

119TH CONGRESS
2D SESSION

H. R. 8714

To amend the Internal Revenue Code of 1986 to establish skill savings accounts.

IN THE HOUSE OF REPRESENTATIVES

MAY 7, 2026

Mr. THOMPSON of Pennsylvania (for himself and Ms. BONAMICI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish skill savings accounts.

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 “Skill Savings Account
5 Act of 2026”.

6 **SEC. 2. SKILL SAVINGS ACCOUNT.**

7 (a) IN GENERAL.—Part III of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 is amended
9 by inserting after section 139L the following new section:

1 **“SEC. 139M. SKILL SAVINGS ACCOUNT.**

2 “(a) **EXCLUSION FROM GROSS INCOME.**—Gross in-
3 come of an eligible employee does not include—

4 “(1) amounts contributed to a skill savings ac-
5 count of such employee by such employee or the em-
6 ployer of such employee, or

7 “(2) any amount paid or distributed out of a
8 skill savings account which is used exclusively to pay
9 the qualified education expenses of the account bene-
10 ficiary.

11 “(b) **ELIGIBLE EMPLOYEE.**—For purposes of this
12 section, the term ‘eligible employee’ means an individual,
13 with respect to any taxable year—

14 “(1) employed in the United States during such
15 taxable year, and

16 “(2) who is not a dependent (as defined in sec-
17 tion 152) of any other taxpayer for such taxable
18 year.

19 “(c) **LIMITATION ON EXCLUSION.**—Subsection (a)
20 shall not apply to so much of any contribution to a skill
21 savings account of an employee for a taxable year as ex-
22 ceeds—

23 “(1) in the case of a contribution by an em-
24 ployer, the excess of—

25 “(A) \$5,250, over

1 “(B) the amount (if any) excluded from
2 the gross income of such employee under sec-
3 tion 127(a)(1) for such taxable year, and

4 “(2) in the case of a contribution by the em-
5 ployee, any amount which taken in aggregate with
6 all contributions made by such employee during the
7 taxable year exceeds \$10,000.

8 “(d) SKILL SAVINGS ACCOUNT.—For purposes of
9 this section, the term ‘skill savings account’ means a trust
10 created or organized in the United States as a skill savings
11 account exclusively for the purpose of paying the qualified
12 education expenses of the account beneficiary, but only if
13 the written governing instrument creating the trust meets
14 the following requirements:

15 “(1) No contribution will be accepted unless it
16 is in cash.

17 “(2) The trustee is a bank (as defined in sec-
18 tion 408(n)), an insurance company (as defined in
19 section 816), or another person who demonstrates to
20 the satisfaction of the Secretary that the manner in
21 which such person will administer the trust will be
22 consistent with the requirements of this section.

23 “(3) The assets of the trust will not be commin-
24 gled with other property except in a common trust
25 fund or common investment fund.

1 “(4) No part of the trust assets will be invested
2 in life insurance contracts.

3 “(5) The interest of an individual in the bal-
4 ance in his account is nonforfeitable.

5 “(e) QUALIFIED EDUCATION EXPENSES.—For pur-
6 poses of this section, the term ‘qualified education ex-
7 penses’ means amounts paid or incurred by the employee
8 if such amount would be educational assistance (as defined
9 in section 127(c)(1)) if such amount were paid by the em-
10 ployer of such employee.

11 “(f) AMOUNTS NOT USED FOR QUALIFIED EDU-
12 CATION EXPENSES.—

13 “(1) IN GENERAL.—Any amount paid or dis-
14 tributed from a skill savings account which is not
15 used exclusively to pay the qualified education ex-
16 penses of the account beneficiary shall be included in
17 the gross income of such account beneficiary.

18 “(2) ADDITIONAL TAX ON DISTRIBUTIONS NOT
19 USED FOR QUALIFIED EDUCATIONAL EXPENSES.—
20 The tax imposed by this chapter on the account ben-
21 eficiary who has not attained age 65 for any taxable
22 year in which there is a payment or distribution
23 from a skill savings account of such beneficiary
24 which is includible in gross income under paragraph

1 (1) shall be increased by 20 percent of the amount
2 which is so includible.

