II

119TH CONGRESS
1ST SESSION

S. 3217

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

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 2025

Ms. KLOBUCHAR (for herself and Mr. MCCORMICK) 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 provide for lifelong learning accounts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Skills Investment Act of 2025''.

SEC. 2. COVERDELL LIFELONG LEARNING ACCOUNTS.

(a) IN GENERAL.—

(1) RENAMING OF COVERDELL EDUCATION SAVINGS ACCOUNTS.—Section 530 of the Internal Revenue Code of 1986 is amended—

(A) by striking "Coverdell education savings account" each place it appears and inserting "Coverdell lifelong learning account"; and

(B) by striking "**COVERDELL EDUCATION SAVINGS ACCOUNTS**" in the heading and inserting "**COVERDELL LIFELONG LEARNING ACCOUNTS**".

(2) CONFORMING AMENDMENTS.—

(A) Section 26(b)(2)(E) of the Internal Revenue Code of 1986 is amended by striking "Coverdell education savings accounts" and inserting "Coverdell lifelong learning accounts".

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

(i) by striking "Coverdell education savings account" and inserting "Coverdell lifelong learning account"; and

(ii) by striking "COVERDELL EDUCATION SAVINGS ACCOUNT" in the heading and inserting "COVERDELL LIFELONG LEARNING ACCOUNT".

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

(i) by striking "Coverdell education savings account" and inserting "Coverdell lifelong learning account"; and

(ii) by striking "COVERDELL EDUCATION SAVINGS ACCOUNT" in the heading and inserting "COVERDELL LIFELONG LEARNING ACCOUNT".

(D) Section 408A(e)(2)(A)(ii) of such Code is amended by striking "Coverdell education savings account" and inserting "Coverdell lifelong learning account".

(E) Section 529(c) of such Code is amended—

(i) by striking "COVERDELL EDUCATION SAVINGS ACCOUNTS" in the heading of paragraph (3)(B)(vi) and inserting "COVERDELL LIFELONG LEARNING ACCOUNT"; and

(ii) by striking "an Coverdell education savings account" in paragraph (6) and inserting "a Coverdell lifelong learning account".

(F) Section 877A(e)(2) of such Code is amended by striking "Coverdell education savings account'' and inserting ''Coverdell lifelong learning account''.

(G) Section 4973 of such Code is amended—

(i) by striking ''Coverdell education savings account'' each place it appears in subsections (a)(4) and (e)(2)(A) and inserting ''Coverdell lifelong learning account'';

(ii) by striking ''Coverdell education savings accounts'' in subsection (e)(1) and inserting ''Coverdell lifelong learning accounts''; and

(iii) by striking ''COVERDELL EDUCATION SAVINGS ACCOUNTS'' in the heading of subsection (e) and inserting ''COVERDELL LIFELONG LEARNING ACCOUNT''.

(H) Section 4975 of such Code is amended—

(i) by striking ''Coverdell education savings account'' each place it appears in subsections (c)(5) and (e)(1)(F) and inserting ''Coverdell lifelong learning account''; and

(ii) by striking "COVERDELL EDUCATION SAVINGS ACCOUNTS" in the heading of subsection (c)(5) and inserting "COVERDELL LIFELONG LEARNING ACCOUNTS".

(I) Section 6693(a)(2)(F) of such Code is amended by striking "Coverdell education savings accounts" and inserting "Coverdell lifelong learning accounts".

(J) The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by striking "Coverdell education savings accounts" and inserting "Coverdell lifelong learning accounts".

(3) TREATMENT OF EXISTING ACCOUNTS.—For purposes of section 530(b)(1) of the Internal Revenue Code of 1986, any account established before January 1, 2026, and designated as a Coverdell education savings account shall be deemed to have been designated as a Coverdell lifelong learning account.

(b) EXPANDED USE OF ACCOUNTS.—

(1) ELIGIBLE EXPENSES.—

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

"(iii) qualified educational or skill development expenses (as defined in paragraph (5)).".

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

"(5) QUALIFIED EDUCATIONAL OR SKILL DEVELOPMENT EXPENSES.—The term 'qualified educational or skill development expenses' means—

"(A) expenses paid or incurred—

"(i) after the beneficiary attains age 16, and

"(ii) for participation or enrollment of the beneficiary in services or activities that are—

"(I) training services described in section 134(c)(3)(D) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174(c)(3)(D)) that are offered by a provider included on the list of eligible providers of training services described in section 122 of such Act (29 U.S.C. 3152),

"(II) career and technical education activities defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302) that are offered through an eligible institution (as defined in such section),

"(III) career services described in clauses (iii), (iv), and (xi) of section 134(c)(2)(A) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174(c)(2)(A)) that are provided by providers eligible under section 134(c)(2)(C) of such Act,

"(IV) youth workforce investment activities described in section 129(c)(2) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3164(c)(2)) that are provided by eligible providers of youth workforce investment activities under section 123 of such Act, or

"(V) adult education and literacy activities, as defined in section 203 of the Adult Education and Family Literacy Act (29 U.S.C. 3272), that are provided by eligible providers of adult education and literacy activities under section 231 of such Act (29 U.S.C. 3321),

"(B) expenses for transportation required for or provided by any of the services or activities described in subparagraph (A),

"(C) expenses for testing necessary for enrollment in, or certification in connection with, services or activities described in subparagraph (A), or

"(D) expenses for the purchase of any computer software (as defined by section 197(e)(3)(B)), computer or peripheral equipment (as defined by section 168(i)(2)(B)), fiber optic cable related to computer use, internet access and related services, if such software, equipment, or services are to be used by the beneficiary for services or activities described in subparagraph (A) during any of the years the beneficiary is participating in or enrolled in any of the services or activities described in subparagraph (A).''.

