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113TH CONGRESS
1ST SESSION

H. R. 1939

To amend the Workforce Investment Act of 1998 to establish lifelong learning accounts programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 2013

Mr. KILMER (for himself and Mr. POLIS) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, 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

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A BILL

To amend the Workforce Investment Act of 1998 to establish lifelong learning accounts programs, and for other purposes.

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 "Skills Investment Act of 2013".

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDING.—Congress finds the following:

(1) It will not be possible for adult workers in the United States to maintain a high standard of liv-

ing in a competitive global economy without a dramatic increase in their skills.

(2) Workers need up-to-date skills and skill credentials to keep pace with the changing and increasingly complex demands of the 21st century economy.

(3) The fastest-growing occupations and best-paying jobs are those that require some postsecondary education. Maintaining a competitive edge requires knowledge and other skills. Increases in a country's overall level of educational attainment lead to increases in its overall rate of economic growth.

(4) The high cost of education and skill development has limited the options of many workers. Current major benefits such as the use of a HOPE tax credit or a Coverdell education savings account are not available to students who attend school less than half-time. Other workers do not earn enough to qualify for available education and training tax credits and deductions. Most available financial aid is intended for full-time students studying for degrees rather than the many adults who cannot attend education or skill development programs full-time because of demanding family and work commitments.

(5) Employers increasingly need workers with 21st century workplace and technical skills to stay competitive.

(b) PURPOSE.—The purpose of this Act is to establish an innovative program to support lifelong learning, that—

(1) motivates workers to participate in education and skill development activities in which the workers would not otherwise participate;

(2) provides a financial incentive to workers to save for education and skill development activities for their careers, and better manage their careers by upgrading, at the time and place of their choosing, their skills;

(3) offers workers labor market and career information to make informed choices when enhancing skills to prosper in today's dynamic and highly competitive global economy; and

(4) provides an incentive to small employers to invest in and offer learning opportunities to improve their employees' skills and productivity.

SEC. 3. LIFELONG LEARNING ACCOUNTS.

(a) IN GENERAL.—Subtitle B of title I of the Workforce Investment Act of 1998 (29 U.S.C. 2811 et seq.) is amended—

(1) by redesignating chapter 6 as chapter 7; and

(2) by inserting after chapter 5 the following:

"CHAPTER 6—LIFELONG LEARNING ACCOUNTS

"SEC. 135. DEFINITIONS.

''In this chapter:

''(1) CAREER PATHWAY.—The term 'career pathway' means a series of connected education and training strategies and support services that enable individuals to—

''(A) secure industry relevant certification;

''(B) obtain employment within an occupational area and to advance to higher levels of future education and employment in that area; and

''(C) progress through one or more post-secondary education or training options.

''(2) CAREER PLAN.—The term 'career plan' means an individual employment plan described in section 134(d)(3)(C)(ii) that—

''(A) describes a worker's career goal, and steps or alternative routes associated with acquiring the skills and skill credentials needed to achieve the goal; and

"(B) includes labor market and career information on local in-demand industries and high growth industries.

"(3) EDUCATION OR SKILL DEVELOPMENT.—The term 'education or skill development' means an activity provided—

"(A) through a program or course of instruction by a postsecondary educational institution described in section 122(a)(2)(A);

"(B) through a registered apprenticeship program; or

"(C) through a program or course of instruction that provides training services, within the meaning of section 134(d)(4).

"(4) ELIGIBLE EDUCATION OR SKILL DEVELOPMENT EXPENSE.—The term 'eligible education or skill development expense' means an amount paid for a program or course of instruction (including a registered apprenticeship program) of career-related education or skill development, provided by an eligible provider, including—

"(A) tuition, fees, and similar payments;

"(B) payments for books, supplies, equipment, tools, and information technology devices, required for such program or course; and

"(C) any expenses related to an assessment of an eligible worker's prior learning or competency used to award credit for or placement in a program or course of instruction.

"(5) ELIGIBLE PROVIDER.—The term 'eligible provider' means—

"(A) a postsecondary educational institution described in section 122(a)(2)(A) or a provider described in section 122(a)(2)(B); or

"(B) a provider identified as an eligible provider of training services under section 122(e).

"(6) ELIGIBLE WORKER.—The term 'eligible worker' means an individual—

"(A) who is age 16 or older;

"(B) on whose behalf a lifelong learning account is established; and

"(C) who, on the date of application for the establishment of the account, was employed, was self-employed, or had previously been employed and was looking for work.

"(7) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' has the meaning given the term in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)).

"(8) LABOR MARKET AND CAREER INFORMATION.—The term 'labor market and career information' means information about—

"(A) a regional labor market and promising industries and occupations for a worker in that market;

"(B) skills and skill credentials needed by a worker to achieve the worker's career goal; and

"(C) skill and work experience assessment results for the worker.

"(9) LIFELONG LEARNING ACCOUNT.—

"(A) IN GENERAL.—The term 'lifelong learning account' means an individual eligible worker's federally tax exempt portable education savings account, established as a trust—

"(i) that contains contributions, which may be made by the worker, the worker's employer, or a third party, or which may be made by the worker and matched by the employer;

"(ii) that is established for the purpose of paying for eligible education and skill development expenses, to bolster the

worker's existing career or a transition to a new career; and

"(iii) for which—

"(I) no contribution may be accepted unless the contribution is in cash;

"(II) except in the case of a rollover contribution, the total amount of contributions to the account, by the worker, the employer, or a third party, may not exceed $5,000 for a single taxable year;

"(III) no part of the trust assets may be invested in life insurance contracts;

"(IV) no part of the trust assets may be invested in any collectible (as defined in section 408(m) of the Internal Revenue Code of 1986);

"(V) the assets of the trust may not be commingled with other property except in a common trust fund or common investment fund;

"(VI) the interest of an individual in the balance in the individ-

ual's account shall be nonforfeitable; and

"(VII) no distribution shall be made from the account except for eligible education or skill development expenses or after an event described in section 135E(b)(4)(I).

"(B) ADJUSTMENT FOR INFLATION.—The amount set forth in subparagraph (A)(iii)(I) shall be adjusted in accordance with increases in the Consumer Price Index for all urban consumers of the Bureau of Labor Statistics.

