HOUSE RESEARCH
Bill Summary

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Subject: Lifelong learning account program

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Overview

This bill establishes a Lifelong Learning Account (LiLA) program in the Department of Employment and Economic Development (DEED). The commissioner of DEED will certify trustees or custodians for these accounts and is directed to encourage use of LiLAs. The accounts are to be used for qualifying educational expenses for education and training of workers.
A 50-percent refundable tax credit up to a maximum of $1,000 is provided for individual contributions to LiLAs and a $500 employer credit for matching contributions by businesses.

1 **Lifelong learning accounts program.** Establishes a lifelong learning account (LiLA) program in DEED. These accounts are trust or custodial accounts (e.g., similar to an individual retirement account or 401(k)) and moneys in the accounts must be used for education expenses of the account owner. The commissioner of DEED must approve the entities (i.e., the trustees or custodians) that will hold and manage the accounts on behalf of the owners. The section directs the commissioner to approve state 529 Plans as qualified trustees or custodians of the accounts.

The commissioner is to use moneys appropriated for the LiLA program to:

- Encourage participation by low-income and low-skill workers
- Encourage participation across the state and different industries
- Provide technical assistance to businesses and individuals regarding the LiLA program
- Report to the legislature by December 15th of each year on program outcomes

The commissioner may contract with other entities (public or private) to help administer the LiLA program and may promulgate administrative rules to implement it.

Effective date: July 1, 2011.

2 **LiLA tax credits.** Establishes income and corporate tax credits for individual contributions and business matching contributions to LiLAs. The credit for individual contributions equals 50 percent

of the contributions to a LiLA up to a maximum credit of $1,000. The credit is refundable; if the credit exceeds the contributor's tax liability, the state pays the balance to the individual as a refund. The business credit equals the amount of the employer's matching contribution to the LiLA up to a maximum of $500 per employee. This credit is limited to the liability for tax with a 15-year carryover against future tax liability.

These credits apply only to LiLAs for individuals who are not claimed as dependents on someone else's tax return. This will limit their application to largely adult education and retraining, since most college-age adults and children will be claimed as someone else's dependent.

A 25-percent penalty applies to withdrawals from LiLAs that are not used for qualifying education or rolled over to another LiLA within 60 days of the withdrawals. (Qualifying or permitted uses of LiLAs is defined by reference to the same rules that apply to qualifying distributions from 529 Plans under federal law.) This penalty is limited to the amount of the tax credit (for individuals).

Effective date: Taxable years beginning after December 31, 2010.