

116TH CONGRESS
1ST SESSION

S. 275

To amend the Internal Revenue Code of 1986 to provide for lifelong learning accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 30, 2019

Ms. KLOBUCHAR (for herself and Mr. SASSE) 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 lifelong learning accounts, 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 2019”.

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

7 (a) IN GENERAL.—

8 (1) RENAMING OF COVERDELL EDUCATION SAV-
9 INGS ACCOUNTS.—Section 530 of the Internal Rev-
10 enue Code of 1986 is amended—

(A) by striking “Coverdell education savings account” each place it appears and inserting “Coverdell lifelong learning account”; and

(B) by striking “**COVERDELL EDUCATION SAVINGS ACCOUNTS**” in the heading and inserting “**COVERDELL LIFELONG LEARNING ACCOUNTS**”.

(2) CONFORMING AMENDMENTS.—

(A) Section 26(b)(2)(E) of the Internal Revenue Code of 1986 is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(B) Section 72(e)(9) of such Code is amended—

(i) by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”; and

(ii) by striking “**COVERDELL EDUCATION SAVINGS ACCOUNT**” in the heading and inserting “**COVERDELL LIFELONG LEARNING ACCOUNT**”.

(C) Section 135(c)(2)(C) of such Code is amended—

(i) by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”; and

(ii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNT” in the heading and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”.

(D) Section 408A(e)(2)(A)(ii) of such Code is amended by striking “Coverdell education savings account” and inserting “Coverdell lifelong learning account”.

(E) Section 529(c) of such Code is amended—

(i) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of paragraph (3)(B)(vi) and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”; and

(ii) by striking “an Coverdell education savings account” in paragraph (6) and inserting “a Coverdell lifelong learning account”.

(F) Section 877A(e)(2) of such Code is amended by striking “Coverdell education sav-

ings account” and inserting “Coverdell lifelong learning account”.

(G) Section 4973 of such Code is amended—

(i) by striking “Coverdell education savings account” each place it appears in subsections (a)(4) and (e)(2)(A) and inserting “Coverdell lifelong learning account”;

(ii) by striking “Coverdell education savings accounts” in subsection (e)(1) and inserting “Coverdell lifelong learning accounts”; and

(iii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of subsection (e) and inserting “COVERDELL LIFELONG LEARNING ACCOUNT”.

(H) Section 4975 of such Code is amended—

(i) by striking “Coverdell education savings account” each place it appears in subsections (c)(5) and (e)(1)(F) and inserting “Coverdell lifelong learning account”; and

(ii) by striking “COVERDELL EDUCATION SAVINGS ACCOUNTS” in the heading of subsection (c)(5) and inserting “COVERDELL LIFELONG LEARNING ACCOUNTS”.

(I) Section 6693(a)(2)(F) of such Code is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(J) The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by striking “Coverdell education savings accounts” and inserting “Coverdell lifelong learning accounts”.

(3) TREATMENT OF EXISTING ACCOUNTS.—For purposes of section 530(b)(1) of the Internal Revenue Code of 1986, any account established before January 1, 2019, and designated as a Coverdell education savings account shall be deemed to have been designated as a Coverdell lifelong learning account.

(b) EXPANDED USE OF ACCOUNTS.—

(1) ELIGIBLE EXPENSES.—

(A) IN GENERAL.—Section 530(b)(2)(A) of the Internal Revenue Code of 1986 is amended by striking “and” at the end of clause (i), by

striking the period at the end of clause (ii) and inserting “, and”, and by adding at the end the following new clause:

“(iii) qualified educational or skill development expenses (as defined in paragraph (5)).”.

