

117TH CONGRESS
2D SESSION

S. 4023

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

IN THE SENATE OF THE UNITED STATES

APRIL 7, 2022

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

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Lifelong Learning and
5 Training Account Act of 2021”.

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

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

1 **“SEC. 530A. LIFELONG LEARNING AND TRAINING ACCOUNT**
2 **PROGRAMS.**

3 “(a) IN GENERAL.—A Lifelong Learning and Train-
4 ing Account program shall be exempt from taxation under
5 this subtitle. Notwithstanding the preceding sentence,
6 such program shall be subject to the taxes imposed by sec-
7 tion 511.

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

10 “(1) IN GENERAL.—The term ‘Lifelong Learn-
11 ing and Training Account program’ means a pro-
12 gram established and maintained by a State or
13 agency or instrumentality thereof—

14 “(A) under which the designated bene-
15 ficiary of the account or their employer may
16 make contributions to an account which is es-
17 tablished for the purpose of meeting the quali-
18 fied training expenditures of such beneficiary,
19 and

20 “(B) which meets the other requirements
21 of this section.

22 “(2) QUALIFIED TRUST.—Except to the extent
23 provided in regulations, a program shall not be
24 treated as a Lifelong Learning and Training Ac-
25 count program unless such program provides that
26 amounts are held in a qualified trust and such pro-

1 gram has received a ruling or determination by the
2 Secretary that such program meets the applicable
3 requirements for a Lifelong Learning and Training
4 Account program. For purposes of the preceding
5 sentence, the term ‘qualified trust’ means a trust
6 which is created or organized in the United States
7 for the exclusive benefit of designated beneficiaries
8 and with respect to which the requirements of para-
9 graphs (2) and (5) of section 408(a) are met.

10 “(3) REQUIREMENTS.—

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

14 “(i) that contributions may only be
15 made in cash,

16 “(ii) separate accounting for each des-
17 ignated beneficiary,

18 “(iii) that no interest in the program
19 or any portion thereof may be used as se-
20 curity for a loan,

21 “(iv) that no contributions may be
22 made on behalf of a designated bene-
23 ficiary—

24 “(I) in excess of \$2,000 during
25 any calendar year,

1 “(II) if the total amount in the
2 account of such beneficiary is in ex-
3 cess of \$15,000, or

4 “(III) during any calendar year
5 which begins after such beneficiary at-
6 tains 57 years of age,

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

10 “(vi) that required distributions shall
11 be made in accordance with paragraph (6).

12 “(B) METHOD OF DISTRIBUTION.—

13 “(i) IN GENERAL.—For purposes of
14 any distribution from the account of a des-
15 ignated beneficiary under a Lifelong
16 Learning and Training Account program—

17 “(I) the applicable amount of
18 such distribution shall be drawn from
19 amounts transferred to the account of
20 the designated beneficiary pursuant to
21 paragraph (4) and any earnings there-
22 on, and

23 “(II) after application of sub-
24 clause (I), the remainder of such dis-
25 tribution shall be drawn from

1 amounts contributed by the des-
2 ignated beneficiary or their employer
3 and any earnings thereon.

4 “(ii) APPLICABLE AMOUNT.—For pur-
5 poses of clause (i)(I), the applicable
6 amount shall be an amount equal to the
7 lesser of—

8 “(I) 50 percent of the amount of
9 the distribution, or

10 “(II) the total amount of any
11 available funds in the account of the
12 designated beneficiary which were
13 transferred pursuant to paragraph (4)
14 and any earnings thereon.

15 “(iii) OTHER METHODS.—The Sec-
16 retary may amend, alter, or supplement
17 the distribution requirements under this
18 subparagraph in such manner as the Sec-
19 retary deems appropriate.

20 “(C) REPORTING.—For purposes of any
21 distribution from the account of a designated
22 beneficiary under a Lifelong Learning and
23 Training Account program, the administrator
24 shall provide the beneficiary and the Secretary

1 with such information as the Secretary deems
2 appropriate, including—

3 “(i) the amount of such distribution,
4 including the applicable amount of such
5 distribution (as described in subparagraph
6 (B)(ii)), and

7 “(ii) whether such distribution was
8 provided—

9 “(I) directly to the program de-
10 scribed in clauses (i) through (iii) of
11 subsection (e)(5)(A) which provides
12 training to the beneficiary, or

13 “(II) to reimburse the beneficiary
14 for any qualified training expenditures
15 incurred by such beneficiary.

