II

117TH CONGRESS
2D SESSION

# S. 4023

To amend the Internal Revenue Code of 1986 to establish Lifelong Learning and Training Account programs.

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IN THE SENATE OF THE UNITED STATES

APRIL 7, 2022

Mr. WARNER (for himself and Mr. COONS) introduced the following bill; which was read twice and referred to the Committee on Finance

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# A BILL

To amend the Internal Revenue Code of 1986 to establish Lifelong Learning and Training Account programs.

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

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Lifelong Learning and Training Account Act of 2021''.

**SEC. 2. LIFELONG LEARNING AND TRAINING ACCOUNT PROGRAMS.**

(a) IN GENERAL.—Part VIII of subchapter F of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 530 the following new section:

**"SEC. 530A. LIFELONG LEARNING AND TRAINING ACCOUNT PROGRAMS.**

"(a) IN GENERAL.—A Lifelong Learning and Training Account program shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such program shall be subject to the taxes imposed by section 511.

"(b) LIFELONG LEARNING AND TRAINING ACCOUNT PROGRAM.—For purposes of this section—

"(1) IN GENERAL.—The term 'Lifelong Learning and Training Account program' means a program established and maintained by a State or agency or instrumentality thereof—

"(A) under which the designated beneficiary of the account or their employer may make contributions to an account which is established for the purpose of meeting the qualified training expenditures of such beneficiary, and

"(B) which meets the other requirements of this section.

"(2) QUALIFIED TRUST.—Except to the extent provided in regulations, a program shall not be treated as a Lifelong Learning and Training Account program unless such program provides that amounts are held in a qualified trust and such program has received a ruling or determination by the Secretary that such program meets the applicable requirements for a Lifelong Learning and Training Account program. For purposes of the preceding sentence, the term 'qualified trust' means a trust which is created or organized in the United States for the exclusive benefit of designated beneficiaries and with respect to which the requirements of paragraphs (2) and (5) of section 408(a) are met.

"(3) REQUIREMENTS.—

"(A) IN GENERAL.—A program shall not be treated as a Lifelong Learning and Training Account program unless it provides—

"(i) that contributions may only be made in cash,

"(ii) separate accounting for each designated beneficiary,

"(iii) that no interest in the program or any portion thereof may be used as security for a loan,

"(iv) that no contributions may be made on behalf of a designated beneficiary—

"(I) in excess of $2,000 during any calendar year, "(II) if the total amount in the account of such beneficiary is in excess of $15,000, or

"(III) during any calendar year which begins after such beneficiary attains 57 years of age,

"(v) that any distribution shall be made in accordance with the requirements under subparagraphs (B) and (C), and

"(vi) that required distributions shall be made in accordance with paragraph (6).

"(B) METHOD OF DISTRIBUTION.—

"(i) IN GENERAL.—For purposes of any distribution from the account of a designated beneficiary under a Lifelong Learning and Training Account program—

"(I) the applicable amount of such distribution shall be drawn from amounts transferred to the account of the designated beneficiary pursuant to paragraph (4) and any earnings thereon, and

"(II) after application of subclause (I), the remainder of such distribution shall be drawn from amounts contributed by the designated beneficiary or their employer and any earnings thereon.

"(ii) APPLICABLE AMOUNT.—For purposes of clause (i)(I), the applicable amount shall be an amount equal to the lesser of—

"(I) 50 percent of the amount of the distribution, or

"(II) the total amount of any available funds in the account of the designated beneficiary which were transferred pursuant to paragraph (4) and any earnings thereon.

"(iii) OTHER METHODS.—The Secretary may amend, alter, or supplement the distribution requirements under this subparagraph in such manner as the Secretary deems appropriate.

"(C) REPORTING.—For purposes of any distribution from the account of a designated beneficiary under a Lifelong Learning and Training Account program, the administrator shall provide the beneficiary and the Secretary with such information as the Secretary deems appropriate, including—

"(i) the amount of such distribution, including the applicable amount of such distribution (as described in subparagraph (B)(ii)), and

"(ii) whether such distribution was provided—

"(I) directly to the program described in clauses (i) through (iii) of subsection (e)(5)(A) which provides training to the beneficiary, or

"(II) to reimburse the beneficiary for any qualified training expenditures incurred by such beneficiary.

"(4) MATCHING FUNDS.—

"(A) TRANSFER TO BENEFICIARY ACCOUNT.—

"(i) IN GENERAL.—Out of any moneys in the Treasury not otherwise appropriated, the Secretary shall transfer to the account of any designated beneficiary under a Lifelong Learning and Training Account program an amount equal to any amounts contributed to such account by such beneficiary or their employer which occur during any calendar year which begins after the date on which such beneficiary attains 24 years of age.