(B) QUALIFIED EDUCATIONAL OR SKILL DEVELOPMENT EXPENSES.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

“(5) QUALIFIED EDUCATIONAL OR SKILL DEVELOPMENT EXPENSES.—The term ‘qualified educational or skill development expenses’ means—

“(A) expenses paid or incurred—

“(i) after the beneficiary attains age 16, and

“(ii) for participation or enrollment of the beneficiary in services or activities that are—

“(I) training services described in section 134(c)(3)(D) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174(c)(3)(D)) that are offered by a provider included on the list of eligible providers of training

1 services described in section 122 of
2 such Act (29 U.S.C. 3152),

3 “(II) career and technical edu-
4 cation activities defined in section 3 of
5 the Carl D. Perkins Career and Tech-
6 nical Education Act of 2006 (20
7 U.S.C. 2302) that are offered through
8 an eligible institution (as defined in
9 such section),

10 “(III) career services described in
11 clauses (iii), (iv), and (xi) of section
12 134(c)(2)(A) of the Workforce Inno-
13 vation and Opportunity Act (29
14 U.S.C. 3174(c)(2)(A)) that are pro-
15 vided by providers eligible under sec-
16 tion 134(c)(2)(C) of such Act,

17 “(IV) youth activities described
18 in section 129(c)(2) of the Workforce
19 Innovation and Opportunity Act (29
20 U.S.C. 3164(c)(2)) that are provided
21 by eligible providers of youth work-
22 force investment activities under sec-
23 tion 123 of such Act, or

24 “(V) adult education and literacy
25 activities, as defined in section 203 of

1 the Adult Education and Family Lit-
 2 eracy Act (29 U.S.C. 3272), that are
 3 provided by eligible providers of adult
 4 education and literacy activities under
 5 section 231 of such Act (29 U.S.C.
 6 3321),

7 “(B) expenses for transportation required
 8 for or provided by any of the services or activi-
 9 ties described in subparagraph (A),

10 “(C) expenses for testing necessary for en-
 11 rollment in, or certification in connection with,
 12 services or activities described in subparagraph
 13 (A), or

14 “(D) expenses for the purchase of any
 15 computer technology or equipment (as defined
 16 in section 170(e)(6)(F)(i)) or Internet access
 17 and related services, if such technology, equip-
 18 ment, or services are to be used by the bene-
 19 ficiary for services or activities described in sub-
 20 paragraph (A) during any of the years the ben-
 21 eficiary is participating in or enrolled in any of
 22 the services or activities described in subpara-
 23 graph (A).”.

24 (c) MODIFICATION OF RULES RELATING TO AGE RE-
 25 STRICTIONS AND CONTRIBUTIONS.—

1 (1) \$10,000 ACCOUNT LIMIT AFTER AGE 30.—

2 (A) IN GENERAL.—Subparagraph (E) of
3 section 530(b)(1) of the Internal Revenue Code
4 of 1986 is amended by inserting “in excess of
5 \$10,000” after “any balance to the credit of
6 the designated beneficiary”.

7 (B) CONTRIBUTION LIMIT.—Paragraph (1)
8 of section 530(b)(1) of such Code is amended
9 by striking “or” at the end of clause (ii), by
10 striking the period at the end of clause (iii) and
11 inserting “, or”, and by adding at the end the
12 following new clause:

13 “(iv) in the case of a beneficiary who
14 is over the age of 30, if such contribution
15 would result in the balance of the account
16 exceeding \$10,000.”.

17 (2) INCREASED AGE LIMIT FOR CONTRIBU-
18 TIONS.—Clause (ii) of section 530(b)(1)(A) of the
19 Internal Revenue Code of 1986 is amended by strik-
20 ing “age 18” and inserting “age 70”.

21 (3) INCREASED CONTRIBUTION LIMITATION
22 FOR INDIVIDUALS OVER AGE 30.—

23 (A) IN GENERAL.—Section
24 530(b)(1)(A)(iii) of the Internal Revenue Code
25 of 1986 is amended by inserting “(\$4,000 in

1 the case of an account the designated bene-
 2 ficiary of which has attained age of 30 before
 3 the end of the taxable year)” after “\$2,000”.