"(10) ONE-STOP CENTER.—The term 'one-stop center' means a one-stop center referred to in section 134(c).

"(11) REGISTERED APPRENTICESHIP PROGRAM.—The term 'registered apprenticeship program' means a program—

"(A) with an industry skills training approach that combines technical and theoretical training—

"(i) through structured on-the-job learning with related instruction (in a classroom or through distance learning) while an individual is employed, working

under the direction of qualified personnel or a mentor, and earning incremental wage increases aligned to enhanced job proficiency; and

"(ii) resulting in the acquisition of nationally recognized and portable certificate, including a certificate of completion of apprenticeship; and

"(B) carried out under a plan approved by the Office of Apprenticeship or a State agency recognized by the Department of Labor, and meeting the standards required under sections 29 and 30 of title 29, Code of Federal Regulations (or any corresponding similar regulation or ruling), including such matters as the requirement for a written apprenticeship agreement.

"(12) STATE AGENCY.—The term 'State agency' means an agency appointed under section 135B(b)(1).

"(13) TRUSTEE.—The term 'trustee' means a Governor-designated entity, which may be a bank (as defined in section 408(n) of the Internal Revenue Code of 1986), that demonstrates to the Governor that the entity will establish and manage a

lifelong learning account in a manner consistent with the requirements of this chapter, which demonstration may be accomplished by showing a record of success in establishing and managing similar retirement or education savings accounts.

''(14) WORKER.—The term 'worker' means an individual—

''(A) who is age 16 or older; and

''(B) who is employed, is self-employed, or was previously employed and is looking for work; or

"SEC. 135A. LIFELONG LEARNING ACCOUNT PROGRAMS.

''The Secretary shall make grants to States to pay for the Federal share of establishing lifelong learning account programs, to enhance and expand education and skill development activities for eligible workers.

"SEC. 135B. STATE SUPPLEMENTAL PLANS.

''(a) IN GENERAL.—For a State to be eligible to receive a grant under this chapter, the Governor of the State shall submit a five-year plan to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(b) CONTENTS.—The plan shall consist of a supplement to the State plan described in section 112 and shall include, at a minimum—

"(1) information identifying a fiscal and administrative agency that is a member of the State board appointed by the Governor of the State to design, establish, and implement the lifelong learning account program proposed for the State;

"(2)(A) an assurance that the Governor of the State will designate, on the recommendation of the State Board, a trustee to establish and manage the lifelong learning accounts of eligible workers throughout the entire State; and

"(B) a description of any criteria, developed in cooperation with State board, other than criteria issued under this chapter, that the Governor will use to designate such a trustee;

"(3) information describing the formula the State will use to allocate funding equitably to local areas within the State to provide assistance to one-stop centers, as described in section 135C(a)(1)(C);

"(4) information describing how the State board will oversee the design, establishment, and implementation of the lifelong learning accounts program;

"(5) a description of the State requirements for the program, including requirements to ensure that the trustee manages the lifelong learning accounts in

a manner consistent with the fiscal control and accounting procedures described in paragraph (11);

"(6) a schedule for implementation of the lifelong learning account program, which (notwithstanding any other provision of this chapter) may specify implementation in phases if the schedule provides for full statewide implementation not later than 2 years after the date of approval of the plan;

"(7)(A)(i) a description of the career information, guidance, counseling, and related activities to be carried out through the one-stop centers in the State, to enable workers seeking to establish or use a lifelong learning account to make informed decisions about meeting their education and skill development needs, including labor market and career information, career planning, and information on the high-skill, high-demand industries identified under subparagraph (B) and related career pathways; and

"(ii) a description of information to be provided as described in paragraphs (2), (3), and (4) of section 135E(a); and

"(B) information, as reported in the State plan, identifying high-skill, high-demand industries in each region of the State or in the State, and sets of

courses aligned with the needs of those industries, and services, that constitute career pathways;

"(8) a description of the methods the State agency will use to determine and carry out State-level activities described in section 135C(b) and any criteria established by the State for State contributions under section 135C(a)(2);

"(9) a description of how the State agency will monitor and assess the implementation (including operation) of the lifelong learning account program, including a description of the methods the State agency will use for collecting and reporting data on the program as required by the Secretary and providing technical assistance to the one-stop centers in the State, to implement and continuously improve the implementation of a fully operational lifelong learning account program;

"(10) information describing how the State will use the funds the State receives under this chapter to leverage other Federal, State, local, and private resources, to maximize the effective use of those resources and maximize the effectiveness of the lifelong learning account program, and to expand the participation of workers (especially lower-income

workers) and employers (especially small and mid-sized employers) in the program;

"(11) an assurance that the State agency will provide for fiscal control and accounting procedures to ensure the proper disbursing of and accounting for funds made available to the State through the grant and for funds paid into lifelong learning accounts;

"(12) a description of the process that the State used to provide an opportunity for comment on, and input on the development of, the State supplemental plan by the State board and by the public, representatives of business, and representatives of labor organizations;

"(13)(A) an assurance that the State agency will, at the request of a eligible worker who has moved to a second State, direct the trustee managing the worker's lifelong learning account to transfer the account to a trustee in the second State and will otherwise comply with the portability plan described in subsection (e); and

"(B) a description of the means by which the State agency will direct the transfers, and otherwise comply with the portability plan, referred to in subparagraph (A);

"(14) if the State requires a minimum amount of contributions described in section 135E(b)(2)(B), the minimum amount;

"(15) an assurance that the State will participate in any evaluation or research conducted under section 135H; and

"(16) an assurance that the State will use no more than 10 percent of the funds for administrative costs.

"(c) REQUEST FOR WAIVER.—At the election of a State, the State may include in the plan a request for a waiver of section 135E(b)(4)(D), to permit a one-stop center staff or system operator of the statewide web-based system in the State to rely on an eligible worker's statement described in section 135E(b)(4)(C)(iv). The Secretary may approve the request as a portion of the plan, or may deny the request.

"(d) SUPPLEMENTAL PLAN SUBMISSION AND APPROVAL.—A State supplemental plan submitted to the Secretary under this section by a Governor shall be considered to be approved by the Secretary at the end of the 90-day period beginning on the day the Secretary receives the plan, unless the Secretary makes a written determination, during the 90-day period, that the plan is inconsistent with the provisions of this chapter.