"(ii) LIMITATION.—Any amounts transferred by the Secretary to the account of any designated beneficiary pursuant to clause (i) during any calendar year—

"(I) shall not exceed $1,000, and

"(II) shall not be subject to the limitation under paragraph (3)(A)(iv)(I).

"(B) DEPOSIT OF MATCHING FUNDS.—Any amounts required to be transferred to the account of a designated beneficiary under subparagraph (A) shall be transferred by the Secretary as soon as is practicable following any contribution to such account by such beneficiary or their employer.

"(C) REDUCTION IN MATCHING FUNDS.—

"(i) IN GENERAL.—For each applicable taxable year, the dollar amount in subparagraph (A)(ii)(I) shall be reduced (but not below zero) by an amount equal to the greater of—

"(I) an amount which bears the same ratio to such dollar amount as—

"(aa) the amount (not less than zero) equal to the adjusted gross income of the taxpayer for the applicable taxable year minus $72,000, bears to

"(bb) $10,000, or

"(II) an amount which bears the same ratio to such dollar amount as—

"(aa) the amount (not less than zero) equal to the earned income (as described in section 32(c)(2)) of the designated beneficiary for the applicable taxable year minus $72,000, bears to

"(bb) $10,000.

"(ii) MARRIED INDIVIDUALS.—In the case of a designated beneficiary who is married (within the meaning of section 7703)—

"(I) if such beneficiary has filed a joint return for the applicable taxable year, each of the dollar amounts under clause (i)(I) shall be doubled for such year, or

"(II) if such beneficiary has not filed a joint return for the applicable taxable year, the dollar amount in subparagraph (A)(ii)(I) shall be reduced to zero for such year.

"(iii) APPLICABLE TAXABLE YEAR.—For purposes of this subparagraph, the term 'applicable taxable year' means the taxable year in which the transfer described in subparagraph (A)(i) is made to the account of the designated beneficiary.

"(iv) EXCESS TRANSFERS.—If the total amount of any transfers made to the account of a designated beneficiary pursuant to subparagraph (A)(i) during an applicable taxable year exceeds the dollar amount under subparagraph (A)(ii)(I) (after application of clauses (i) and (ii)) for such taxable year, the tax imposed by this chapter for such taxable year shall be increased by the amount of such excess.

"(D) DISTRIBUTION OF MATCHING FUNDS.—

"(i) IN GENERAL.—Any distribution under a Lifelong Learning and Training Account program made from amounts transferred pursuant to this paragraph shall be made by the administrator—

"(I) directly to the program described in clauses (i) through (iii) of subsection (e)(5)(A) which provides training to the designated beneficiary, or

"(II) to reimburse the designated beneficiary for any qualified training expenditures incurred by such beneficiary,

provided that the beneficiary has provided the administrator with such documentation as is deemed necessary to ensure compliance with clause (ii).

"(ii) PROHIBITION.—No amounts transferred pursuant to this paragraph to any account of a designated beneficiary under a Lifelong Learning and Training Account program may be distributed for any purpose other than for payment or reimbursement of qualified training expenditures.

"(E) ADDITIONAL REDUCTION FOR NON-QUALIFIED DISTRIBUTIONS.—For purposes of any amount of a distribution under a Lifelong Learning and Training Account program which is includible in the gross income of the designated beneficiary, any available funds in the account of such beneficiary which were transferred pursuant to this paragraph (and any earnings thereon) shall also be reduced by such amount.

"(F) RESCISSION OF MATCHING FUNDS.—On January 1 of the applicable calendar year, any available funds in the account of such beneficiary which were transferred pursuant to this paragraph (and any earnings thereon) shall be reduced to zero.

"(5) INVESTMENT.—

"(A) IN GENERAL.—Any contributions or transfers to a Lifelong Learning and Training Account program (and any earnings thereon) shall be invested by the administrator in United States Treasury securities with a maturity date of not greater than 10 years.

"(B) SECRETARIAL AUTHORITY.—The Secretary may prescribe such regulations, rules, or other guidance as may be necessary or appropriate for purposes of applying this paragraph.

"(6) REQUIRED DISTRIBUTIONS.—On January 1 of the applicable calendar year, the total amount of available funds in the account of the designated beneficiary which were contributed by the designated beneficiary or their employer (and any earnings thereon) shall be distributed to such beneficiary.

"(c) TAX TREATMENT.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, no amount shall be includible in gross income of—

"(A) a designated beneficiary under a Lifelong Learning and Training Account program, or

"(B) an employer of such beneficiary that contributes to such program on behalf of such beneficiary,

with respect to any distribution or earnings under such program.