4 (B) CONFORMING AMENDMENT.—Section
 5 4973(e)(1)(A) of such Code is amended by
 6 striking “\$2,000” and inserting “the limitation
 7 applicable under section 530(b)(1)(A)(iii)”.

8 (4) NO CHANGE IN BENEFICIARY AFTER AGE
 9 30.—Paragraph (6) of section 530(d) of the Internal
 10 Revenue Code of 1986 is amended by striking “shall
 11 not be treated as a distribution for purposes of para-
 12 graph (1) if the new beneficiary” and inserting
 13 “shall not be treated as a distribution for purposes
 14 of paragraph (1) if—

15 “(A) the old beneficiary has not attained
 16 age 30 before the date of the change in bene-
 17 ficiary, and

18 “(B) the new beneficiary”.

19 (d) CREDIT FOR EMPLOYER CONTRIBUTIONS.—

20 (1) IN GENERAL.—Subpart D of part IV of
 21 subchapter A of chapter 1 of the Internal Revenue
 22 Code of 1986 is amended by adding at the end the
 23 following new section:

1 **“SEC. 45T. EMPLOYEE EDUCATIONAL SKILLS AND DEVEL-**
 2 **OPMENT EXPENSES.**

3 “(a) GENERAL RULE.—For purposes of section 38,
 4 the employee educational skills and development contribu-
 5 tion credit determined under this section for any taxable
 6 year is 25 percent of the nonelective contributions made
 7 by the taxpayer during the taxable year to a Coverdell life-
 8 long learning account (as defined in section 530(b)) the
 9 designated beneficiary of which is an employee of the tax-
 10 payer.

11 “(b) SPECIAL RULES AND DEFINITIONS.—For pur-
 12 poses of this section—

13 “(1) EMPLOYEE.—

14 “(A) CERTAIN EMPLOYEES EXCLUDED.—

15 The term ‘employee’ shall not include—

16 “(i) an employee within the meaning
 17 of section 401(c)(1),

18 “(ii) any 2-percent shareholder (as de-
 19 fined in section 1372(b)) of an S corpora-
 20 tion,

21 “(iii) any 5-percent owner (as defined
 22 in section 416(i)(1)(B)(i)) of taxpayer, or

23 “(iv) any individual who bears any of
 24 the relationships described in subpara-
 25 graphs (A) through (G) of section
 26 152(d)(2) to, or is a dependent described

1 in section 152(d)(2)(H) of, an individual
 2 described in clause (i), (ii), or (iii).

3 “(B) LEASED EMPLOYEES.—The term
 4 ‘employee’ shall include a leased employee with-
 5 in the meaning of section 414(n).

6 “(2) NONELECTIVE CONTRIBUTION.—The term
 7 ‘nonelective contribution’ means an employer con-
 8 tribution other than an employer contribution pursu-
 9 ant to a salary reduction arrangement.

10 “(3) AGGREGATION AND OTHER RULES MADE
 11 APPLICABLE.—

12 “(A) AGGREGATION RULES.—All employ-
 13 ers treated as a single employer under sub-
 14 section (b), (c), (m), or (o) of section 414 shall
 15 be treated as a single employer for purposes of
 16 this section.

17 “(B) OTHER RULES.—Rules similar to the
 18 rules of subsections (c), (d), and (e) of section
 19 52 shall apply.”.

20 (2) CREDIT TREATED AS PART OF GENERAL
 21 BUSINESS CREDIT.—Section 38(b) of such Code is
 22 amended by striking “plus” at the end of paragraph
 23 (31), by striking the period at the end of paragraph
 24 (32) and inserting “, plus”, and by adding at the
 25 end the following new paragraph:

1 “(33) the employee educational skills and devel-
 2 opment contribution credit determined under section
 3 45T(a).”.

4 (3) CLERICAL AMENDMENT.—The table of sec-
 5 tions for subpart D of part IV of subchapter A of
 6 chapter 1 of such Code is amended by adding at the
 7 end the following new item:

“Sec. 45T. Employee educational skills and development expenses.”.