"(e) PORTABILITY PLAN.—The Secretary shall develop, in consultation with State agencies and other entities and individuals, a plan to ensure the portability of lifelong learning accounts among States. The plan shall address the extent of portability of lifelong learning accounts established for eligible workers. The Secretary shall ensure that States comply with the plan, in determining whether to approve State supplemental plans under this section.

"(f) MODIFICATIONS TO PLAN.—A State may submit modifications to a State supplemental plan in accordance with the requirements of this section and section 135C(c) as necessary during the period covered by the plan.

"(g) COMPLIANCE WITH PLAN REQUIREMENTS.—A State shall comply with the requirements of the State supplemental plan to be eligible to receive funds under this chapter. Nothing in this chapter shall be construed to affect the eligibility of a State for an allotment under section 127 or 132, or financial assistance under the Wagner-Peyser Act (29 U.S.C. 49 et seq.), on the basis of the State's compliance with the requirements of the State supplemental plan.

"SEC. 135C. STATE ACTIVITIES.

"(a) IN GENERAL.—A State that receives a grant under this chapter—

"(1) shall use the funds made available through the grant—

"(A) for the design, establishment, and implementation (including monitoring and assessment) of lifelong learning accounts programs, as described in subsection (b);

"(B) to provide funds to one or more trustees in the State for the establishment and management of lifelong learning accounts as described in section 135E(b); and

"(C) to provide assistance to the one-stop centers in the State, to enable the one-stop center staff to carry out the responsibilities described in section 135E(a); and

"(2) may, after carrying out paragraph (1), use a portion of the grant funds to make contributions to lifelong learning accounts in the State that meet criteria established by the State, such as accounts to which small- and mid-sized employers have made contributions or accounts of lower-income eligible workers.

"(b) STATE-LEVEL ACTIVITIES.—The State agency shall design, establish, and implement (including monitoring and assessing) the lifelong learning accounts program, including—

"(1) establishing and maintaining a worker-accessible statewide web-based system to provide the assistance described in paragraphs (1) through (4) of section 135E(a) and meet the applicable requirements of section 135E(b);

"(2) developing outreach and marketing activities to be carried out in the State;

"(3) reviewing the State list of training services providers compiled under section 122(e)(4) to determine the currency and accuracy of the list, updating the list, improving the format of the list, and increasing access to the list;

"(4) providing capacity building and technical assistance to local boards, one-stop center staff, (and employees of such centers who provide career information, guidance, counseling, and related activities), and eligible providers, with respect to the authorities and responsibilities of such entities under this chapter;

"(5) developing, disseminating, and presenting information on the lifelong learning account program of the State to workers, employers, and general public, and carrying out creative efforts to engage private sector organizations (such as labor organizations, industry organizations, and nonprofit organi-

zations) and public sector organizations as partners in the program; and

"(6) preparing reports for the State board for the State, containing assessments of the program.

"(c) STATE BOARD RESPONSIBILITIES.—The State board for the State shall—

"(1) make recommendations to the Governor about the designation of a trustee;

"(2) provide advice to the Governor and the State agency on a general vision for a lifelong learning account program that suggests ways to create opportunities for all workers, but especially for workers earning less than 200 percent of the poverty line or workers without a degree from a 2-year or 4-year nationally recognized postsecondary (or not participating in an apprenticeship program), to successfully participate in the program, with the goal of improving their skills and the likelihood of long-term prosperity for themselves and their families;

"(3) provide independent advice to the State agency about the operation and performance of the lifelong learning account program, and, as appropriate, enter into contracts for studies or assessments of the program in order to provide that advice;

"(4) review and provide advice to the Governor on proposals for State supplemental plans; and

"(5) receive and comment on reports from the trustee and the State agency, containing assessments of the lifelong learning account program, and from, as appropriate, the Secretary and other entities evaluating or researching the program.

"SEC. 135D. LOCAL SUPPLEMENTAL PLANS.

"(a) IN GENERAL.—Each local board shall develop and submit to the Governor a local supplemental plan, in partnership with the appropriate chief elected official. The plan shall be consistent with the State supplemental plan.

"(b) CONTENTS.—The plan shall consist of a supplement to the local plan described in section 118 and shall include, at a minimum—

"(1) the description referred to in section 135B(b)(7)(A), with respect to information and activities to be provided through the one-stop centers in the local area involved;

"(2) an assurance that the local one-stop delivery system will, through the one-stop centers in the local area, provide the assistance described in paragraphs (1) through (5) of section 135E(a);

"(3) an assurance that the one-stop center staff for the one-stop centers in the local area will coordi-

nate activities carried out through the centers with State-level activities, including the operation of the statewide web-based system, to provide the assistance described in paragraphs (1) through (4) of section 135E(a);

"(4) information describing how the local board will use the funds the local area receives under this chapter to leverage other Federal, State, local, and private resources, to maximize the effective use of those resources and maximize the effectiveness of the lifelong learning account program in the State, and to expand the participation of workers (especially lower-income workers) and employers (especially small- and mid-sized employers) in the program; and

"(5) other assurances as required by the Governor.

"(c) SUPPLEMENTAL PLAN SUBMISSION AND APPROVAL.—A local supplemental plan submitted to a Governor under this section by a local board and chief elected official shall be considered to be approved by the Governor at the end of the 90-day period beginning on the day the Governor receives the plan, unless the Governor makes a written determination, during the 90-day period, that—

"(1) deficiencies in activities carried out under this chapter have been identified, and the local area has not made acceptable progress in implementing corrective measures to address the deficiencies; or

"(2) the plan is inconsistent with the provisions of this chapter.

"SEC. 135E. LOCAL ACTIVITIES.

"(a) ONE-STOP CENTER STAFF.—The one-stop center staff that receives assistance under section 135C(a)(1)(C) shall use the assistance to—

"(1) provide career information, guidance, counseling, and related activities for workers seeking to establish or use a lifelong learning account, including labor market and career information, career planning, and information on the high-skill, high-demand industries, in the region involved, that are identified under section 135B(b)(7)(B) and related career pathways;

"(2) provide information on lifelong learning accounts, and assistance in establishing and using lifelong learning accounts, including applying to establish such an account;

"(3) provide information on eligible providers, their education and skill development programs or courses, and the eligible education or skill develop-

ment expenses associated with the programs or courses;

"(4) provide information about other public or private education or skill development activities (other than activities eligible for funding through a lifelong learning account) that workers may be eligible to participate in to meet their education and skill development needs;

"(5) carry out outreach and marketing activities; and

"(6) meet the applicable requirements of subsection (b).

