

118TH CONGRESS  
2D SESSION

# S. 3816

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

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IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 2024

Ms. KLOBUCHAR introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Skills Investment Act  
5 of 2024”.

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

7 (a) IN GENERAL.—

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

1 (A) by striking “Coverdell education sav-  
2 ings account” each place it appears and insert-  
3 ing “Coverdell lifelong learning account”; and

4 (B) by striking “**COVERDELL EDU-  
5 CATION SAVINGS ACCOUNTS**” in the heading  
6 and inserting “**COVERDELL LIFELONG  
7 LEARNING ACCOUNTS**”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Section 26(b)(2)(E) of the Internal  
10 Revenue Code of 1986 is amended by striking  
11 “Coverdell education savings accounts” and in-  
12 serting “Coverdell lifelong learning accounts”.

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

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

18 (ii) by striking “**COVERDELL EDU-  
19 CATION SAVINGS ACCOUNT**” in the heading  
20 and inserting “**COVERDELL LIFELONG  
21 LEARNING ACCOUNT**”.

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

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

4 (ii) by striking “COVERDELL EDU-  
5 CATION SAVINGS ACCOUNT” in the heading  
6 and inserting “COVERDELL LIFELONG  
7 LEARNING ACCOUNT”.

8 (D) Section 408A(e)(2)(A)(ii) of such Code  
9 is amended by striking “Coverdell education  
10 savings account” and inserting “Coverdell life-  
11 long learning account”.

12 (E) Section 529(e) of such Code is amend-  
13 ed—

14 (i) by striking “COVERDELL EDU-  
15 CATION SAVINGS ACCOUNTS” in the head-  
16 ing of paragraph (3)(B)(vi) and inserting  
17 “COVERDELL LIFELONG LEARNING AC-  
18 COUNT”; and

19 (ii) by striking “an Coverdell edu-  
20 cation savings account” in paragraph (6)  
21 and inserting “a Coverdell lifelong learning  
22 account”.

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

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

3           (G) Section 4973 of such Code is amend-  
4           ed—

5                   (i) by striking “Coverdell education  
6                   savings account” each place it appears in  
7                   subsections (a)(4) and (e)(2)(A) and in-  
8                   serting “Coverdell lifelong learning ac-  
9                   count”;

10                   (ii) by striking “Coverdell education  
11                   savings accounts” in subsection (e)(1) and  
12                   inserting “Coverdell lifelong learning ac-  
13                   counts”; and

14                   (iii) by striking “COVERDELL EDU-  
15                   CATION SAVINGS ACCOUNTS” in the head-  
16                   ing of subsection (e) and inserting  
17                   “COVERDELL LIFELONG LEARNING AC-  
18                   COUNT”.

19           (H) Section 4975 of such Code is amend-  
20           ed—

21                   (i) by striking “Coverdell education  
22                   savings account” each place it appears in  
23                   subsections (c)(5) and (e)(1)(F) and in-  
24                   serting “Coverdell lifelong learning ac-  
25                   count”; and

1 (ii) by striking “COVERDELL EDU-  
2 CATION SAVINGS ACCOUNTS” in the head-  
3 ing of subsection (c)(5) and inserting  
4 “COVERDELL LIFELONG LEARNING AC-  
5 COUNTS”.

6 (I) Section 6693(a)(2)(F) of such Code is  
7 amended by striking “Coverdell education sav-  
8 ings accounts” and inserting “Coverdell lifelong  
9 learning accounts”.

10 (J) The table of sections for part VIII of  
11 subchapter F of chapter 1 of such Code is  
12 amended by striking “Coverdell education sav-  
13 ings accounts” and inserting “Coverdell lifelong  
14 learning accounts”.

15 (3) TREATMENT OF EXISTING ACCOUNTS.—For  
16 purposes of section 530(b)(1) of the Internal Rev-  
17 enue Code of 1986, any account established before  
18 January 1, 2024, and designated as a Coverdell edu-  
19 cation savings account shall be deemed to have been  
20 designated as a Coverdell lifelong learning account.

21 (b) EXPANDED USE OF ACCOUNTS.—

22 (1) ELIGIBLE EXPENSES.—

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

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

4 “(iii) qualified educational or skill de-  
 5 velopment expenses (as defined in para-  
 6 graph (5)).”.

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

11 “(5) QUALIFIED EDUCATIONAL OR SKILL DE-  
 12 VELOPMENT EXPENSES.—The term ‘qualified edu-  
 13 cational or skill development expenses’ means—

14 “(A) expenses paid or incurred—

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

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

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

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

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

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

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

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

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

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

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

14 “(D) expenses for the purchase of any  
15 computer software (as defined by section  
16 197(e)(3)(B)), computer or peripheral equip-  
17 ment (as defined by section 168(i)(2)(B)), fiber  
18 optic cable related to computer use, internet ac-  
19 cess and related services, if such software,  
20 equipment, or services are to be used by the  
21 beneficiary for services or activities described in  
22 subparagraph (A) during any of the years the  
23 beneficiary is participating in or enrolled in any  
24 of the services or activities described in sub-  
25 paragraph (A).”.



