

110TH CONGRESS
2D SESSION

H. R. 6036

To amend the Internal Revenue Code of 1986 to establish lifelong learning accounts to provide an incentive to save for education.

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 2008

Mr. EMANUEL (for himself and Mr. RAMSTAD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and Labor, 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 to save for education.

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 2008”.

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

7 (a) IN GENERAL.—Subpart C of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to refundable credits) is amended by redes-
 2 ignating section 36 as section 37 and by inserting after
 3 section 35 the following new section:

4 **“SEC. 36. CONTRIBUTIONS TO LIFELONG LEARNING AC-**
 5 **COUNTS.**

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

14 “(b) LIMITATIONS AND DEFINITIONS RELATED TO
 15 ALLOWANCE OF CREDIT.—

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

20 “(A) \$2,500, or

21 “(B) an amount equal to the compensation
 22 (as defined in section 219(f)(1)) includible in
 23 the individual’s gross income for such taxable
 24 year.

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

3 “(A) PHASEOUT OF DOLLAR LIMITATION
4 BASED ON ACCOUNT BENEFICIARY’S MODIFIED
5 ADJUSTED GROSS INCOME.—The \$2,500
6 amount contained in paragraph (1)(A) shall be
7 reduced (but not below zero) by the account
8 beneficiary’s reduction amount.

9 “(B) PER CONTRIBUTOR LIMITATION
10 BASED ON CONTRIBUTOR’S MODIFIED AD-
11 JUSTED GROSS INCOME.—In the case of a con-
12 tributor who is an individual (other than an em-
13 ployer of the account beneficiary), the aggre-
14 gate amount of the contributions of such con-
15 tributor which may be taken into account under
16 subsection (a) with respect to any eligible indi-
17 vidual for any taxable year shall not exceed the
18 excess (if any) of \$2,500 over such contribu-
19 tor’s reduction amount.

20 “(C) ACCOUNT BENEFICIARY’S REDUCTION
21 AMOUNT.—For purposes of subparagraph (A),
22 the account beneficiary’s reduction amount is
23 the amount which bears the same ratio to
24 \$2,500 as—

25 “(i) the excess of—

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

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

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

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

14 “(D) CONTRIBUTOR’S REDUCTION
15 AMOUNT.—For purposes of subparagraph (B),
16 the contributor’s reduction amount is the
17 amount that would be determined under sub-
18 paragraph (C) if ‘contributor’ were substituted
19 for ‘account beneficiary’ each place it appears
20 therein.

21 “(E) SPECIAL RULE FOR MARRIED INDIVIDUALS
22 FILING A SEPARATE RETURN.—In the
23 case of a married individual filing a separate re-
24 turn, subparagraph (C)(i)(II) shall be applied

1 by substituting ‘zero’ for the dollar amount
2 therein.

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

5 “(A) EXCLUSION FROM GROSS INCOME.—

6 Gross income shall not include any contribution
7 to a lifelong learning account made by an em-
8 ployer of the account beneficiary to the extent
9 that the aggregate amount of such contribu-
10 tions made during the taxable year does not ex-
11 ceed the limitation in effect under paragraph
12 (1) (determined without regard to subpara-
13 graph (B) of this paragraph) for such taxable
14 year with respect to such beneficiary.

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

1 “(4) APPLICABLE PERCENTAGE.—For purposes
2 of this section, the term ‘applicable percentage’
3 means—

4 “(A) 50 percent with respect to the first
5 \$500 of contributions taken into account under
6 subsection (a) with respect to any eligible indi-
7 vidual for any taxable year, and

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

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

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

17 “(1) IN GENERAL.—The term ‘lifelong learning
18 account’ means a trust created or organized in the
19 United States as a lifelong learning account exclu-
20 sively for the purpose of paying the qualified edu-
21 cation expenses of the account beneficiary, but only
22 if the written governing instrument creating the
23 trust meets the following requirements:

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

1 “(B) Except in the case of a rollover con-
2 tribution described in subsection (e)(5), no con-
3 tribution will be accepted if such contribution,
4 when added to all previous contributions to the
5 trust for the calendar year, would exceed
6 \$2,500.

7 “(C) The trustee is a bank (as defined in
8 section 408(n)), an agency or instrumentality of
9 a State, or another person who demonstrates to
10 the satisfaction of the Secretary that the man-
11 ner in which that person will administer the
12 trust will be consistent with the requirements of
13 this section.

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

16 “(E) No part of the trust assets will be in-
17 vested in any collectible (as defined in section
18 408(m)).