"(b) TRUSTEES.—A trustee shall establish and manage lifelong learning accounts in accordance with the following requirements:

"(1) ESTABLISHMENT.—

"(A) REQUEST.—A worker who resides in a State and who meets the requirements of section 135(6) but does not have a lifelong learning account may, at the election of the worker, request a lifelong learning account. The worker may submit the request through a one-stop center (to the one-stop center staff) or through the statewide web-based system (to the system operator). The request shall include an assurance

that the employer of the worker has not required, coerced, or influenced the worker to establish the account.

"(B) INFORMATION.—On receipt of a request described in subparagraph (A) for such a worker, the one-stop center staff involved or the operator of the web-based system shall supply information to the worker on the manner in which the account will be managed, the requirements for withdrawing and using funds from the account, and information on the prohibition and procedure described in paragraph (4)(H), and will ask the worker to acknowledge receipt of the information.

"(C) ESTABLISHMENT.—On receiving the acknowledgment from the worker, the one-stop center staff or system operator shall forward the application to the appropriate trustee, who shall establish the account.

"(2) CONTRIBUTIONS.—

"(A) IN GENERAL.—A contribution may be made to an eligible worker's lifelong learning account by—

"(i) the worker;

"(ii) the employer of the worker, who may provide contributions without regard to the worker's contributions, or as matching funds; or

"(iii) a third party, such as the State, a political subdivision of the State, the Federal government through any Federal program; an individual, or a foundation.

"(B) MINIMUM CONTRIBUTION FOR EMPLOYER CONTRIBUTIONS.—The State may require a worker to provide a minimum amount of contributions to the worker's lifelong learning account before permitting the worker's employer to provide employer contributions under this paragraph.

"(3) TRANSFERS.—If the eligible worker moves to a second State, at the request of the eligible worker, the State described in paragraph (1) shall direct the trustee to transfer the worker's lifelong learning account to the second State, in compliance with the portability plan described in subsection (d). The program requirements of the lifelong learning account program in the second State shall apply to the account.

"(4) WITHDRAWAL OF AMOUNTS.—

"(A) APPLICATION TO ONE-STOP CENTER STAFF.—

"(i) IN GENERAL.—An eligible worker who desires to withdraw funds from the worker's lifelong learning account shall submit an application to withdraw the funds—

"(I) at a one-stop center, to the one-stop center staff; or

"(II) through the statewide web-based system, to the system operator.

"(ii) ASSURANCE.—The application shall include assurances that—

"(I) the worker is not requesting funds for routine health and safety training or training that relates to use of new equipment that is otherwise covered by the employer;

"(II) the worker is not requesting funds for an education or skill development activity that was previously provided by the worker's employer or that is an activity for which the employer previously provided financial assistance (such as tuition assistance)

to workers, if the employer initiates discontinuance of the activity or financial assistance, respectively, less than 6 months before the date of the request; and

"(III) the employer of the worker has not required, coerced, or influenced the worker to establish the account or to use, or refrain from using, funds from the account for any type of education or skill development activity for which the worker may use the funds under this chapter, or for an activity described in subclause (I) or (II).

"(B) SERVICES.—The one-stop center staff or system operator shall offer career information, guidance, counseling, and related activities described in subsection (a)(1) to the eligible worker.

"(C) APPLICATION TO TRUSTEE.—On receiving or declining the services described in subparagraph (B) the eligible worker shall submit an application to the one-stop center staff

or system operator, for the trustee, containing—

"(i) a career goal (and, if developed, a career plan);

"(ii) a description of the career-related education or skill development activity to be funded through the withdrawal;

"(iii) the eligible provider who will provide the education or skill development activity; and

"(iv) a statement of the eligible education or skill development expense associated with the activity.

"(D) VERIFICATION.—Except in a State covered by a waiver approved under section 135B(c), on receiving the application, the one-stop center staff or system operator shall endeavor to verify the amount of the expense specified on the statement described in subparagraph (C)(iv). If the one-stop center staff or system operator is able to verify the amount (or is in a State covered by such a waiver), and the application contains the items described in clauses (i) through (iv) of subparagraph (C),

the one-stop center staff or system operator shall forward the application to the trustee.

"(E) APPROVAL.—The trustee shall approve the application not later than 10 days after receipt, unless—

"(i) the application fails to contain an item described in clause (i) through (iv) of subparagraph (C); or

"(ii) the amount in the eligible worker's account is less than the amount of the expense specified on the statement described in subparagraph (C)(iv).

"(F) DISBURSEMENT.—On approving the application, the trustee shall disburse the amount of the expense specified on the statement to the eligible provider. In the event that the amount of the expense includes an amount for an item described in section 135(4)(B), and that amount is not payable to the provider, the provider may reimburse the worker for the amount of that item.

"(G) FAILURE TO DISBURSE.—If, not earlier than 10 days after the date on which the trustee has received the application, the trustee has failed to approve or disapprove the applica-

tion, or has approved the application but failed to make a disbursement as provided in subparagraph (F), the eligible worker may bring an action in a court of appropriate jurisdiction to compel disbursement of the amount.

"(H) PROHIBITION ON EMPLOYER REQUIREMENTS, COERCION, OR INFLUENCE.—

"(i) IN GENERAL.—No employer of the eligible worker, or contributor to the worker's lifelong learning account, may require, coerce, or influence a worker to establish the account, or to use, or refrain from using, funds from the account for any type of education or skill development activity for which the worker may use the funds under this chapter, or any activity described in subclause (I) or (II) of subparagraph (A)(ii).

"(ii) GRIEVANCE OR COMPLAINT.—An eligible worker alleging a violation of this subparagraph may file a grievance or complaint in accordance with section 181(c).

"(I) SPECIAL DISBURSEMENTS.—For purposes of this paragraph, any disbursement (or request for disbursement) made after the ac-

count beneficiary dies, becomes disabled (within the meaning of section 72(m)(7) of the Internal Revenue Code of 1986), or has attained age 70, shall be treated as a disbursement (or request for disbursement) for eligible education or skill development expenses.

