

119TH CONGRESS
1ST SESSION

S. 3489

To amend the Internal Revenue Code of 1986 to provide a credit for employer-provided worker training.

IN THE SENATE OF THE UNITED STATES

DECEMBER 16, 2025

Mr. WARNER 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 a credit for employer-provided worker training.

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 “Investing in American
5 Workers Act”.

6 **SEC. 2. EMPLOYER-PROVIDED WORKER TRAINING CREDIT.**

7 (a) IN GENERAL.—

8 (1) DETERMINATION OF CREDIT.—Subpart D
9 of part IV of subchapter A of chapter 1 of the Inter-

1 nal Revenue Code of 1986 is amended by adding at
2 the end the following new section:

3 **“SEC. 45BB EMPLOYER-PROVIDED WORKER TRAINING**
4 **CREDIT.**

5 “(a) IN GENERAL.—For purposes of section 38, the
6 employer-provided worker training credit under this sec-
7 tion for the taxable year is an amount equal to 20 percent
8 of the excess (if any) of—

9 “(1) the qualified training expenditures for the
10 taxable year, over

11 “(2) the average of the adjusted qualified train-
12 ing expenditures for the 3 taxable years preceding
13 the taxable year for which the credit is being deter-
14 mined.

15 “(b) QUALIFIED TRAINING EXPENDITURES.—For
16 purposes of this section—

17 “(1) IN GENERAL.—The term ‘qualified train-
18 ing expenditures’ means any expenditures for the
19 qualified training of any non-highly compensated
20 employee. Such term shall not include any amounts
21 paid for meals, lodging, transportation, or other
22 services incidental to such qualified training.

23 “(2) QUALIFIED TRAINING.—

24 “(A) IN GENERAL.—For purposes of para-
25 graph (1), the term ‘qualified training’ means

1 training which results in the attainment of a
2 recognized postsecondary credential and which
3 is provided through—

4 “(i) an apprenticeship program reg-
5 istered under the Act of August 16, 1937
6 (commonly known as the ‘National Ap-
7 prenticeship Act’; 50 Stat. 664, chapter
8 663; 29 U.S.C. 50 et seq.),

9 “(ii)(I) a program of training services
10 which is listed under section 122(d) of the
11 Workforce Innovation and Opportunity Act
12 (29 U.S.C. 3152(d)), or

13 “(II) an apprenticeship program
14 which is registered or approved by a recog-
15 nized State apprenticeship agency (which
16 uses a State apprenticeship council) in ac-
17 cordance with the first section of the Act
18 referred to in clause (i),

19 “(iii) a program which is conducted
20 by an area career and technical education
21 school, a community college, or a labor or-
22 ganization, or

23 “(iv) a program which is sponsored
24 and administered by an employer, industry

1 trade association, industry or sector part-
2 nership, or labor organization.

3 “(B) RELATED DEFINITIONS.—In sub-
4 paragraph (A):

5 “(i) AREA CAREER AND TECHNICAL
6 EDUCATION SCHOOL.—The term ‘area ca-
7 reer and technical education school’ means
8 such a school, as defined in section 3 of
9 the Carl D. Perkins Career and Technical
10 Education Act of 2006 (20 U.S.C. 2302),
11 which participates in a program under that
12 Act (20 U.S.C. 2301 et seq.).

13 “(ii) COMMUNITY COLLEGE.—The
14 term ‘community college’ means an institu-
15 tion which—

16 “(I) is a junior or community col-
17 lege as defined in section 312(f) of the
18 Higher Education Act of 1965 (20
19 U.S.C. 1058(f)), except that the insti-
20 tution need not meet the requirements
21 of paragraph (1) of that section, and

22 “(II) participates in a program
23 under title IV of that Act (20 U.S.C.
24 1070 et seq.).

1 “(iii) INDUSTRY OR SECTOR PARTNER-
 2 SHIP.—The term ‘industry or sector part-
 3 nership’ has the meaning given such term
 4 under section 3 of the Workforce Innova-
 5 tion and Opportunity Act (29 U.S.C.
 6 3102).