"(2) DISTRIBUTIONS.—

"(A) IN GENERAL.—Any distribution under a Lifelong Learning and Training Account program shall be includible in the gross income of the distributee in the manner as provided under section 72 to the extent not excluded from gross income under any other provision of this chapter.

"(B) DISTRIBUTIONS FOR QUALIFIED TRAINING EXPENDITURES.—

"(i) IN GENERAL.—In the case of any distributions, if such distributions do not exceed the qualified training expenditures of the designated beneficiary, no amount shall be includible in gross income.

"(ii) COORDINATION WITH OTHER CREDITS.—For purposes of determining the credit allowed under section 25A, no distribution under a Lifelong Learning and Training Account program shall be included as qualified tuition and related expenses under such section.

"(C) CHANGE IN BENEFICIARIES OR PROGRAMS.—

"(i) ROLLOVERS.—Subparagraph (A) shall not apply to that portion of any distribution which, within 60 days of such distribution, is transferred—

"(I) to another Lifelong Learning and Training Account program for the benefit of the designated beneficiary, or

"(II) to the credit of another designated beneficiary under a Lifelong Learning and Training Account program who is a member of the family of the designated beneficiary with respect to which the distribution was made.

"(ii) CHANGE IN DESIGNATED BENEFICIARIES.—Any change in the designated beneficiary of an interest in a Lifelong Learning and Training Account program shall not be treated as a distribution for purposes of subparagraph (A) if the new beneficiary is a member of the family of the old beneficiary.

"(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any transfer if such transfer occurs within 12 months from the date of a previous transfer to any Lifelong Learning and

Training Account program for the benefit of the designated beneficiary.

"(iv) MATCHING FUNDS FORFEITED.—In the case of any transfer described in clause (i)(II) or any change in the designated beneficiary of an interest in a Lifelong Learning and Training Account program (with the exception of any change due to the death of the old beneficiary), any amounts transferred to the account of the designated beneficiary under subsection (b)(4), and any earnings thereon, shall be reduced (but not below zero) by an amount equal to the total amount transferred to any account of any other beneficiary.

"(D) SPECIAL RULE FOR CONTRIBUTIONS OF REFUNDED AMOUNTS.—In the case of a beneficiary who receives a refund of any qualified training expenditures from any program described in clauses (i) through (iii) of subsection (e)(5)(A), subparagraph (A) shall not apply to that portion of any distribution for the taxable year which is recontributed to a Lifelong Learning and Training Account program of which such individual is a beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount.

"(3) ESTATE TAX TREATMENT.—

"(A) IN GENERAL.—No amount shall be includible in the gross estate of any individual for purposes of chapter 11 by reason of an interest in a Lifelong Learning and Training Account program.

"(B) AMOUNTS INCLUDIBLE IN ESTATE OF DESIGNATED BENEFICIARY IN CERTAIN CASES.—Subparagraph (A) shall not apply to amounts distributed on account of the death of a beneficiary.

"(4) OTHER GIFT TAX RULES.—For purposes of chapters 12 and 13—

"(A) TREATMENT OF DISTRIBUTIONS.—Except as provided in subparagraph (B), in no event shall a distribution from a Lifelong Learning and Training Account program be treated as a taxable gift.

"(B) TREATMENT OF DESIGNATION OF NEW BENEFICIARY.—The taxes imposed by chapters 12 and 13 shall apply to a transfer by reason of a change in the designated beneficiary under the program (or a rollover to the account of a new beneficiary) unless the new beneficiary is—

"(i) assigned to the same generation as (or a higher generation than) the old beneficiary (determined in accordance with section 2651), and

"(ii) a member of the family of the old beneficiary.

"(5) ADDITIONAL TAX.—The tax imposed by section 530(d)(4) shall apply to any payment or distribution from a Lifelong Learning and Training Account program in the same manner as such tax applies to a payment or distribution from a Coverdell education savings account.

"(d) REPORTS.—Each officer or employee having control of the Lifelong Learning and Training Account program or their designee shall make such reports regarding such program to the Secretary and to designated beneficiaries with respect to contributions, transfers, distributions, and such other matters as the Secretary may require. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by the Secretary.

"(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) ADMINISTRATOR.—The term 'administrator' means the entity which established the Lifelong Learning and Training Account program and maintains such program, as described in subsection (b)(1).

"(2) APPLICABLE CALENDAR YEAR.—The term 'applicable calendar year' means the calendar year beginning after the date on which a designated beneficiary attained 60 years of age.