19 “(F) The assets of the trust will not be
20 commingled with other property except in a
21 common trust fund or common investment
22 fund.

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

1 “(2) QUALIFIED EDUCATION EXPENSES.—The
2 term ‘qualified education expenses’ means amounts
3 paid by the account beneficiary for education of, or
4 courses of instruction (including training and ap-
5 prenticeship programs) for, the account beneficiary
6 or the account beneficiary’s spouse, including—

7 “(A) tuition, fees, and similar payments,
8 and

9 “(B) books, supplies, equipment, tools, and
10 information technology devices, required for
11 such course or education.

12 Such term shall not include amounts paid for any
13 course or other education involving sports, games, or
14 hobbies.

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

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

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

23 “(B) Section 408(g) (relating to commu-
24 nity property laws).

1 “(C) Section 408(h) (relating to custodial
2 accounts).

3 “(d) TAX TREATMENT OF ACCOUNTS.—

4 “(1) IN GENERAL.—A lifelong learning account
5 is exempt from taxation under this subtitle unless
6 such account has ceased to be a lifelong learning ac-
7 count. Notwithstanding the preceding sentence, any
8 such account is subject to the taxes imposed by sec-
9 tion 511 (relating to imposition of tax on unrelated
10 business income of charitable, etc. organizations).

11 “(2) ACCOUNT TERMINATIONS.—Rules similar
12 to the rules of paragraphs (2) and (4) of section
13 408(e) shall apply to lifelong learning accounts, and
14 any amount treated as distributed under such rules
15 shall be treated as not used to pay qualified edu-
16 cation expenses.

17 “(e) TAX TREATMENT OF DISTRIBUTIONS.—

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

21 “(2) ADDITIONAL TAX.—

22 “(A) IN GENERAL.—Except as otherwise
23 provided in this subsection, the tax imposed by
24 this chapter on the account beneficiary for any
25 taxable year in which there is a nonqualified

1 distribution from a lifelong learning account
2 shall be increased by 10 percent of the amount
3 of such distribution.

4 “(B) EXCEPTIONS.—Subparagraph (A)
5 shall not apply if the distribution is made after
6 the account beneficiary dies, becomes disabled
7 (within the meaning of section 72(m)(7)), or
8 has attained age 70.

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

12 “(A) the aggregate distributions from the
13 account during the taxable year, over

14 “(B) the qualified education expenses of
15 the account beneficiary for the taxable year.

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

18 “(A) IN GENERAL.—If any excess con-
19 tribution is contributed for a taxable year to
20 any lifelong learning account of an individual,
21 paragraphs (1) and (2) shall not apply to dis-
22 tributions from the lifelong learning accounts of
23 such individual (to the extent such distributions
24 do not exceed the aggregate excess contribu-

tions to all such accounts of such individual for such year) if—

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

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

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

“(B) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term ‘excess contribution’ means any contribution (other than a rollover contribution described in paragraph (6)) which is not taken into account for purposes of determining the credit allowed under subsection (a) or the amount excludable from the taxpayer’s gross income under subsection (b)(3).

“(5) ROLLOVER CONTRIBUTION.—An amount is described in this paragraph as a rollover contribu-

1 tion if it meets the requirements of subparagraphs
2 (A) and (B).

3 “(A) IN GENERAL.—Paragraphs (1) and
4 (2) shall not apply to any amount paid or dis-
5 tributed from a lifelong learning account to the
6 account beneficiary to the extent the amount
7 received is paid into a lifelong learning account
8 for the benefit of such beneficiary not later
9 than the 60th day after the day on which the
10 beneficiary receives the payment or distribution.

11 “(B) LIMITATION.—This paragraph shall
12 not apply to any amount described in subpara-
13 graph (A) received by an individual from a life-
14 long learning account if, at any time during the
15 1-year period ending on the day of such receipt,
16 such individual received any other amount de-
17 scribed in subparagraph (A) from a lifelong
18 learning account to which paragraphs (1) and
19 (2) did not apply by reason of the application
20 of this paragraph.

21 “(6) TRANSFER OF ACCOUNT INCIDENT TO DI-
22 VORCE.—The transfer of an individual’s interest in
23 a lifelong learning account to an individual’s spouse
24 or former spouse under a divorce or separation in-
25 strument described in subparagraph (A) of section

1 71(b)(2) shall not be considered a taxable transfer
2 made by such individual notwithstanding any other
3 provision of this subtitle, and such interest shall,
4 after such transfer, be treated as a lifelong learning
5 account with respect to which such spouse is the ac-
6 count beneficiary.