7 “(iv) INDUSTRY TRADE ASSOCIA-
 8 TION.—The term ‘industry trade associa-
 9 tion’ means an organization which—

10 “(I) is described in paragraph (3)
 11 or (6) of section 501(c) and exempt
 12 from taxation under section 501(a),
 13 and

14 “(II) is representing an industry.

15 “(v) LABOR ORGANIZATION.—The
 16 term ‘labor organization’ means a labor or-
 17 ganization, within the meaning of the term
 18 in section 501(c)(5).

19 “(vi) RECOGNIZED POSTSECONDARY
 20 CREDENTIAL.—The term ‘recognized post-
 21 secondary credential’ means a credential
 22 that is listed under section 122(d) of the
 23 Workforce Innovation and Opportunity Act
 24 (29 U.S.C. 3152(d)) for the State involved
 25 and consists of an industry-recognized cer-

tificate or certification, a certificate of completion of an apprenticeship, a license recognized by the State involved or Federal Government, or an associate or baccalaureate degree.

“(3) NON-HIGHLY COMPENSATED EMPLOYEE.—

For purposes of paragraph (1), the term ‘non-highly compensated employee’ means an employee of the taxpayer whose remuneration for the taxable year for services provided to the taxpayer does not exceed 60 percent of the amount applicable for such taxable year under clause (i) of section 414(q)(1)(B).

“(c) ADJUSTED QUALIFIED TRAINING EXPENDI-

TURES.—For purposes of this section, the term ‘adjusted qualified training expenses’ means, with respect to any taxable year—

“(1) the qualified training expenditures for such taxable year, multiplied by

“(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year for which the credit is being determined begins, except that section 1(f)(3)(A)(ii) shall be applied by using the CPI for the calendar year in which the taxable year in which qualified training

1 expenses were paid or incurred begins in lieu of the
 2 CPI for calendar year 2016.

3 “(d) SPECIAL RULES.—For purposes of this sec-
 4 tion—

5 “(1) SPECIAL RULE IN CASE OF NO QUALIFIED
 6 TRAINING EXPENDITURES IN ANY OF 3 PRECEDING
 7 TAXABLE YEARS.—

8 “(A) TAXPAYERS TO WHICH PARAGRAPH
 9 APPLIES.—The credit under this section shall
 10 be determined under this paragraph if the tax-
 11 payer has no qualified training expenditures in
 12 any one of the 3 taxable years preceding the
 13 taxable year for which the credit is being deter-
 14 mined.

15 “(B) CREDIT RATE.—The credit deter-
 16 mined under this paragraph shall be equal to
 17 10 percent of the qualified training expendi-
 18 tures for the taxable year.

19 “(2) AGGREGATION AND ALLOCATION OF EX-
 20 PENDITURES, ETC.—Rules similar to the rules of
 21 paragraphs (1), (2), (3), (4), and (5) of section
 22 41(f) shall apply.

23 “(e) ELECTION TO APPLY CREDIT AGAINST PAY-
 24 ROLL TAXES.—

1 “(1) IN GENERAL.—At the election of a quali-
 2 fied small business or a qualified tax-exempt organi-
 3 zation (as defined in section 3111(e)(5)(A)) for any
 4 taxable year, section 3111(g) shall apply to the pay-
 5 roll tax credit portion of the credit otherwise deter-
 6 mined under subsection (a) for the taxable year and
 7 such portion shall not be treated (other than for
 8 purposes of section 280C) as a credit determined
 9 under subsection (a).

10 “(2) PAYROLL TAX CREDIT PORTION.—For
 11 purposes of this subsection, the payroll tax credit
 12 portion of the credit determined under subsection
 13 (a) with respect to any qualified small business or
 14 qualified tax-exempt organization for any taxable
 15 year is the least of—

16 “(A) the amount specified in the election
 17 made under this subsection,

18 “(B) the credit determined under sub-
 19 section (a) for the taxable year (determined be-
 20 fore the application of this subsection), or

21 “(C) in the case of a qualified small busi-
 22 ness other than a partnership or S corporation,
 23 the amount of the business credit carryforward
 24 under section 39 carried from the taxable year

1 (determined before the application of this sub-
2 section to the taxable year).

