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(Original Signature of Member)

118TH CONGRESS  
1ST SESSION

# H. R.

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

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## IN THE HOUSE OF REPRESENTATIVES

Mr. KILMER introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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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 2023”.

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

7 (a) IN GENERAL.—

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

4                   (A) by striking “Coverdell education sav-  
5                   ings account” each place it appears and insert-  
6                   ing “Coverdell lifelong learning account”; and

7                   (B) by striking “**COVERDELL EDU-**  
8                   **CATION SAVINGS ACCOUNTS**” in the heading  
9                   and inserting “**COVERDELL LIFELONG**  
10                  **LEARNING ACCOUNTS**”.

11           (2) CONFORMING AMENDMENTS.—

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

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

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

21                           (ii) by striking “**COVERDELL EDU-**  
22                           **CATION SAVINGS ACCOUNTS**” in the head-  
23                           ing and inserting “**COVERDELL LIFELONG**  
24                           **LEARNING ACCOUNTS**”.

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

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

6 (ii) by striking “COVERDELL EDU-  
7 CATION SAVINGS ACCOUNTS” in the head-  
8 ing and inserting “COVERDELL LIFELONG  
9 LEARNING ACCOUNTS”.

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

14 (E) Section 529(c) of such Code is amend-  
15 ed—

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

21 (ii) by striking “Coverdell education  
22 savings account” in paragraph (6) and in-  
23 serting “Coverdell lifelong learning ac-  
24 count”.

1 (F) Section 877A(e)(2) of such Code is  
2 amended by striking “Coverdell education sav-  
3 ings account” and inserting “Coverdell lifelong  
4 learning account”.

5 (G) Section 4973 of such Code is amend-  
6 ed—

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

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

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

21 (H) Section 4975 of such Code is amend-  
22 ed—

23 (i) by striking “Coverdell education  
24 savings account” each place it appears in  
25 subsections (c)(5) and (e)(1)(F) and in-

1           serting “Coverdell lifelong learning ac-  
2           count”; and

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

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

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

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

23          (b) EXPANDED USE OF ACCOUNTS.—

24                   (1) ELIGIBLE EXPENSES.—

1 (A) IN GENERAL.—Section 530(b)(2)(A) of  
2 the Internal Revenue Code of 1986 is amended  
3 by striking “and” at the end of clause (i), by  
4 striking the period at the end of clause (ii) and  
5 inserting “, and”, and by adding at the end the  
6 following new clause:

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

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

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

17 “(A) expenses paid or incurred—

18 “(i) after the beneficiary attains age  
19 16, and

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

23 “(I) training services described in  
24 section 134(c)(3)(D) of the Workforce  
25 Innovation and Opportunity Act (29

1 U.S.C. 3174(c)(3)(D)) that are of-  
2 ferred by a provider included on the  
3 list of eligible providers of training  
4 services described in section 122 of  
5 such Act (29 U.S.C. 3152),

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

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

20 “(IV) youth activities described  
21 in section 129(c)(2) of the Workforce  
22 Innovation and Opportunity Act (29  
23 U.S.C. 3164(c)(2)) that are provided  
24 by eligible providers of youth work-

1 force investment activities under sec-  
2 tion 123 of such Act, or

3 “(V) adult education and literacy  
4 activities, as defined in section 203 of  
5 the Adult Education and Family Lit-  
6 eracy Act (29 U.S.C. 3272), that are  
7 provided by eligible providers of adult  
8 education and literacy activities under  
9 section 231 of such Act (29 U.S.C.  
10 3321),

11 “(B) expenses for transportation required  
12 for or provided by any of the services or activi-  
13 ties described in subparagraph (A),

14 “(C) expenses for testing necessary for en-  
15 rollment in, or certification in connection with,  
16 services or activities described in subparagraph  
17 (A), or

18 “(D) expenses for the purchase of any  
19 computer software (as defined by section  
20 197(e)(3)(B)), computer or peripheral equip-  
21 ment (as defined by section 168(i)(2)(B)), fiber  
22 optic cable related to computer use, internet ac-  
23 cess and related services, if such software,  
24 equipment, or services are to be used by the  
25 beneficiary for services or activities described in

1           subparagraph (A) during any of the years the  
2           beneficiary is participating in or enrolled in any  
3           of the services or activities described in sub-  
4           paragraph (A).”.

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

7           (1) \$10,000 ACCOUNT LIMIT AFTER AGE 30.—

8           (A) IN GENERAL.—Subparagraph (E) of  
9           section 530(b)(1) of the Internal Revenue Code  
10          of 1986 is amended by inserting “in excess of  
11          \$10,000” after “any balance to the credit of  
12          the designated beneficiary”.