"(5) TREATMENT OF ACCOUNT.—

"(A) SEPARATION OR DIVORCE.—If a separation or divorce agreement awards the lifelong learning account, or the benefits of the account, of an eligible worker to the worker's spouse or former spouse, the trustee shall transfer the account to the spouse or former spouse.

"(B) DEATH.—On the death of an eligible worker—

"(i) if the designated beneficiary for the lifelong learning account elects the application of this clause, such designated beneficiary shall be treated as the account beneficiary for purposes of such account; or

"(ii) in any case not described in clause (i), the trustee shall pay the funds

in the account to the beneficiary, and close the account.

"(c) OVERSIGHT.—Consistent with its responsibilities to oversee the one-stop delivery system in the local area, the local board shall oversee the implementation of the lifelong learning account program in the local area, and shall monitor and assess the performance of the program.

"SEC. 135F. FEDERAL SHARE.

"(a) IN GENERAL.—The Federal share of the cost described in section 135A for administering the lifelong learning accounts program established by this chapter shall be 80 percent.

"(b) NON-FEDERAL SHARE.—The State may provide the non-Federal share of the cost in cash or in-kind, fairly evaluated, including plant, equipment, or services. The State may provide the non-Federal share from State, local, or private sources.

"SEC. 135G. TRUSTEE REPORTS.

"(a) PREPARATION.—Each State that carries out a lifelong learning account program under this chapter shall require each trustee in the State to annually prepare a report containing information on contributions to and withdrawals from such accounts in the State, an assessment of the State lifelong learning account program, and information on such additional matters as the Secretary

of Labor, after consultation with the Secretary of the Treasury, may require.

"(b) SUBMISSION.—The trustee shall submit each such report to the Governor and the State legislature of the State. The Governor shall transmit each such report to the Secretary of Labor, the Secretary of the Treasury, and Congress, and shall make the report available to the general public.

"SEC. 135H. EVALUATIONS AND OTHER RESEARCH.

"(a) IN GENERAL.—The Secretary shall conduct evaluations and other research, directly or through grants or contracts, to determine the effectiveness of the lifelong learning account programs carried out under this chapter in meeting the objectives of this chapter.

"(b) METHODOLOGY AND RESEARCH DESIGNS.—The Secretary shall use appropriate methodology and research designs for the evaluations and research.

"(c) TOPICS.—In conducting the evaluations and research, the Secretary may address topics including whether the programs increased the wages or salaries of workers, resulted in promotions, new positions, or better positions for the workers, increased the number of workers who acquired industry-recognized skill credentials, enhanced the job performance of workers, or increased worker retention.

1 "(d) REPORT.—The Secretary shall submit to Con-
2 gress a report containing the results of each evaluation
3 or research project conducted under this section.

4 **"SEC. 135I. STUDY ON CONTRIBUTIONS FROM FEDERAL**
5 **PROGRAMS.**

6 "(a) STUDY.—The Secretary, in conjunction with the
7 Secretary of Health and Human Services, shall conduct
8 a study concerning whether, and the degree to which,
9 States should be permitted to use funds available under
10 a covered program to make contributions to lifelong learn-
11 ing accounts of eligible workers in the State, and con-
12 cerning the impacts on the covered program.

13 "(b) REPORT.—Not later than 24 months after the
14 date of enactment of the Skills Investments Act of 2013,
15 the Secretary of Labor shall submit to Congress a report
16 containing the results of the study and any recommenda-
17 tions for legislation the Secretary determines to be appro-
18 priate.

19 "(c) DEFINITION.—In this section, the term 'covered
20 program' means the program of block grants to States for
21 temporary assistance for needy families established under
22 part A of title IV of the Social Security Act (42 U.S.C.
23 601 et seq.), an employment and training program carried
24 out under section 6(d)(4) of the Food Stamp Act of 1977
25 (7 U.S.C. 2015(d)(4)), the portion of a program of em-

ployment and training activities carried out under chapter 5 that is funded through individual training accounts described in section 134(d)(4)(G), the activities (including training, other employment services, and provision of allowances) carried out under part II of subchapter B of chapter 2 of title II of the Trade Act of 1974 (29 U.S.C. 2295 et seq.), and another Federal employment and training program identified by the Secretary.

"SEC. 135J. ELIGIBILITY FOR OTHER FEDERAL BENEFITS.

"No Federal agency may take into consideration the amount deposited to, or withdrawn from, an eligible worker's lifelong learning account in determining the eligibility of the worker for any benefit or service under any provision of Federal law, including any education or skill development benefit or service, other than this chapter.".

(b) CONFORMING AMENDMENT.—The table of contents in section 1(b) of the Workforce Investment Act of 1998 is amended—

(1) by redesignating the item relating to the chapter heading of chapter 6, as the item relating to the chapter heading of chapter 7, of subtitle B of title I; and

(2) by inserting after the items relating to chapter 5 of that subtitle the following:

"CHAPTER 6—LIFELONG LEARNING ACCOUNTS

"Sec. 135. Definitions.

"Sec. 135A. Lifelong learning account programs.
"Sec. 135B. State supplemental plans.
"Sec. 135C. State activities.
"Sec. 135D. Local supplemental plans.
"Sec. 135E. Local activities.
"Sec. 135F. Federal share.
"Sec. 135G. Trustee reports.
"Sec. 135H. Evaluations and other research.
"Sec. 135I. Study on contributions from Federal programs.
"Sec. 135J. Eligibility for other Federal benefits.".

SEC. 4. AUTHORIZATION OF APPROPRIATIONS.

Section 137 of the Workforce Investment Act of 1998 (29 U.S.C. 2872) is amended by adding at the end the following:

"(d) LIFELONG LEARNING ACCOUNT PROGRAMS.—There is authorized to be appropriated to carry out chapter 6 such sums as may be necessary for each of fiscal years 2015 through 2020.".

SEC. 5. CREDIT FOR CONTRIBUTIONS TO LIFELONG LEARNING ACCOUNTS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by inserting after section 36B the following new section:

"SEC. 36C. CONTRIBUTIONS TO LIFELONG LEARNING ACCOUNTS.