3 “(3) QUALIFIED SMALL BUSINESS.—For pur-
4 poses of this subsection—

5 “(A) IN GENERAL.—The term ‘qualified
6 small business’ means, with respect to any tax-
7 able year—

8 “(i) a corporation or partnership if
9 the gross receipts (as determined under the
10 rules of section 448(c)(3), without regard
11 to subparagraph (A) thereof) of such enti-
12 ty for the taxable year is less than
13 \$5,000,000, and

14 “(ii) any person (other than a cor-
15 poration or partnership) who meets the re-
16 quirements of clause (i), determined—

17 “(I) by substituting ‘person’ for
18 ‘entity’, and

19 “(II) by only taking into account
20 the aggregate gross receipts received
21 by such person in carrying on all
22 trades or businesses of such person.

23 “(B) LIMITATION.—Such term shall not
24 include an organization which is exempt from
25 taxation under section 501.

1 “(4) ELECTION.—

2 “(A) IN GENERAL.—Any election under
3 this subsection for any taxable year—

4 “(i) shall specify the amount of the
5 credit to which such election applies,

6 “(ii) shall be made on or before the
7 due date (including extensions) of—

8 “(I) in the case of a partnership,
9 the return required to be filed under
10 section 6031,

11 “(II) in the case of an S corpora-
12 tion, the return required to be filed
13 under section 6037, and

14 “(III) in the case of any other
15 qualified small business or qualified
16 tax-exempt organization, the return of
17 tax for the taxable year, and

18 “(iii) may be revoked only with the
19 consent of the Secretary.

20 “(B) LIMITATION.—The amount specified
21 in any election made under this subsection shall
22 not exceed \$250,000.

23 “(C) SPECIAL RULE FOR PARTNERSHIPS
24 AND S CORPORATIONS.—In the case of a part-
25 nership or S corporation, the election made

1 under this subsection shall be made at the enti-
2 ty level.

3 “(5) AGGREGATION RULES.—

4 “(A) IN GENERAL.—Except as provided in
5 subparagraph (B)—

6 “(i) all members of the same con-
7 trolled group of corporations shall be treat-
8 ed as a single taxpayer, and

9 “(ii) all trades or businesses (whether
10 or not incorporated) which are under com-
11 mon control shall be treated as a single
12 taxpayer.

13 “(B) SPECIAL RULES.—For purposes of
14 this subsection and section 3111(g)—

15 “(i) each of the persons treated as a
16 single taxpayer under subparagraph (A)
17 may separately make the election under
18 paragraph (1) for any taxable year, and

19 “(ii) the \$250,000 amount under
20 paragraph (3)(B) shall be allocated among
21 all persons treated as a single taxpayer
22 under subparagraph (A) in the manner
23 provided by the Secretary which is similar
24 to the manner provided under section
25 41(f)(1).

1 “(6) REGULATIONS.—The Secretary shall pre-
 2 scribe such regulations as may be necessary to carry
 3 out the purposes of this subsection, including—

4 “(A) regulations to prevent the avoidance
 5 of the purposes of the limitations and aggrega-
 6 tion rules under this subsection,

7 “(B) regulations to minimize compliance
 8 and recordkeeping burdens under this sub-
 9 section,

10 “(C) regulations for recapturing the ben-
 11 efit of credits determined under section 3111(g)
 12 in cases where there is a recapture or a subse-
 13 quent adjustment to the payroll tax credit por-
 14 tion of the credit determined under subsection
 15 (a), including requiring amended income tax re-
 16 turns in the cases where there is such an ad-
 17 justment, and

18 “(D) regulations to require the collection
 19 and reporting of demographic information with
 20 respect to the race, ethnicity, and gender of the
 21 individuals with respect to whom a taxpayer
 22 makes qualified training expenditures for which
 23 a credit is allowed under this section.”.

24 (2) CREDIT PART OF GENERAL BUSINESS
 25 CREDIT.—Section 38(b) of the Internal Revenue

1 Code of 1986 is amended by striking “plus” at the
 2 end of paragraph (40), by striking the period at the
 3 end of paragraph (41) and inserting “, plus”, and
 4 by adding at the end the following new paragraph:

5 “(42) the employer-provided worker training
 6 credit determined under section 45BB(a).”.