16 “(4) MATCHING FUNDS.—

17 “(A) TRANSFER TO BENEFICIARY AC-
18 COUNT.—

19 “(i) IN GENERAL.—Out of any mon-
20 eys in the Treasury not otherwise appro-
21 priated, the Secretary shall transfer to the
22 account of any designated beneficiary
23 under a Lifelong Learning and Training
24 Account program an amount equal to any
25 amounts contributed to such account by

1 such beneficiary or their employer which
2 occur during any calendar year which be-
3 gins after the date on which such bene-
4 ficiary attains 24 years of age.

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

9 “(I) shall not exceed \$1,000, and

10 “(II) shall not be subject to the

11 limitation under paragraph
12 (3)(A)(iv)(I).

13 “(B) DEPOSIT OF MATCHING FUNDS.—

14 Any amounts required to be transferred to the
15 account of a designated beneficiary under sub-
16 paragraph (A) shall be transferred by the Sec-
17 retary as soon as is practicable following any
18 contribution to such account by such bene-
19 ficiary or their employer.

20 “(C) REDUCTION IN MATCHING FUNDS.—

21 “(i) IN GENERAL.—For each applica-
22 ble taxable year, the dollar amount in sub-
23 paragraph (A)(ii)(I) shall be reduced (but
24 not below zero) by an amount equal to the
25 greater of—

1 “(I) an amount which bears the
2 same ratio to such dollar amount as—

3 “(aa) the amount (not less
4 than zero) equal to the adjusted
5 gross income of the taxpayer for
6 the applicable taxable year minus
7 \$72,000, bears to

8 “(bb) \$10,000, or

9 “(II) an amount which bears the
10 same ratio to such dollar amount as—

11 “(aa) the amount (not less
12 than zero) equal to the earned in-
13 come (as described in section
14 32(c)(2)) of the designated bene-
15 ficiary for the applicable taxable
16 year minus \$72,000, bears to

17 “(bb) \$10,000.

18 “(ii) MARRIED INDIVIDUALS.—In the
19 case of a designated beneficiary who is
20 married (within the meaning of section
21 7703)—

22 “(I) if such beneficiary has filed
23 a joint return for the applicable tax-
24 able year, each of the dollar amounts

1 under clause (i)(I) shall be doubled
2 for such year, or

3 “(II) if such beneficiary has not
4 filed a joint return for the applicable
5 taxable year, the dollar amount in
6 subparagraph (A)(ii)(I) shall be re-
7 duced to zero for such year.

8 “(iii) APPLICABLE TAXABLE YEAR.—
9 For purposes of this subparagraph, the
10 term ‘applicable taxable year’ means the
11 taxable year in which the transfer de-
12 scribed in subparagraph (A)(i) is made to
13 the account of the designated beneficiary.

14 “(iv) EXCESS TRANSFERS.—If the
15 total amount of any transfers made to the
16 account of a designated beneficiary pursu-
17 ant to subparagraph (A)(i) during an ap-
18 plicable taxable year exceeds the dollar
19 amount under subparagraph (A)(ii)(I)
20 (after application of clauses (i) and (ii))
21 for such taxable year, the tax imposed by
22 this chapter for such taxable year shall be
23 increased by the amount of such excess.

24 “(D) DISTRIBUTION OF MATCHING
25 FUNDS.—

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

6 “(I) directly to the program de-
7 scribed in clauses (i) through (iii) of
8 subsection (e)(5)(A) which provides
9 training to the designated beneficiary,
10 or

11 “(II) to reimburse the designated
12 beneficiary for any qualified training
13 expenditures incurred by such bene-
14 ficiary,
15 provided that the beneficiary has provided
16 the administrator with such documentation
17 as is deemed necessary to ensure compli-
18 ance with clause (ii).