"(3) DESIGNATED BENEFICIARY.—The term 'designated beneficiary' means—

"(A) the individual designated at the commencement of participation in the Lifelong Learning and Training Account program as the beneficiary of amounts paid (or to be paid) to the program, or

"(B) in the case of a change in beneficiaries described in subsection (c)(2)(C), the individual who is the new beneficiary.

"(4) MEMBER OF FAMILY.—The term 'member of the family' means an individual—

"(A) who has attained 25 years of age, and

"(B) who is, with respect to any designated beneficiary—

"(i) the spouse of such beneficiary,

"(ii) an individual who bears a relationship to such beneficiary which is described in subparagraphs (A) through (G) of section 152(d)(2),

"(iii) the spouse of any individual described in clause (ii), or

"(iv) any first cousin of such beneficiary.

"(5) QUALIFIED TRAINING EXPENDITURES.—

"(A) IN GENERAL.—The term 'qualified training expenditures' means any expenditures for training which results in the attainment of a recognized postsecondary credential and which is provided through—

"(i) a program of training services which is listed under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)),

"(ii) a program which is conducted by an area career and technical education school, a community college, or a labor organization, or

"(iii) a program which is sponsored and administered by an industry trade association, industry or sector partnership, or labor organization.

"(B) RELATED DEFINITIONS.—For purposes of subparagraph (A)—

"(i) AREA CAREER AND TECHNICAL EDUCATION SCHOOL.—The term 'area career and technical education school' means such a school, as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302), which participates in a program under that Act (20 U.S.C. 2301 et seq.).

"(ii) COMMUNITY COLLEGE.—The term 'community college' means an institution which—

"(I) is a junior or community college as defined in section 312(f) of the Higher Education Act of 1965 (20 U.S.C. 1058(f)), except that the institution need not meet the requirements of paragraph (1) of that section; and

"(II) participates in a program under title IV of that Act (20 U.S.C. 1070 et seq.).

"(iii) INDUSTRY OR SECTOR PARTNERSHIP.—The term 'industry or sector partnership' has the meaning given such term under section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).

"(iv) INDUSTRY TRADE ASSOCIATION.—The term 'industry trade association' means an organization which—

"(I) is described in paragraph (3) or (6) of section 501(c) and exempt from taxation under section 501(a); and

"(II) is representing an industry.

"(v) LABOR ORGANIZATION.—The term 'labor organization' means a labor organization, within the meaning of the term in section 501(c)(5).

"(vi) RECOGNIZED POSTSECONDARY CREDENTIAL.—The term 'recognized postsecondary credential' means a credential consisting of an industry-recognized certificate or certification, a license recognized by the State involved or Federal Government, or an associate or baccalaureate degree.

"(C) EXCLUSION.—The term 'qualified training expenditures' shall not include any amounts paid for meals, lodging, transportation, or other services incidental to any training described in subparagraph (A).

"(6) APPLICATION OF SECTION 514.—An interest in a Lifelong Learning and Training Account program shall not be treated as debt for purposes of section 514.

"(f) PUBLIC AWARENESS.—

"(1) IN GENERAL.—The Secretary shall conduct a public information campaign, utilizing paid advertising, to inform the public of the availability of Lifelong Learning and Training Account programs.

"(2) AUTHORIZATION OF APPROPRIATIONS.—

"(A) IN GENERAL.—There is authorized to be appropriated such sums as are necessary to carry out this subsection.

"(B) AVAILABILITY.—Any sums appropriated under the authorization contained in this subsection shall remain available, without fiscal year limitation, until expended.

"(g) REGULATIONS.—Notwithstanding any other provision of this section, the Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section and to prevent abuse of such purposes, including regulations under chapters 11, 12, and 13 of this title.".

(b) CONFORMING AMENDMENTS.—

(1) Section 135(d)(2)(B) of the Internal Revenue Code of 1986 is amended by striking "sections 529(c)(3)(B) and 530(d)(2)" and inserting "sections 529(c)(3)(B), 530(d)(2), and 530A(c)(2)(B)".

(2) The table of sections for part VIII of subchapter F of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 530 the following new item:

"Sec. 530A. Lifelong Learning and Training Account programs.".

(c) ADMINISTRATION ASSISTANCE.—

(1) IN GENERAL.—The Secretary of the Treasury, or the Secretary's delegate (referred to in this paragraph as the "Secretary"), shall make a grant, in such amount as the Secretary determines appropriate, to each State or agency or instrumentality thereof that has established and maintains a Lifelong Learning and Training Account program under

section 530A of the Internal Revenue Code of 1986 (as added by subsection (a)), for purposes of administering such program.

(2) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this subsection.

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

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