(c) MODIFICATION OF RULES RELATING TO AGE RESTRICTIONS AND CONTRIBUTIONS.—

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

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

(B) CONTRIBUTION LIMIT.—Paragraph (1) of section 530(b) of such Code is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following new clause:

''(iv) in the case of a beneficiary who is over the age of 30, if such contribution would result in the balance of the account exceeding $10,000.''.

(2) INCREASED AGE LIMIT FOR CONTRIBUTIONS.—Clause (ii) of section 530(b)(1)(A) of the Internal Revenue Code of 1986 is amended by striking ''age 18'' and inserting ''age 70''.

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

(A) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by inserting ''($4,000 in the case of an account the designated beneficiary of which has attained age of 30 before the end of the taxable year)'' after ''$2,000''.

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

(4) NO CHANGE IN BENEFICIARY AFTER AGE 30.—Paragraph (6) of section 530(d) of the Internal Revenue Code of 1986 is amended by striking ''shall not be treated as a distribution for purposes of paragraph (1) if the new beneficiary'' and inserting ''shall not be treated as a distribution for purposes of paragraph (1) if—

''(A) the old beneficiary has not attained age 30 before the date of the change in beneficiary, and

''(B) the new beneficiary''.

(d) CREDIT FOR EMPLOYER CONTRIBUTIONS.—

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

"SEC. 45BB. EMPLOYEE EDUCATIONAL SKILLS AND DEVELOPMENT EXPENSES.

"(a) GENERAL RULE.—For purposes of section 38, the employee educational skills and development contribution credit determined under this section for any taxable year is 25 percent of the nonelective contributions made by the taxpayer during the taxable year to a Coverdell lifelong learning account (as defined in section 530(b)) the designated beneficiary of which is an employee of the taxpayer.

"(b) SPECIAL RULES AND DEFINITIONS.—For purposes of this section—

"(1) EMPLOYEE.—

"(A) CERTAIN EMPLOYEES EXCLUDED.—The term 'employee' shall not include—

"(i) an employee within the meaning of section 401(c)(1),

"(ii) any 2-percent shareholder (as defined in section 1372(b)) of an S corporation, "(iii) any 5-percent owner (as defined in section 416(i)(1)(B)(i)) of taxpayer, or

"(iv) any individual who bears any of the relationships described in subparagraphs (A) through (G) of section 152(d)(2) to, or is a dependent described in section 152(d)(2)(H) of, an individual described in clause (i), (ii), or (iii).

"(B) LEASED EMPLOYEES.—The term 'employee' shall include a leased employee within the meaning of section 414(n).

"(2) NONELECTIVE CONTRIBUTION.—The term 'nonelective contribution' means an employer contribution other than an employer contribution pursuant to a salary reduction arrangement.

"(3) AGGREGATION AND OTHER RULES MADE APPLICABLE.—

"(A) AGGREGATION RULES.—All employers treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer for purposes of this section.

"(B) OTHER RULES.—Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply.".

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

''(42) the employee educational skills and development contribution credit determined under section 45BB(a).''.

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

''Sec. 45BB. Employee educational skills and development expenses.''.

(e) ALLOWANCE OF DEDUCTION FOR BENEFICIARY.—

(1) IN GENERAL.—Part VIII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by redesignating section 226 as section 227 and by inserting after section 225 the following new section:

''SEC. 226. COVERDELL LIFELONG LEARNING ACCOUNT CONTRIBUTIONS.

''(a) IN GENERAL.—In the case of an individual who—

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

"(2) has attained the age of 18 before the close of the taxable year,

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

"(b) RECONTRIBUTED AMOUNTS.—No deduction shall be allowed under this section with respect to a rollover contribution described in section 530(d)(5).".

(2) INCREASE IN ADDITIONAL TAX.—

(A) INCREASE.—

(i) IN GENERAL.—Section 530(d)(4)(A) of the Internal Revenue Code of 1986 is amended by striking "10 percent" and inserting "20 percent".

(ii) CONFORMING AMENDMENT.—Section 529(c)(6) of such Code is amended by inserting ", except that '10 percent' shall be substituted for '20 percent' in subparagraph (A) thereof" before the period at the end of the first sentence.

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

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

"(1) INCLUSION IN GROSS INCOME.—

"(A) IN GENERAL.—Any distribution shall be includible in the gross income of the distributee as follows:

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

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

"(B) DEDUCTIBLE AMOUNT.—For purposes of this paragraph, the term 'deductible amount' means the excess of—

"(i) the sum of contributions to the account for which a deduction was allowed under section 226 in such year and any preceding taxable year, over

"(ii) the amount of distributions to which subparagraph (A)(i) applied to in any preceding taxable year.".

(3) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 of such Code is amended by redesignating the item relating to section 226 as relating to section 227 and by inserting after the item relating to section 225 the following new item:

"Sec. 226. Coverdell lifelong learning account contributions.".

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on January 1, 2026.

(2) ELIGIBLE EXPENSES.—The amendments made by subsection (b) shall apply to distributions made after December 31, 2025.

(3) CONTRIBUTIONS.—The amendments made by paragraphs (1)(B) and (2) of subsection (c) shall apply to contributions made after December 31, 2025.

(4) EMPLOYER CONTRIBUTION CREDIT AND BENEFICIARY DEDUCTIONS.—The amendments made by subsections (d) and (e) shall apply to taxable years beginning after December 31, 2025.

○