19 “(ii) PROHIBITION.—No amounts
20 transferred pursuant to this paragraph to
21 any account of a designated beneficiary
22 under a Lifelong Learning and Training
23 Account program may be distributed for
24 any purpose other than for payment or re-

1 imbursement of qualified training expendi-
2 tures.

3 “(E) ADDITIONAL REDUCTION FOR NON-
4 QUALIFIED DISTRIBUTIONS.—For purposes of
5 any amount of a distribution under a Lifelong
6 Learning and Training Account program which
7 is includible in the gross income of the des-
8 ignated beneficiary, any available funds in the
9 account of such beneficiary which were trans-
10 ferred pursuant to this paragraph (and any
11 earnings thereon) shall also be reduced by such
12 amount.

13 “(F) RESCISSION OF MATCHING FUNDS.—
14 On January 1 of the applicable calendar year,
15 any available funds in the account of such bene-
16 ficiary which were transferred pursuant to this
17 paragraph (and any earnings thereon) shall be
18 reduced to zero.

19 “(5) INVESTMENT.—

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

1 “(B) SECRETARIAL AUTHORITY.—The Sec-
2 retary may prescribe such regulations, rules, or
3 other guidance as may be necessary or appro-
4 priate for purposes of applying this paragraph.

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

11 “(c) TAX TREATMENT.—

12 “(1) IN GENERAL.—Except as otherwise pro-
13 vided in this subsection, no amount shall be includ-
14 ible in gross income of—

15 “(A) a designated beneficiary under a Life-
16 long Learning and Training Account program,
17 or

18 “(B) an employer of such beneficiary that
19 contributes to such program on behalf of such
20 beneficiary,

21 with respect to any distribution or earnings under
22 such program.

23 “(2) DISTRIBUTIONS.—

24 “(A) IN GENERAL.—Any distribution
25 under a Lifelong Learning and Training Ac-

1 count program shall be includible in the gross
2 income of the distributee in the manner as pro-
3 vided under section 72 to the extent not ex-
4 cluded from gross income under any other pro-
5 vision of this chapter.

6 “(B) DISTRIBUTIONS FOR QUALIFIED
7 TRAINING EXPENDITURES.—

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

13 “(ii) COORDINATION WITH OTHER
14 CREDITS.—For purposes of determining
15 the credit allowed under section 25A, no
16 distribution under a Lifelong Learning and
17 Training Account program shall be in-
18 cluded as qualified tuition and related ex-
19 penses under such section.

20 “(C) CHANGE IN BENEFICIARIES OR PRO-
21 GRAMS.—

22 “(i) ROLLOVERS.—Subparagraph (A)
23 shall not apply to that portion of any dis-
24 tribution which, within 60 days of such
25 distribution, is transferred—

1 “(I) to another Lifelong Learn-
2 ing and Training Account program
3 for the benefit of the designated bene-
4 ficiary, or

5 “(II) to the credit of another des-
6 ignated beneficiary under a Lifelong
7 Learning and Training Account pro-
8 gram who is a member of the family
9 of the designated beneficiary with re-
10 spect to which the distribution was
11 made.

12 “(ii) CHANGE IN DESIGNATED BENE-
13 FICIARIES.—Any change in the designated
14 beneficiary of an interest in a Lifelong
15 Learning and Training Account program
16 shall not be treated as a distribution for
17 purposes of subparagraph (A) if the new
18 beneficiary is a member of the family of
19 the old beneficiary.

20 “(iii) LIMITATION ON CERTAIN ROLL-
21 OVERS.—Clause (i)(I) shall not apply to
22 any transfer if such transfer occurs within
23 12 months from the date of a previous
24 transfer to any Lifelong Learning and

1 Training Account program for the benefit
2 of the designated beneficiary.

3 “(iv) MATCHING FUNDS FOR-
4 FEITED.—In the case of any transfer de-
5 scribed in clause (i)(II) or any change in
6 the designated beneficiary of an interest in
7 a Lifelong Learning and Training Account
8 program (with the exception of any change
9 due to the death of the old beneficiary),
10 any amounts transferred to the account of
11 the designated beneficiary under subsection
12 (b)(4), and any earnings thereon, shall be
13 reduced (but not below zero) by an amount
14 equal to the total amount transferred to
15 any account of any other beneficiary.