13          (B) CONTRIBUTION LIMIT.—Subparagraph  
14          (A) of section 530(b)(1) of such Code is amend-  
15          ed by striking “or” at the end of clause (ii), by  
16          striking the period at the end of clause (iii) and  
17          inserting “, or”, and by adding at the end the  
18          following new clause:

19                  “(iv) in the case of a beneficiary who  
20                  is over the age of 30, if such contribution  
21                  would result in the balance of the account  
22                  exceeding \$10,000.”.

23          (2) INCREASED AGE LIMIT FOR CONTRIBU-  
24          TIONS.—Clause (ii) of section 530(b)(1)(A) of the

1 Internal Revenue Code of 1986 is amended by strik-  
2 ing “age 18” and inserting “age 70”.

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

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

11 (B) CONFORMING AMENDMENT.—Section  
12 4973(e)(1)(A) of such Code is amended by  
13 striking “\$2,000” and inserting “the limitation  
14 applicable under section 530(b)(1)(A)(iii)”.

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

22 “(A) the old beneficiary has not attained  
23 age 30 before the date of the change in bene-  
24 ficiary, and

25 “(B) the new beneficiary”.

1 (d) CREDIT FOR EMPLOYER CONTRIBUTIONS.—

2 (1) IN GENERAL.—Subpart D of part IV of  
3 subchapter A of chapter 1 of the Internal Revenue  
4 Code of 1986 is amended by adding at the end the  
5 following new section:

6 **“SEC. 45BB. EMPLOYEE EDUCATIONAL SKILLS AND DEVEL-**  
7 **OPMENT EXPENSES.**

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

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

18 “(1) EMPLOYEE.—

19 “(A) CERTAIN EMPLOYEES EXCLUDED.—

20 The term ‘employee’ shall not include—

21 “(i) an employee within the meaning  
22 of section 401(c)(1),

23 “(ii) any 2-percent shareholder (as de-  
24 fined in section 1372(b)) of an S corpora-  
25 tion,

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

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

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

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

16 “(3) AGGREGATION AND OTHER RULES MADE  
17 APPLICABLE.—

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

23 “(B) OTHER RULES.—Rules similar to the  
24 rules of subsections (c), (d), and (e) of section  
25 52 shall apply.”.

1           (2) CREDIT TREATED AS PART OF GENERAL  
2 BUSINESS CREDIT.—Section 38(b) of such Code is  
3 amended by striking “plus” at the end of paragraph  
4 (40), by striking the period at the end of paragraph  
5 (41) and inserting “, plus”, and by adding at the  
6 end the following new paragraph:

7           “(42) the employee educational skills and devel-  
8 opment contribution credit determined under section  
9 45BB(a).”.

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

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

14           (e) ALLOWANCE OF DEDUCTION FOR BENE-  
15 FICIARY.—

16           (1) IN GENERAL.—Part VIII of subchapter B  
17 of chapter 1 of the Internal Revenue Code of 1986  
18 is amended by redesignating section 224 as section  
19 225 and by inserting after section 223 the following  
20 new section:

21 **“SEC. 224. COVERDELL LIFELONG LEARNING ACCOUNT**  
22 **CONTRIBUTIONS.**

23           “(a) IN GENERAL.—In the case of an individual  
24 who—

1           “(1) is the designated beneficiary of a Coverdell  
2           lifelong learning account (as defined in section  
3           530(b)(1)), and

4           “(2) has attained the age of 18 before the close  
5           of the taxable year,

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

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

12           (2) INCREASE IN ADDITIONAL TAX.—

13           (A) INCREASE.—

14           (i) IN GENERAL.—Section  
15           530(d)(4)(A) of the Internal Revenue Code  
16           of 1986 is amended by striking “10 per-  
17           cent” and inserting “20 percent”.

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

24           (B) MODIFICATION OF TAX TREATMENT  
25           OF DEDUCTIBLE CONTRIBUTIONS.—Paragraph

1 (1) of section 530(d) of such Code is amended  
2 to read as follows:

3 “(1) INCLUSION IN GROSS INCOME.—

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

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

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

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

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

23 “(ii) the amount of distributions to  
24 which subparagraph (A)(i) applied to in  
25 any preceding taxable year.”.

1           (3) CLERICAL AMENDMENT.—The table of sec-  
2           tions for part VIII of subchapter B of chapter 1 of  
3           such Code is amended by redesignating the item re-  
4           lating to section 224 as relating to section 225 and  
5           by inserting after the item relating to section 223  
6           the following new item:

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

7           (f) EFFECTIVE DATE.—

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

11          (2) ELIGIBLE EXPENSES.—The amendments  
12          made by subsection (b) shall apply to distributions  
13          made after December 31, 2023.

14          (3) CONTRIBUTIONS.—The amendments made  
15          by paragraphs (1)(B) and (2) of subsection (c) shall  
16          apply to contributions made after December 31,  
17          2023.

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