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

3 (1) \$10,000 ACCOUNT LIMIT AFTER AGE 30.—

4 (A) IN GENERAL.—Subparagraph (E) of  
5 section 530(b)(1) of the Internal Revenue Code  
6 of 1986 is amended by inserting “in excess of  
7 \$10,000” after “any balance to the credit of  
8 the designated beneficiary”.

9 (B) CONTRIBUTION LIMIT.—Paragraph (1)  
10 of section 530(b) of such Code is amended by  
11 striking “or” at the end of clause (ii), by strik-  
12 ing the period at the end of clause (iii) and in-  
13 serting “, or”, and by adding at the end the fol-  
14 lowing new clause:

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

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

23 (3) INCREASED CONTRIBUTION LIMITATION  
24 FOR INDIVIDUALS OVER AGE 30.—

1                   (A)            IN            GENERAL.—Section  
2           530(b)(1)(A)(iii) of the Internal Revenue Code  
3           of 1986 is amended by inserting “(\$4,000 in  
4           the case of an account the designated bene-  
5           ficiary of which has attained age of 30 before  
6           the end of the taxable year)” after “\$2,000”.

7                   (B) CONFORMING AMENDMENT.—Section  
8           4973(e)(1)(A) of such Code is amended by  
9           striking “\$2,000” and inserting “the limitation  
10          applicable under section 530(b)(1)(A)(iii)”.

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

18                   “(A) the old beneficiary has not attained  
19                  age 30 before the date of the change in bene-  
20                  ficiary, and

21                   “(B) the new beneficiary”.

22          (d) CREDIT FOR EMPLOYER CONTRIBUTIONS.—

23                  (1) IN GENERAL.—Subpart D of part IV of  
24          subchapter A of chapter 1 of the Internal Revenue

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

3 **“SEC. 45BB. EMPLOYEE EDUCATIONAL SKILLS AND DEVELOP-**  
 4 **MENT EXPENSES.**

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

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

15 “(1) EMPLOYEE.—

16 “(A) CERTAIN EMPLOYEES EXCLUDED.—

17 The term ‘employee’ shall not include—

18 “(i) an employee within the meaning  
 19 of section 401(c)(1),

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

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

1           “(iv) any individual who bears any of  
2           the relationships described in subpara-  
3           graphs (A) through (G) of section  
4           152(d)(2) to, or is a dependent described  
5           in section 152(d)(2)(H) of, an individual  
6           described in clause (i), (ii), or (iii).

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

10          “(2) NONELECTIVE CONTRIBUTION.—The term  
11          ‘nonelective contribution’ means an employer con-  
12          tribution other than an employer contribution pursu-  
13          ant to a salary reduction arrangement.

14          “(3) AGGREGATION AND OTHER RULES MADE  
15          APPLICABLE.—

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

21                 “(B) OTHER RULES.—Rules similar to the  
22                 rules of subsections (c), (d), and (e) of section  
23                 52 shall apply.”.

24          “(2) CREDIT TREATED AS PART OF GENERAL  
25          BUSINESS CREDIT.—Section 38(b) of such Code is

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

5 “(42) the employee educational skills and devel-  
 6 opment contribution credit determined under section  
 7 45BB(a).”.

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

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

12 (e) ALLOWANCE OF DEDUCTION FOR BENE-  
 13 FICIARY.—

14 (1) IN GENERAL.—Part VIII of subchapter B  
 15 of chapter 1 of the Internal Revenue Code of 1986  
 16 is amended by redesignating section 224 as section  
 17 225 and by inserting after section 223 the following  
 18 new section:

19 **“SEC. 224. COVERDELL LIFELONG LEARNING ACCOUNT**  
 20 **CONTRIBUTIONS.**

21 “(a) IN GENERAL.—In the case of an individual  
 22 who—

23 “(1) is the designated beneficiary of a Coverdell  
 24 lifelong learning account (as defined in section  
 25 530(b)(1)), and

1           “(2) has attained the age of 18 before the close  
2           of the taxable year,  
3 there shall be allowed as a deduction an amount equal to  
4 the contributions for the taxable year by or on behalf of  
5 such individual to the account described in paragraph (1).

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

9           (2) INCREASE IN ADDITIONAL TAX.—

10           (A) INCREASE.—

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

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

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

25           “(1) INCLUSION IN GROSS INCOME.—

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

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

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

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

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

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

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

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

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

4 (f) EFFECTIVE DATE.—

5 (1) IN GENERAL.—Except as otherwise pro-  
6 vided in this subsection, the amendments made by  
7 this section shall take effect on January 1, 2024.

8 (2) ELIGIBLE EXPENSES.—The amendments  
9 made by subsection (b) shall apply to distributions  
10 made after December 31, 2023.

11 (3) CONTRIBUTIONS.—The amendments made  
12 by paragraphs (1)(B) and (2) of subsection (c) shall  
13 apply to contributions made after December 31,  
14 2023.

15 (4) EMPLOYER CONTRIBUTION CREDIT AND  
16 BENEFICIARY DEDUCTIONS.—The amendments  
17 made by subsections (d) and (e) shall apply to tax-  
18 able years beginning after December 31, 2023.

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