



Summary of the Lifelong Learning Accounts Act of 2010

The Lifelong Learning Accounts Act provides a tool for workers to save money to improve their skills and job marketability through ongoing learning. Specifically, the bill will create Lifelong Learning Accounts (LiLAs), which are worker-owned, employer-matched savings accounts akin to 401(k)s. Employers and workers will be able to dedicate up to \$2,500 per year to assist in paying for educational expenses, and contributions to the accounts will grow tax-free. As an incentive to contribute, both employers and workers will receive a tax credit for a portion of their contributions.

At a time when millions of Americans are looking to transition to jobs into growing sectors of our economy such as information and green technology, LiLAs can be a valuable resource. Unlike other education savings programs, LiLAs are worker-owned accounts that are portable in case you lose or change your job. Employers can choose to contribute but are not required to do so. LiLAs also provide an additional degree of flexibility for workers who simply need one or two courses to obtain the skills required to advance in their careers.

“LiLAs are a win, win, win—for our workforce, for our businesses, and for our economy.”

Illinois Senator Don Harmon

Specifics

- Workers ages 18 through 70 are eligible to open a LiLA.
- Workers may receive a total of \$750 refundable tax credit for contributions to a LiLA (50% for the first \$500 and 25% for the next \$2,000).
- Employers have the option to contribute and will receive a 25% tax credit on their contributions. Employer contributions will not be considered a part of the employee’s gross income.
- Funds from LiLAs can be used for qualified education expenses which include tuition and fees, books, supplies, equipment, tools, and information technology devices required for educational activity. Funds MAY NOT be used for any course or other education involving sports, games, or hobbies.
- Non-qualified education distributions will face a 10% penalty.

For more information, please contact Amy Sherman, Associate Vice President for Policy and Strategic Alliances, at:

312-499-2635 or
asherman@cael.org



Below is an excerpt from a paper that the Council for Adult and Experiential Learning (CAEL) produced illustrating the differences between a LiLA and other educational savings accounts:



How are LiLAs different from other educational tax benefits such as Coverdell Education Savings Accounts (ESAs), Section 127 employer tuition assistance, the tuition and fees deduction, and the Hope Scholarship and Lifetime Learning Tax Credits?

LiLAs are “gap fillers” and do not substitute for any existing student financial assistance programs including Pell Grants, other federal or state grants, or education tax benefits. For example:

- **LiLAs target adult workers.** The Coverdell ESAs (formally Education IRAs) require contributions to be made before the beneficiary turns 18 years old and expire when the beneficiary turns 30. In contrast, LiLAs are available to individuals from 18 – 70 years of age.
- **LiLAs leverage a matching contribution from employers.** They are the only educational tax benefit in which employers can directly match employee contributions.
- **LiLAs are portable and can be used even during periods of unemployment.** Unlike Section 127 employer tuition assistance benefits, LiLAs are owned by the individual worker. If s/he terminates or changes employment, the worker still owns the assets and can continue to contribute to, spend from, and manage the fund, even if s/he is unemployed.
- **LiLAs are a better fit for working adults’ college enrollment needs.** Unlike the HOPE Credit, LiLAs do not require an individual to enroll in college at least half-time to be eligible. This is an important feature, as a significant portion of working adult students attends college less-than-half-time.
- **LiLAs cover more education and training costs than other education tax benefits.** LiLAs can be used for more educational courses and programs than Coverdell ESAs, Section 127 employer tuition assistance benefits, or the Hope and Lifetime Learning Credits. Also, unlike the Hope and Lifetime credits, LiLAs cover the cost of books, supplies and equipment not required to be purchased at the educational institution as a condition of enrollment. LiLAs cover tuition and fees for in-person classes as well as on-line classes, independent studies and trade schools.
- **LiLAs provide a tax benefit to workers as they save for postsecondary education, front-loading the benefit.** Unlike the tuition and fees deduction, the Hope Scholarship Tax Credit, and Lifetime Learning Tax Credit that provide a tax benefit after a worker has paid for and taken courses, LiLAs provide a credit on the contributions toward future education and training, providing an incentive to build savings for education and reducing the high barrier-to-entry posed by tuition and fees.

“The Lifelong Learning Accounts Act is a simple, common-sense way to help Americans grow and excel in their jobs by giving them the resources and tools they need to further their education while they work.”

**Congressman
John Larson
(D-CT)**

For more information, please contact Amy Sherman, Associate Vice President for Policy and Strategic Alliances, at: 312-499-2635 or asherma@cael.org