16 “(D) SPECIAL RULE FOR CONTRIBUTIONS
17 OF REFUNDED AMOUNTS.—In the case of a
18 beneficiary who receives a refund of any quali-
19 fied training expenditures from any program
20 described in clauses (i) through (iii) of sub-
21 section (e)(5)(A), subparagraph (A) shall not
22 apply to that portion of any distribution for the
23 taxable year which is recontributed to a Life-
24 long Learning and Training Account program
25 of which such individual is a beneficiary, but

1 only to the extent such recontribution is made
2 not later than 60 days after the date of such
3 refund and does not exceed the refunded
4 amount.

5 “(3) ESTATE TAX TREATMENT.—

6 “(A) IN GENERAL.—No amount shall be
7 includible in the gross estate of any individual
8 for purposes of chapter 11 by reason of an in-
9 terest in a Lifelong Learning and Training Ac-
10 count program.

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

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

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

23 “(B) TREATMENT OF DESIGNATION OF
24 NEW BENEFICIARY.—The taxes imposed by
25 chapters 12 and 13 shall apply to a transfer by

1 reason of a change in the designated beneficiary
2 under the program (or a rollover to the account
3 of a new beneficiary) unless the new beneficiary
4 is—

5 “(i) assigned to the same generation
6 as (or a higher generation than) the old
7 beneficiary (determined in accordance with
8 section 2651), and

9 “(ii) a member of the family of the
10 old beneficiary.

11 “(5) ADDITIONAL TAX.—The tax imposed by
12 section 530(d)(4) shall apply to any payment or dis-
13 tribution from a Lifelong Learning and Training Ac-
14 count program in the same manner as such tax ap-
15 plies to a payment or distribution from a Coverdell
16 education savings account.

17 “(d) REPORTS.—Each officer or employee having
18 control of the Lifelong Learning and Training Account
19 program or their designee shall make such reports regard-
20 ing such program to the Secretary and to designated bene-
21 ficiaries with respect to contributions, transfers, distribu-
22 tions, and such other matters as the Secretary may re-
23 quire. The reports required by this subsection shall be filed
24 at such time and in such manner and furnished to such

1 individuals at such time and in such manner as may be
2 required by the Secretary.

3 “(e) OTHER DEFINITIONS AND SPECIAL RULES.—

4 For purposes of this section—

5 “(1) ADMINISTRATOR.—The term ‘adminis-
6 trator’ means the entity which established the Life-
7 long Learning and Training Account program and
8 maintains such program, as described in subsection
9 (b)(1).

10 “(2) APPLICABLE CALENDAR YEAR.—The term
11 ‘applicable calendar year’ means the calendar year
12 beginning after the date on which a designated bene-
13 ficiary attained 60 years of age.

14 “(3) DESIGNATED BENEFICIARY.—The term
15 ‘designated beneficiary’ means—

16 “(A) the individual designated at the com-
17 mencement of participation in the Lifelong
18 Learning and Training Account program as the
19 beneficiary of amounts paid (or to be paid) to
20 the program, or

21 “(B) in the case of a change in bene-
22 ficiaries described in subsection (c)(2)(C), the
23 individual who is the new beneficiary.

24 “(4) MEMBER OF FAMILY.—The term ‘member
25 of the family’ means an individual—

1 “(A) who has attained 25 years of age,
2 and

3 “(B) who is, with respect to any des-
4 ignated beneficiary—

5 “(i) the spouse of such beneficiary,

6 “(ii) an individual who bears a rela-
7 tionship to such beneficiary which is de-
8 scribed in subparagraphs (A) through (G)
9 of section 152(d)(2),

10 “(iii) the spouse of any individual de-
11 scribed in clause (ii), or

12 “(iv) any first cousin of such bene-
13 ficiary.