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

9 “(A) TREATMENT IF DESIGNATED BENE-
10 FICIARY IS SPOUSE.—If the account bene-
11 ficiary’s surviving spouse acquires such bene-
12 ficiary’s interest in a lifelong learning account
13 by reason of being the designated beneficiary of
14 such account at the death of the account bene-
15 ficiary, such lifelong learning account shall be
16 treated as if the spouse were the account bene-
17 ficiary.

18 “(B) OTHER CASES.—

19 “(i) IN GENERAL.—If, by reason of
20 the death of the account beneficiary, any
21 person acquires the account beneficiary’s
22 interest in a lifelong learning account in a
23 case to which subparagraph (A) does not
24 apply—

1 “(I) such account shall cease to
2 be a lifelong learning account as of
3 the date of death, and

4 “(II) an amount equal to the fair
5 market value of the assets in such ac-
6 count on such date shall be includible
7 if such person is not the estate of
8 such beneficiary, in such person’s
9 gross income for the taxable year
10 which includes such date, or if such
11 person is the estate of such bene-
12 ficiary, in such beneficiary’s gross in-
13 come for the last taxable year of such
14 beneficiary.

15 “(ii) DEDUCTION FOR ESTATE
16 TAXES.—An appropriate deduction shall be
17 allowed under section 691(c) to any person
18 (other than the decedent or the decedent’s
19 spouse) with respect to amounts included
20 in gross income under clause (i) by such
21 person.

22 “(f) REPORTS.—The trustee of a lifelong learning ac-
23 count shall make such reports regarding such account to
24 the Secretary and to the account beneficiary with respect
25 to contributions, distributions, and such other matters as

1 the Secretary may require under regulations. The reports
 2 required by this subsection shall be filed at such time and
 3 in such manner and furnished to such individuals at such
 4 time and in such manner as may be required by those reg-
 5 ulations.”.

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

8 (1) by striking “or” at the end of subsection
 9 (a)(4), by inserting “or” at the end of subsection
 10 (a)(5), and by inserting after subsection (a)(5) the
 11 following new paragraph:

12 “(6) a lifelong learning account (within the
 13 meaning of section 36(c)),”, and

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

16 “(h) EXCESS CONTRIBUTIONS TO LIFELONG LEARN-
 17 ING ACCOUNTS.—For purposes of this section, in the case
 18 of lifelong learning accounts (within the meaning of sec-
 19 tion 36(c)), the term ‘excess contributions’ means the sum
 20 of—

21 “(1) the aggregate amount contributed for the
 22 taxable year to the accounts (other than rollover
 23 contributions described in section 36(e)(5)) which is
 24 not taken into account for purposes of determining
 25 the credit allowed under section 36(a) or the amount

1 excludable from the taxpayer's gross income under
2 section 36(b)(3), and

3 “(2) the amount determined under this sub-
4 section for the preceding taxable year, reduced by
5 the sum of—

6 “(A) the distributions out of the accounts
7 with respect to which additional tax was im-
8 posed under section 36(e)(2)(A) for the taxable
9 year, and

10 “(B) the excess (if any) of—

11 “(i) the maximum amount of con-
12 tributions which may be taken into account
13 under section 36(a) for the taxable year,
14 over

15 “(ii) the amount contributed to the
16 accounts for the taxable year.

17 For purposes of this subsection, any contribu-
18 tion which is distributed out of the lifelong
19 learning account in a distribution to which sec-
20 tion 36(e)(5) applies shall be treated as an
21 amount not contributed.”.

22 (c) TAX ON PROHIBITED TRANSACTIONS.—

23 (1) Paragraph (1) of section 4975(e) of the In-
24 ternal Revenue Code of 1986 (relating to prohibited
25 transactions) is amended by redesignating subpara-

1 graph (G) as subparagraph (H), by striking “or” at
 2 the end of subparagraph (F), and by inserting after
 3 subparagraph (F) the following new subparagraph:

4 “(G) a lifelong learning account described
 5 in section 36(c), or”.

6 (2) Subsection (c) of section 4975 of such Code
 7 is amended by adding at the end the following new
 8 paragraph:

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

18 (d) FAILURE TO PROVIDE REPORTS ON LIFELONG
 19 LEARNING ACCOUNTS.—Paragraph (2) of section 6693(a)
 20 of the Internal Revenue Code of 1986 is amended by strik-
 21 ing “and” at the end of subparagraph (D), by redesignig-
 22 nating subparagraph (E) as subparagraph (F), and by in-
 23 serting after subparagraph (D) the following new subpara-
 24 graph:

1 “(E) section 36(f) (relating to lifelong
2 learning accounts), and”.

