) of section 4 of the Employee Retirement
9 Income Security Act of 1974 is amended by striking “or”
10 at the end of paragraph (4), by striking the period at the
11 end of paragraph (5) and inserting “; or”, and by insert-
12 ing after paragraph (5) the following new paragraph:

13 “(6) such plan is maintained solely for the pur-
14 poses of establishing, and making contributions to,
15 lifelong learning accounts (as defined in section 36D
16 of the Internal Revenue Code of 1986) on behalf of
17 employees.”.

18 (g) CONFORMING AMENDMENTS.—

19 (1) The table of sections for subpart C of part
20 IV of subchapter A of chapter 1 of the Internal Rev-
21 enue Code of 1986 is amended by inserting after the
22 item relating to section 36C the following new item:

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

23 (2) Section 6211(b)(4)(A) of such Code is
24 amended by inserting “36D,” after “36C,”.

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

4 (h) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 the date of the enactment of this Act.

7 **SEC. 3. CREDIT FOR EMPLOYER CONTRIBUTIONS TO LIFE-**
8 **LONG LEARNING ACCOUNTS AND ADMINIS-**
9 **TRATIVE EXPENSES OF CERTAIN SMALL EM-**
10 **PLOYERS.**

11 (a) IN GENERAL.—Subpart D of part IV of sub-
12 chapter A of chapter 1 of the Internal Revenue Code of
13 1986 (relating to business related credits) is amended by
14 adding at the end the following new section:

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

16 “(a) IN GENERAL.—For purposes of section 38, the
17 lifelong learning accounts credit is the sum of—

18 “(1) the lifelong learning account contributions
19 credit, and

20 “(2) in the case of an eligible employer, the
21 small employer lifelong learning account administra-
22 tive costs credit.

23 “(b) LIFELONG LEARNING ACCOUNT CONTRIBU-
24 TIONS CREDIT.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘lifelong learning account contribu-
3 tions credit’ means the amount equal to 25 percent
4 of the aggregate amount paid or incurred by the tax-
5 payer during the taxable year as contributions to
6 lifelong learning accounts (as defined in section
7 36D) of employees of the taxpayer.

8 “(2) DOLLAR LIMITATION.—The amount of the
9 contributions taken into account under paragraph
10 (1) with respect to any employee for any taxable
11 year shall not exceed \$2,500.

12 “(c) SMALL EMPLOYER LIFELONG LEARNING AC-
13 COUNT ADMINISTRATIVE COSTS CREDIT.—

14 “(1) IN GENERAL.—For purposes of this sec-
15 tion, the term ‘small employer lifelong learning ac-
16 count administrative costs credit’ means, in the case
17 of an eligible employer, the amount equal to 50 per-
18 cent of the aggregate amount paid or incurred by
19 the taxpayer during the taxable year as administra-
20 tive expenses in carrying out a program to make
21 payments to the lifelong learning accounts (as de-
22 fined in section 36D) of employees of the taxpayer.

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

1 “(A) \$500 for the first credit year and
2 each of the 2 taxable years immediately fol-
3 lowing the first credit year, and

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

5 “(3) DEFINITIONS.—For purposes of this sub-
6 section—

7 “(A) ELIGIBLE EMPLOYER.—The term ‘eli-
8 gible employer’ has the meaning given such
9 term by section 408(p)(2)(C)(i).

10 “(B) FIRST CREDIT YEAR.—The term
11 ‘first credit year’ means the first taxable year
12 for which the taxpayer claims a credit under
13 this section.

14 “(4) SPECIAL RULES.—For purposes of this
15 subsection, rules similar to the rules of paragraphs
16 (1), (2), and (3) of section 45E(e) shall apply.”.

17 (b) CREDIT PART OF GENERAL BUSINESS CREDIT.—
18 Section 38(b) of such Code is amended by striking “plus”
19 at the end of paragraph (35), by striking the period at
20 the end of paragraph (36) and inserting “, plus”, and by
21 adding at the end the following new paragraph:

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

24 (c) DEDUCTION FOR UNUSED CREDIT.—Section
25 196(c) of such Code is amended by striking “and” at the

1 end of paragraph (13), by striking the period at the end
2 of paragraph (14) and inserting “, and”, and by adding
3 at the end the following new paragraph:

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

6 (d) CLERICAL AMENDMENT.—The table of sections
7 for subpart D of part IV of subchapter A of chapter 1
8 of such Code is amended by adding at the end the fol-
9 lowing new item:

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

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 the date of the enactment of this Act.

○