7 (3) COORDINATION WITH DEDUCTIONS.—Sec-
 8 tion 280C of the Internal Revenue Code of 1986 is
 9 amended by adding at the end the following new
 10 subsection:

11 “(i) EMPLOYER-PROVIDED WORKER TRAINING
 12 CREDIT.—No deduction shall be allowed for that portion
 13 of the expenses otherwise allowable as a deduction taken
 14 into account in determining the credit under section 45BB
 15 for the taxable year which is equal to the amount of the
 16 credit determined for such taxable year under section
 17 45BB(a).”.

18 (4) CLERICAL AMENDMENT.—The table of sec-
 19 tions for subpart D of part IV of subchapter A of
 20 chapter 1 of the Internal Revenue Code of 1986 is
 21 amended by adding at the end the following new
 22 item:

“Sec. 45BB. Employer-provided worker training credit.”.

23 (b) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-
 24 IMUM TAX.—Subparagraph (B) of section 38(c)(4) of the
 25 Internal Revenue Code of 1986 is amended—

1 (1) by redesignating clauses (x), (xi), and (xii)
2 as clauses (xi), (xii), and (xiii), respectively, and

3 (2) by inserting after clause (ix) the following
4 new clause:

5 “(x) the credit determined under sec-
6 tion 45BB with respect to an eligible small
7 business (as defined in paragraph (5)(C),
8 after application of rules similar to the
9 rules of paragraph (5)(D)),”.

10 (c) PAYROLL TAX CREDIT.—Section 3111 of the In-
11 ternal Revenue Code of 1986 is amended by adding at the
12 end the following new subsection:

13 “(g) CREDIT FOR WORKER TRAINING EXPENSES.—

14 “(1) IN GENERAL.—In the case of a taxpayer
15 who has made an election under section 45BB(e) for
16 a taxable year, there shall be allowed as a credit
17 against the tax imposed by subsection (a) for the
18 first calendar quarter which begins after the date on
19 which the taxpayer files the return specified in sec-
20 tion 45BB(e)(4)(A)(ii) an amount equal to the pay-
21 roll tax credit portion determined under section
22 45BB(e)(2).

23 “(2) LIMITATION.—The credit allowed by para-
24 graph (1) shall not exceed the tax imposed by sub-
25 section (a) for any calendar quarter on the wages

1 paid with respect to the employment of all individ-
2 uals in the employ of the employer.

3 “(3) CARRYOVER OF UNUSED CREDIT.—If the
4 amount of the credit under paragraph (1) exceeds
5 the limitation of paragraph (2) for any calendar
6 quarter, such excess shall be carried to the suc-
7 ceeding calendar quarter and allowed as a credit
8 under paragraph (1) for such quarter.

9 “(4) DEDUCTION ALLOWED FOR CREDITED
10 AMOUNTS.—The credit allowed under paragraph (1)
11 shall not be taken into account for purposes of de-
12 termining the amount of any deduction allowed
13 under chapter 1 for taxes imposed under subsection
14 (a).”.

15 (d) SIMPLIFIED FILING FOR CERTAIN SMALL BUSI-
16 NESSES.—The Secretary of the Treasury, in consultation
17 with the Administrator of the Small Business Administra-
18 tion, shall provide for a method of filing returns of tax
19 and information returns required under the Internal Rev-
20 enue Code of 1986 in a simplified format, to the extent
21 possible, for employers with less than \$5,000,000 in an-
22 nual gross receipts (as determined under guidance pro-
23 vided by the Secretary).

24 (e) REGULATIONS RELATING TO POSTSECONDARY
25 CREDENTIALS.—Not later than 1 year after the date of

1 the enactment of this Act, the Secretary of Labor, in con-
2 sultation with the Secretary of the Treasury, shall issue
3 regulations or other guidance applying the definition of
4 the term “recognized postsecondary credential” as pro-
5 vided in section 3 of the Workforce Innovation and Oppor-
6 tunity Act (29 U.S.C. 3102).

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

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