3 “(3) EXCESS CONTRIBUTION RETURNED BE-
4 FORE DUE DATE OF RETURN.—If any excess con-
5 tribution is contributed for a taxable year to any
6 skill savings account of an individual, paragraph (1)
7 shall not apply to distributions from the skill savings
8 accounts of such individual (to the extent such dis-
9 tributions do not exceed the aggregate excess con-
10 tributions to all such accounts of such individual for
11 such year) if—

12 “(A) such distribution is received by the
13 individual on or before the last day prescribed
14 by law (including extensions of time) for filing
15 such individual’s return for such taxable year,
16 and

17 “(B) such distribution is accompanied by
18 the amount of net income attributable to such
19 excess contribution.

20 Any net income described in subparagraph (B) shall
21 be included in the gross income of the individual for
22 the taxable year in which it is received.

23 “(4) EXCESS CONTRIBUTION.—For purposes of
24 paragraph (3), the term ‘excess contribution’ means

1 any contribution which is not excludable from gross
2 income under subsection (a).

3 “(g) TAX TREATMENT OF ACCOUNT.—A skill savings
4 account is exempt from taxation under this subtitle unless
5 such account has ceased to be a skill savings account. Not-
6 withstanding the preceding sentence, any such account is
7 subject to the taxes imposed by section 511.

8 “(h) EMPLOYEE; EMPLOYER.—For purposes of this
9 section, the terms ‘employee’ and ‘employer’ shall be ap-
10 plied as such terms are applied in section 127.

11 “(i) REPORTING.—The Secretary may require the
12 trustee of a skill savings account to make such reports
13 (at such time and in such manner as the Secretary deter-
14 mines appropriate) regarding such account to the Sec-
15 retary and to the account beneficiary with respect to con-
16 tributions, distributions, the return of excess contribu-
17 tions, and such other matters as the Secretary determines
18 appropriate.”.

19 (b) IMPLEMENTING REGULATIONS.—Not later than
20 1 year after the date of the enactment of this Act, the
21 Secretary of the Treasury shall issue such implementing
22 regulations as the Secretary determines appropriate to im-
23 plement the amendments made by this section.

24 (c) EXCESS CONTRIBUTIONS.—Section 4973 of such
25 Code is amended—

1 (1) in subsection (a)—

2 (A) in paragraph (5), by striking “or”,

3 (B) in paragraph (6), by inserting “or”

4 after the comma, and

5 (C) by inserting after paragraph (6) the

6 following new paragraph:

7 “(7) a skill savings account (within the mean-

8 ing of section 127A(d)).”, and

9 (2) by adding at the end the following new sub-

10 section:

11 “(i) SKILL SAVINGS ACCOUNT.—For purposes of this

12 section, in the case of skill savings accounts (within the

13 meaning of section 127A(d)), the term ‘excess contribu-

14 tion’ means the sum of—

15 “(1) the aggregate amount contributed for the

16 taxable year to the accounts which is not excludable

17 from gross income under section 139M(a), and

18 “(2) the amount determined under this sub-

19 section for the preceding taxable year, reduced by

20 the sum of—

21 “(A) the distributions out of the accounts

22 which were included in gross income under sec-

23 tion 139M(f)(1), and

24 “(B) the excess (if any) of—

1 “(i) the maximum amount excludable
2 from gross income under section 139
3 (a)(1) for the taxable year, over

4 “(ii) the amount contributed to the
5 accounts for the taxable year.

6 For purposes of this subsection, any contribu-
7 tion which is distributed out of the skill savings
8 account in a distribution to which section
9 139M(f)(1) applies shall be treated as an
10 amount not contributed.”.

11 (d) CLERICAL AMENDMENT.—The table of sections
12 for part III of subchapter B of chapter 1 of such Code
13 is amended by inserting after the item relating to section
14 139L the following new item:

 “Sec. 139M. Skill savings account.”.

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2025.

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