"(a) CREDIT ALLOWED.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable percentage of the contribu-

tions (other than rollover contributions described in subsection (e)(5)) paid in cash during such taxable year by or on behalf of such individual to a lifelong learning account of such individual.

"(b) LIMITATIONS AND DEFINITIONS RELATED TO ALLOWANCE OF CREDIT.—

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

"(A) $3,000, or

"(B) an amount equal to the compensation (as defined in section 219(f)(1)) includible in the individual's gross income for such taxable year.

"(2) LIMITATIONS BASED ON MODIFIED ADJUSTED GROSS INCOME.—

"(A) PHASEOUT OF DOLLAR LIMITATION BASED ON ACCOUNT BENEFICIARY'S MODIFIED ADJUSTED GROSS INCOME.—The $3,000 amount contained in paragraph (1)(A) shall be reduced (but not below zero) by the account beneficiary's reduction amount.

"(B) PER CONTRIBUTOR LIMITATION BASED ON CONTRIBUTOR'S MODIFIED AD-

JUSTED GROSS INCOME.—In the case of a contributor who is an individual (other than an employer of the account beneficiary), the aggregate amount of the contributions of such contributor which may be taken into account under subsection (a) with respect to any eligible individual for any taxable year shall not exceed the excess (if any) of $3,000 over such contributor's reduction amount.

"(C) ACCOUNT BENEFICIARY'S REDUCTION AMOUNT.—For purposes of subparagraph (A), the account beneficiary's reduction amount is the amount which bears the same ratio to $3,000 as—

"(i) the excess of—

"(I) the account beneficiary's modified adjusted gross income for such taxable year, over

"(II) $100,000 (twice such amount in the case of a joint return), bears to

"(ii) $20,000 (twice such amount in the case of a joint return).

For purposes of the preceding sentence, the term 'modified adjusted gross income' means

adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

"(D) CONTRIBUTOR'S REDUCTION AMOUNT.—For purposes of subparagraph (B), the contributor's reduction amount is the amount that would be determined under subparagraph (C) if 'contributor' were substituted for 'account beneficiary' each place it appears therein.

"(E) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING A SEPARATE RETURN.—In the case of a married individual filing a separate return, subparagraph (C)(I)(II) shall be applied by substituting 'zero' for the dollar amount therein.

"(3) TREATMENT OF EMPLOYER CONTRIBUTIONS.—

"(A) EXCLUSION FROM GROSS INCOME.—Gross income shall not include any contribution to a lifelong learning account made by an employer of the account beneficiary to the extent that the aggregate amount of such contributions made during the taxable year does not exceed the limitation in effect under paragraph

(1) (determined without regard to subparagraph (B) of this paragraph) for such taxable year with respect to such beneficiary.

"(B) COORDINATION WITH CREDIT.—The limitation which would (but for this subparagraph) apply under paragraph (1) with respect to the eligible individual for any taxable year shall be reduced (but not below zero) by the aggregate amount contributed to lifelong learning accounts of such individual which is excludable from the taxpayer's gross income for such taxable year under subparagraph (A) (and such amount shall not be taken into account in determining the credit under subsection (a)).

"(4) APPLICABLE PERCENTAGE.—For purposes of this section, the term 'applicable percentage' means—

"(A) 50 percent with respect to the first $500 of contributions taken into account under subsection (a) with respect to any eligible individual for any taxable year, and

"(B) 25 percent with respect to so much of such contributions as exceeds $500.

"(5) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means any

individual for any taxable year if, as of the first day of such taxable year, such individual has attained age 16.

"(c) LIFELONG LEARNING ACCOUNTS.—For purposes of this section—

"(1) IN GENERAL.—The term 'lifelong learning account' means a trust created or organized in the United States as a lifelong learning account under a lifelong learning account program established by a State under chapter 6 of subtitle B of title I of the Workforce Investment Act of 1998 exclusively for the purpose of paying the eligible education or skill development expenses of the account beneficiary and maintained by a trustee consist with the requirements of section 135E(b) of such Act, but only if the written governing instrument creating the trust meets the following requirements:

"(A) No contribution will be accepted unless it is in cash.

"(B) Except in the case of a rollover contribution described in subsection (e)(5), no contribution will be accepted if such contribution, when added to all previous contributions to the trust for the calendar year, would exceed $5,000.

"(C) The trust assets will be held by a trustee who will administer the trust consistent with the requirements of such lifelong learning account program and this section.

"(D) No part of the trust assets will be invested in life insurance contracts.

"(E) No part of the trust assets will be invested in any collectible (as defined in section 408(m)).

"(F) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

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

"(H) No distribution shall be made from the account except—

"(i) for eligible education or skill development expenses, or

"(ii) after an event described in subsection (e)(2)(B).

"(2) ELIGIBLE EDUCATION OR SKILL DEVELOPMENT EXPENSE.—The term 'eligible education or skill development expense' means any eligible education or skill development expense (as defined in

section 135 of the Workforce Investment Act of 1998) which meets the requirements of subclauses (I) and (II) of section 135E(b)(4)(A)(ii) of such Act.

"(3) ACCOUNT BENEFICIARY.—The term 'account beneficiary' means the individual on whose behalf the lifelong learning account was established.

"(4) TRUSTEE.—The term 'trustee' has the meaning given the term in section 135 of the Workforce Investment Act of 1998.

"(5) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

"(A) Section 219(f)(3) (relating to time when contributions deemed made).

"(B) Section 408(g) (relating to community property laws).

"(C) Section 408(h) (relating to custodial accounts).

"(d) TAX TREATMENT OF ACCOUNTS.—

"(1) IN GENERAL.—A lifelong learning account is exempt from taxation under this subtitle unless such account has ceased to be a lifelong learning account. Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by sec-

tion 511 (relating to imposition of tax on unrelated business income of charitable, etc. organizations).

"(2) NONQUALIFIED DISTRIBUTION TREATED AS ACCOUNT TERMINATION.—If there is a nonqualified distribution (as defined in subsection (e)) from a lifelong learning account for any taxable year—

"(A) such account shall cease to be treated as a lifelong learning account as of the close of such taxable year, and

"(B) any amounts in such account as of the close of such taxable year shall be treated as distributed to the account beneficiary on the last day of such taxable year and shall be treated as not used to pay eligible education or skill development expenses.