14 “(5) QUALIFIED TRAINING EXPENDITURES.—

15 “(A) IN GENERAL.—The term ‘qualified
16 training expenditures’ means any expenditures
17 for training which results in the attainment of
18 a recognized postsecondary credential and
19 which is provided through—

20 “(i) a program of training services
21 which is listed under section 122(d) of the
22 Workforce Innovation and Opportunity Act
23 (29 U.S.C. 3152(d)),

24 “(ii) a program which is conducted by
25 an area career and technical education

1 school, a community college, or a labor or-
2 ganization, or

3 “(iii) a program which is sponsored
4 and administered by an industry trade as-
5 sociation, industry or sector partnership,
6 or labor organization.

7 “(B) RELATED DEFINITIONS.—For pur-
8 poses of subparagraph (A)—

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

17 “(ii) COMMUNITY COLLEGE.—The
18 term ‘community college’ means an institu-
19 tion which—

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

1 “(II) participates in a program
2 under title IV of that Act (20 U.S.C.
3 1070 et seq.).

4 “(iii) INDUSTRY OR SECTOR PARTNER-
5 SHIP.—The term ‘industry or sector part-
6 nership’ has the meaning given such term
7 under section 3 of the Workforce Innova-
8 tion and Opportunity Act (29 U.S.C.
9 3102).

10 “(iv) INDUSTRY TRADE ASSOCIA-
11 TION.—The term ‘industry trade associa-
12 tion’ means an organization which—

13 “(I) is described in paragraph (3)
14 or (6) of section 501(e) and exempt
15 from taxation under section 501(a);
16 and

17 “(II) is representing an industry.

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

22 “(vi) RECOGNIZED POSTSECONDARY
23 CREDENTIAL.—The term ‘recognized post-
24 secondary credential’ means a credential
25 consisting of an industry-recognized certifi-

1 cate or certification, a license recognized
2 by the State involved or Federal Govern-
3 ment, or an associate or baccalaureate de-
4 gree.

5 “(C) EXCLUSION.—The term ‘qualified
6 training expenditures’ shall not include any
7 amounts paid for meals, lodging, transpor-
8 tation, or other services incidental to any train-
9 ing described in subparagraph (A).

10 “(6) APPLICATION OF SECTION 514.—An inter-
11 est in a Lifelong Learning and Training Account
12 program shall not be treated as debt for purposes of
13 section 514.

14 “(f) PUBLIC AWARENESS.—

15 “(1) IN GENERAL.—The Secretary shall con-
16 duct a public information campaign, utilizing paid
17 advertising, to inform the public of the availability of
18 Lifelong Learning and Training Account programs.

19 “(2) AUTHORIZATION OF APPROPRIATIONS.—

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

23 “(B) AVAILABILITY.—Any sums appro-
24 priated under the authorization contained in

1 this subsection shall remain available, without
2 fiscal year limitation, until expended.

3 “(g) REGULATIONS.—Notwithstanding any other
4 provision of this section, the Secretary shall prescribe such
5 regulations as may be necessary or appropriate to carry
6 out the purposes of this section and to prevent abuse of
7 such purposes, including regulations under chapters 11,
8 12, and 13 of this title.”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 135(d)(2)(B) of the Internal Rev-
11 enue Code of 1986 is amended by striking “sections
12 529(c)(3)(B) and 530(d)(2)” and inserting “sections
13 529(c)(3)(B), 530(d)(2), and 530A(c)(2)(B)”.

14 (2) The table of sections for part VIII of sub-
15 chapter F of chapter 1 of the Internal Revenue Code
16 of 1986 is amended by inserting after the item relat-
17 ing to section 530 the following new item:

“Sec. 530A. Lifelong Learning and Training Account programs.”.

18 (c) ADMINISTRATION ASSISTANCE.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury, or the Secretary’s delegate (referred to in this
21 paragraph as the “Secretary”), shall make a grant,
22 in such amount as the Secretary determines appro-
23 priate, to each State or agency or instrumentality
24 thereof that has established and maintains a Life-
25 long Learning and Training Account program under

1 section 530A of the Internal Revenue Code of 1986
2 (as added by subsection (a)), for purposes of admin-
3 istering such program.

4 (2) AUTHORIZATION OF APPROPRIATIONS.—

5 There are authorized to be appropriated such sums
6 as may be necessary to carry out the purposes of
7 this subsection.

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

○