3 (e) EXCLUSION FROM EMPLOYMENT TAXES.—

4 (1) FEDERAL INSURANCE CONTRIBUTIONS
5 ACT.—Subsection (a) of section 3121 of the Internal
6 Revenue Code of 1986 is amended by striking “or”
7 at the end of paragraph (21), by striking the period
8 at the end of paragraph (22) and inserting “; or”,
9 and by inserting after paragraph (22) the following
10 new paragraph:

11 “(23) any payment made to or for the benefit
12 of an employee if at the time of such payment it is
13 reasonable to believe that the employee will be able
14 to exclude such payment from income under section
15 36(b)(3).”.

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

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

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

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

12 (4) WITHHOLDING TAX.—Subsection (a) of sec-
13 tion 3401 of such Code is amended by striking “or”
14 at the end of paragraph (21), by striking the period
15 at the end of paragraph (22) and inserting “; or”,
16 and by inserting after paragraph (22) the following
17 new paragraph:

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

23 (5) EMPLOYER CONTRIBUTIONS REQUIRED TO
24 BE SHOWN ON W-2.—Subsection (a) of section 6051
25 of such Code is amended by striking “and” at the

1 end of paragraph (12), by striking the period at the
 2 end of paragraph (13) and inserting “, and”, and by
 3 inserting after paragraph (13) the following new
 4 paragraph:

5 “(14) the amount contributed to any learning
 6 account (as defined in section 224) on behalf of such
 7 employee.”.

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

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

22 “(6) such plan is maintained solely for the pur-
 23 poses of establishing, and making contributions to,
 24 lifelong learning accounts (as defined in section 36

1 of the Internal Revenue Code of 1986) on behalf of
 2 employees.”.

3 (g) CONFORMING AMENDMENTS.—

4 (1) The table of sections for subpart C of part
 5 IV of subchapter A of chapter 1 of the Internal Rev-
 6 enue Code of 1986 is amended by redesignating the
 7 item relating to section 36 as an item relating to
 8 section 37 and by inserting before such item the fol-
 9 lowing new item:

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

10 (2) Section 6211(b)(4)(A) of such Code is
 11 amended by striking “34,” and all that follows
 12 through “6428” and inserting “34, 35, 36, 53(e),
 13 and 6428”.

14 (3) Section 1324(b)(2) of title 31, United
 15 States Code, is amended by inserting “, 36,” after
 16 “section 35”.

17 (h) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 2008.

20 **SEC. 3. CREDIT FOR EMPLOYER CONTRIBUTIONS TO LIFE-**
 21 **LONG LEARNING ACCOUNTS AND ADMINIS-**
 22 **TRATIVE EXPENSES OF CERTAIN SMALL EM-**
 23 **PLOYERS.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
 25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by
2 adding at the end the following new section:

3 **“SEC. 450. LIFELONG LEARNING ACCOUNTS CREDIT.**

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

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

8 “(2) in the case of an eligible employer, the
9 small employer lifelong learning account administra-
10 tive costs credit.

11 “(b) LIFELONG LEARNING ACCOUNT CONTRIBU-
12 TIONS CREDIT.—

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

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

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

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘small employer lifelong learning ac-
3 count administrative costs credit’ means, in the case
4 of an eligible employer, the amount equal to 50 per-
5 cent of the aggregate amount paid or incurred by
6 the taxpayer during the taxable year as administra-
7 tive expenses in carrying out a program to make
8 payments to the lifelong learning accounts (as de-
9 fined in section 36) of employees of the taxpayer.

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

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

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

17 “(3) DEFINITIONS.—For purposes of this sub-
18 section—

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

22 “(B) FIRST CREDIT YEAR.—The term
23 ‘first credit year’ means the first taxable year
24 for which the taxpayer claims a credit under
25 this section.

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

4 (b) CREDIT PART OF GENERAL BUSINESS CREDIT.—
5 Section 38(b) of such Code is amended by striking “and”
6 at the end of paragraph (30), by striking the period at
7 the end of paragraph (31) and inserting “, plus”, and by
8 adding at the end the following new paragraph:

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

11 (c) DEDUCTION FOR UNUSED CREDIT.—Section
12 196(c) of such Code is amended by striking “and” at the
13 end of paragraph (12), by striking the period at the end
14 of paragraph (13) and inserting “, and”, and by adding
15 at the end the following new paragraph:

16 “(14) the lifelong learning accounts credit de-
17 termined under section 45O.”.

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

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

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2008.