"(3) APPLICATION OF OTHER RULES TREATING CERTAIN EVENTS AS ACCOUNT TERMINATIONS.—Rules similar to the rules of paragraphs (2) and (4) of section 408(e) shall apply to lifelong learning accounts, and any amount treated as distributed under such rules shall be treated as not used to pay eligible education or skill development expenses.

"(e) INCLUSION OF DISTRIBUTIONS IN GROSS INCOME.—

"(1) INCLUSION IN GROSS INCOME.—Any amount distributed out of a lifelong learning account shall be included in gross income by the account beneficiary.

"(2) ADDITIONAL TAX.—

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

"(B) EXCEPTIONS.—Subparagraph (A) and subsection (d)(2) shall not apply if the distribution is made after the account beneficiary dies, becomes disabled (within the meaning of section 72(m)(7)), or has attained age 70.

"(3) NONQUALIFIED DISTRIBUTION.—For purposes of this section, the term 'nonqualified distribution' means the excess (if any) of—

"(A) the aggregate distributions from the account during the taxable year, over

"(B) the eligible education or skill development expenses of the account beneficiary for the taxable year.

"(4) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—

"(A) IN GENERAL.—If any excess contribution is contributed for a taxable year to any lifelong learning account of an individual, paragraphs (1) and (2) and subsection (d)(2) shall not apply to distributions from the lifelong learning accounts of such individual (to the extent such distributions do not exceed the aggregate excess contributions 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 contribution if it meets the requirements of subparagraphs (A) and (B).

"(A) IN GENERAL.—Paragraphs (1) and (2) and subsection (d)(2) shall not apply to any amount paid or distributed from a lifelong learning account to the account beneficiary to the extent the amount received is paid into a lifelong learning account for the benefit of such beneficiary not later than the 60th day after the day on which the beneficiary receives the payment or distribution.

"(B) LIMITATION.—This paragraph shall not apply to any amount described in subparagraph (A) received by an individual from a lifelong learning account if, at any time during the 1-year period ending on the day of such receipt, such individual received any other amount de-

scribed in subparagraph (A) from a lifelong learning account to which paragraphs (1) and (2) did not apply by reason of the application of this paragraph.

"(6) TRANSFER OF ACCOUNT INCIDENT TO DIVORCE.—The transfer of an individual's interest in a lifelong learning account to an individual's spouse or former spouse under a divorce or separation instrument described in subparagraph (A) of section 71(b)(2) shall not be considered a taxable transfer made by such individual notwithstanding any other provision of this subtitle, and such interest shall, after such transfer, be treated as a lifelong learning account with respect to which such spouse is the account beneficiary.

"(7) TREATMENT AFTER DEATH OF ACCOUNT BENEFICIARY.—

"(A) TREATMENT IF DESIGNATED BENEFICIARY IS SPOUSE OR ELECTS TO CONTINUE ACCOUNT.—If any individual acquires the account beneficiary's interest in a lifelong learning account by reason of being the designated beneficiary of such account at the death of the account beneficiary and such individual elects the application of this subparagraph, such life-

long learning account shall be treated as if such designated beneficiary were the account beneficiary.

"(B) OTHER CASES.—

"(i) IN GENERAL.—If, by reason of the death of the account beneficiary, any person acquires the account beneficiary's interest in a lifelong learning account in a case to which subparagraph (A) does not apply—

"(I) such account shall cease to be a lifelong learning account as of the date of death, and

"(II) an amount equal to the fair market value of the assets in such account on such date shall be includible if such person is not the estate of such beneficiary, in such person's gross income for the taxable year which includes such date, or if such person is the estate of such beneficiary, in such beneficiary's gross income for the last taxable year of such beneficiary.

"(ii) DEDUCTION FOR ESTATE TAXES.—An appropriate deduction shall be allowed under section 691(c) to any person (other than the decedent or the decedent's spouse) with respect to amounts included in gross income under clause (I) by such person.

"(f) REPORTS.—The trustee of a lifelong learning account shall make such reports regarding such account to the Secretary and to the account beneficiary with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. 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 those regulations.".

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

(1) by striking "or" at the end of subsection (a)(4), by inserting "or" at the end of subsection (a)(5), and by inserting after subsection (a)(5) the following new paragraph:

"(6) a lifelong learning account (within the meaning of section 36C(c)),", and

(2) by adding at the end the following new subsection:

"(h) EXCESS CONTRIBUTIONS TO LIFELONG LEARNING ACCOUNTS.—For purposes of this section, in the case of lifelong learning accounts (within the meaning of section 36C(c)), the term 'excess contributions' means the sum of—

"(1) the aggregate amount contributed for the taxable year to the accounts (other than rollover contributions described in section 36C(e)(5)) which is not taken into account for purposes of determining the credit allowed under section 36C(a) or the amount excludable from the taxpayer's gross income under section 36C(b)(3), and

"(2) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(A) the distributions out of the accounts with respect to which additional tax was imposed under section 36C(e)(2)(A) for the taxable year, and

"(B) the excess (if any) of—

"(i) the maximum amount of contributions which may be taken into account

under section 36C(a) for the taxable year, over

"(ii) the amount contributed to the accounts for the taxable year.

For purposes of this subsection, any contribution which is distributed out of the lifelong learning account in a distribution to which section 36C(e)(5) applies shall be treated as an amount not contributed.".

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Paragraph (1) of section 4975(e) of the Internal Revenue Code of 1986 (relating to prohibited transactions) is amended by redesignating subparagraph (G) as subparagraph (H), by striking "or" at the end of subparagraph (F), and by inserting after subparagraph (F) the following new subparagraph:

"(G) a lifelong learning account described in section 36C(c), or".

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

"(7) SPECIAL RULE FOR LIFELONG LEARNING ACCOUNTS.—An individual for whose benefit a lifelong learning account is established shall be exempt from the tax imposed by this section with respect to

any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a lifelong learning account by reason of the application of paragraph (2) or (3) of section 36C(d) to such account.''.

(d) FAILURE TO PROVIDE REPORTS ON LIFELONG LEARNING ACCOUNTS.—Paragraph (2) of section 6693(a) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (D), by redesignating subparagraph (E) as subparagraph (F), and by inserting after subparagraph (D) the following new subparagraph:

''(E) section 36C(f) (relating to lifelong learning accounts), and''.