8 (e) ALLOWANCE OF DEDUCTION FOR BENE-
 9 FICIARY.—

10 (1) IN GENERAL.—Part VIII of subchapter B
 11 of chapter 1 of the Internal Revenue Code of 1986
 12 is amended by redesignating section 224 as section
 13 225 and by inserting after section 223 the following
 14 new section:

15 **“SEC. 224. COVERDELL LIFELONG LEARNING ACCOUNT**
 16 **CONTRIBUTIONS.**

17 “(a) IN GENERAL.—In the case of an individual
 18 who—

19 “(1) is the designated beneficiary of a Coverdell
 20 lifelong learning account (as defined in section
 21 530(b)(1)), and

22 “(2) has attained the age of 18 before the close
 23 of the taxable year,

1 there shall be allowed as a deduction an amount equal to
 2 the contributions for the taxable year by or on behalf of
 3 such individual to the account described in paragraph (1).

4 “(b) RECONTRIBUTED AMOUNTS.—No deduction
 5 shall be allowed under this section with respect to a roll-
 6 over contribution described in section 530(d)(5).”.

7 (2) INCREASE IN ADDITIONAL TAX.—

8 (A) INCREASE.—

9 (i) IN GENERAL.—Section
 10 530(d)(4)(A) of the Internal Revenue Code
 11 of 1986 is amended by striking “10 per-
 12 cent” and inserting “20 percent”.

13 (ii) CONFORMING AMENDMENT.—Sec-
 14 tion 529(c)(6) of such Code is amended by
 15 inserting “, except that ‘10 percent’ shall
 16 be substituted for ‘20 percent’ in subpara-
 17 graph (A) thereof” before the period at the
 18 end of the first sentence.

19 (B) MODIFICATION OF TAX TREATMENT
 20 OF DEDUCTIBLE CONTRIBUTIONS.—Paragraph
 21 (1) of section 530(d) is amended to read as fol-
 22 lows:

23 “(1) INCLUSION IN GROSS INCOME.—

1 “(A) IN GENERAL.—Any distribution shall
2 be includible in the gross income of the dis-
3 tributee as follows:

4 “(i) So much of the distribution as is
5 equal to or less than the deductible amount
6 shall be fully included in gross income.

7 “(ii) So much of the distribution
8 which exceeds the deductible amount shall
9 be included in gross income in the manner
10 as provided in section 72 (determined by
11 applying such section without regard to
12 any amounts to which clause (i) applies).

13 “(B) DEDUCTIBLE AMOUNT.—For pur-
14 poses of this paragraph, the term ‘deductible
15 amount’ means the excess of—

16 “(i) the sum of contributions to the
17 account for which a deduction was allowed
18 under section 224 in such year and any
19 preceding taxable year, over

20 “(ii) the amount of distributions to
21 which subparagraph (A)(i) applied to in
22 any preceding taxable year.”.

23 (3) CLERICAL AMENDMENT.—The table of sec-
24 tions for part VIII of subchapter B of chapter 1 of
25 such Code is amended by redesignating the item re-

1 relating to section 224 as relating to section 225 and
 2 by inserting after the item relating to section 223
 3 the following new item:

“Sec. 224. Coverdell lifelong learning account contributions.”.

4 (f) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as otherwise pro-
 6 vided in this subsection, the amendments made by
 7 this section shall take effect on January 1, 2019.

8 (2) ELIGIBLE EXPENSES.—The amendments
 9 made by subsection (b) shall apply to distributions
 10 made after December 31, 2019.

11 (3) CONTRIBUTIONS.—The amendments made
 12 by paragraphs (1)(B) and (2) of subsection (c) shall
 13 apply to contributions made after December 31,
 14 2019.

15 (4) EMPLOYER CONTRIBUTION CREDIT AND
 16 BENEFICIARY DEDUCTIONS.—The amendments
 17 made by subsections (d) and (e) shall apply to tax-
 18 able years beginning after December 31, 2019.

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