(e) EXCLUSION FROM EMPLOYMENT TAXES.—

(1) FEDERAL INSURANCE CONTRIBUTIONS ACT.—Subsection (a) of section 3121 of the Internal Revenue Code of 1986 is amended by striking ''or'' at the end of paragraph (22), by striking the period at the end of paragraph (23) and inserting ''; or'', and by inserting after paragraph (23) the following new paragraph:

''(24) any payment made to or for the benefit of an employee if at the time of such payment it is

reasonable to believe that the employee will be able to exclude such payment from income under section 36C(b)(3).''.

(2) RAILROAD RETIREMENT TAX.—Subsection (e) of section 3231 of such Code is amended by adding at the end the following new paragraph:

''(13) LEARNING ACCOUNT CONTRIBUTIONS.—The term 'compensation' shall not include any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such payment from income under section 36C(b)(3).''.

(3) UNEMPLOYMENT TAX.—Subsection (b) of section 3306 of such Code is amended by striking ''or'' at the end of paragraph (19), by striking the period at the end of paragraph (20) and inserting ''; or'', and by inserting after paragraph (20) the following new paragraph:

''(21) any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such payment from income under section 36C(b)(3).''.

(4) WITHHOLDING TAX.—Subsection (a) of section 3401 of such Code is amended by striking ''or''

at the end of paragraph (22), by striking the period at the end of paragraph (23) and inserting "; or", and by inserting after paragraph (23) the following new paragraph:

"(24) any payment made to or for the benefit of an employee if at the time of such payment it is reasonable to believe that the employee will be able to exclude such payment from income under section 36C(b)(3).".

(5) SOCIAL SECURITY TRUST FUNDS HELD HARMLESS.—There is hereby appropriated (out of any money in the Treasury not otherwise appropriated) for each fiscal year to each fund under the Social Security Act an amount equal to the reduction in the transfers to such fund for such fiscal year by reason of the amendment made by paragraph (1).

(f) EXEMPTION FROM ERISA REQUIREMENTS.—Subsection (b) of section 4 of the Employee Retirement Income Security Act of 1974 is amended by striking "or" at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting "; or", and by inserting after paragraph (5) the following new paragraph:

"(6) such plan is maintained solely for the purposes of establishing, and making contributions to,

lifelong learning accounts (within the meaning of section 36C(c) of the Internal Revenue Code of 1986) on behalf of employees.''.

(g) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 36B the following new item:

''Sec. 36C. Contributions to lifelong learning accounts.''.

(2) Section 6211(b)(4)(A) of such Code is amended by inserting ''36C,'' after ''36B,''.

(3) Section 1324(b)(2) of title 31, United States Code, is amended by inserting ''36C,'' after ''36B,''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2013.

SEC. 6. CREDIT FOR SMALL BUSINESSES WITH RESPECT TO LIFELONG LEARNING ACCOUNT PROGRAMS.

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

"SEC. 45S. LIFELONG LEARNING ACCOUNTS CREDIT.

"(a) IN GENERAL.—For purposes of section 38, in the case of an eligible employer, the lifelong learning accounts credit is the sum of—

"(1) the lifelong learning account contributions credit, and

"(2) the lifelong learning account administrative costs credit.

"(b) LIFELONG LEARNING ACCOUNT CONTRIBUTIONS CREDIT.—

"(1) IN GENERAL.—For purposes of this section, the term 'lifelong learning account contributions credit' means the amount equal to 25 percent of the aggregate amount paid or incurred by the taxpayer during the taxable year as contributions to lifelong learning accounts (within the meaning of section 36C(c)) of employees of the taxpayer.

"(2) DOLLAR LIMITATION.—The amount of the contributions taken into account under paragraph (1) with respect to any employee for any taxable year shall not exceed $3,000.

"(c) LIFELONG LEARNING ACCOUNT ADMINISTRATIVE COSTS CREDIT.—

"(1) IN GENERAL.—For purposes of this section, the term 'lifelong learning account administrative costs credit' means the amount equal to 50 per-

cent of the aggregate amount paid or incurred by the taxpayer during the taxable year as administrative expenses in carrying out a program to make payments to the lifelong learning accounts (within the meaning of section 36C(c)) of employees of the taxpayer.

"(2) DOLLAR LIMITATION.—The amount of the credit determined under this subsection for any taxable year shall not exceed—

"(A) $500 per eligible employer for the first credit year and each of the 2 taxable years immediately following the first credit year, and

"(B) zero for any other taxable year.

"(3) FIRST CREDIT YEAR.—For purposes of this subsection, the term 'first credit year' means the first taxable year for which the taxpayer claims a credit under this section.

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

"(d) ELIGIBLE EMPLOYER.—For purposes of this section, the term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(I) applied—

"(1) by substituting '250 employees' for '100 employees' in subclause (I) thereof,

"(2) for purposes of determining eligibility for the lifelong learning account contributions credit for any taxable year, without regard to subclause (II) thereof, and

"(3) for purposes of determining eligibility for the lifelong learning account administrative costs credit for any taxable year, by treating the plan described in subsection (c)(1) as the plan referred to in such subclause (II).

"(e) RECAPTURE IN CASE OF EMPLOYEE COERCION, ETC.—If the Secretary, after consultation with the Secretary of Labor, determines that the taxpayer has required, coerced, or influenced an employee to establish a life long learning account or to use, or refrain from using, funds from the account for any eligible education or skill development expense (as defined in section 36C)—

"(1) the tax imposed on the taxpayer under this subtitle for the taxable year which includes the date of such determination shall be increased by the amount of the credits allowed under this section to the taxpayer for all taxable years which include any portion of the period during which such requirement, coercion, or influence occurred, and

"(2) no credit shall be allowed to the taxpayer under this section for the taxable year which in-

cludes the date of such determination and the succeeding taxable year.''.

(b) CREDIT PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting '', plus'', and by adding at the end the following new paragraph:

''(37) the lifelong learning accounts credit determined under section 45S.''.

(c) DEDUCTION FOR UNUSED CREDIT.—Section 196(c) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', and'', and by adding at the end the following new paragraph:

''(15) the lifelong learning accounts credit determined under section 45S.''.

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 45S. Lifelong learning accounts credit.''.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2013.

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