SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 843

(SENATE AUTHORS: SENJEM)

DATE	D-PG	OFFICIAL STATUS
03/16/2011	523	Introduction and first reading Referred to Jobs and Economic Growth

A bill for an act

relating to workforce development; establishing a lifelong learning account program; allowing tax credits to employers and employees for contributions to lifelong learning accounts; appropriating money; proposing coding for new law in Minnesota Statutes, chapters 116L; 290.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[116L.85] LIFELONG LEARNING ACCOUNTS PROGRAM.**

Subdivision 1. **Program established.** The lifelong learning accounts program is established in the Department of Employment and Economic Development.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of employment and economic development.

(c) "Education expenses" means "qualified higher education expenses" as defined in section 529(e) of the Internal Revenue Code.

(d) "Lifelong learning account" means an individual asset account held by a trustee, custodian, or fiduciary approved by the commissioner on behalf of an employee in this state to pay education expenses of the employee. State-operated qualified tuition programs under section 529 of the Internal Revenue Code of 1986, as amended, qualify to be trustees, custodians, or fiduciaries for lifelong learning accounts under this section without application to or approval by the commissioner.

Subd. 3. **Commissioner's duties.** The commissioner shall use any funds appropriated for the lifelong learning accounts program to:

(1) encourage both lower-income and lower-skilled health care, hospitality, and technology industry workers to participate in a lifelong learning account;

(2) encourage the establishment of lifelong learning accounts in diverse geographic and economic areas and among differing sizes of firms, and include health care, hospitality, and technology industry workers in urban, suburban, and rural areas of the state;

(3) make technical assistance available to companies, and make educational and career advising available to individual participants; and

(4) document the process and outcomes in the establishment of lifelong learning accounts, and prepare a report on the program, to be submitted to the legislature by December 15 of each even-numbered year.

Subd. 4. **Limits on use of money in accounts.** The money in a lifelong learning account must be used only to pay education expenses incurred by or on behalf of the account owner.

Subd. 5. **Contracting authority.** The commissioner may contract with other government agencies, nonprofit organizations, or for-profit firms to carry out the purpose and required activities of the lifelong learning accounts program.

Subd. 6. **Authority to adopt rules.** The commissioner may adopt administrative rules under chapter 14 to implement this section.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 2. **[290.0693] LIFELONG LEARNING ACCOUNT CREDIT.**

Subdivision 1. **Refundable credit allowed; individuals.** (a) A qualified individual is allowed a credit against the tax imposed under this chapter equal to 50 percent of the contributions made during the taxable year to a lifelong learning account. The maximum tax credit for the taxable year is $1,000 for a married couple filing a joint return and $500 for all other returns. Amounts funded with matching payments from employers that qualify for a credit under subdivision 2 do not qualify for a credit under this subdivision.

(b) If the credit for which the claimant is eligible under this subdivision exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess.

(c) An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner from the general fund.

Subd. 2. **Employer tax credit.** (a) An employer, whether a corporation, an individual, or a partnership, subject to taxation under this chapter may claim a tax credit for payments made during the taxable year to make matching payments for contributions to lifelong learning accounts for its employees. The maximum tax credit is limited to $500 during the taxable year for each employee on whose behalf qualified lifelong learning account matching payments are made.

(b) For a partnership or S corporation, the credit must be allocated to the partners or shareholders in proportion to their respective shares of the income of the entity.

(c) The credit allowed under this subdivision is limited to the liability for tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter. If the amount of the credit determined under this section for any taxable year exceeds the liability for tax, the excess is a carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax less the credit for the taxable year.

Subd. 3. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Lifelong learning account" means an individual asset account held by a trustee, custodian, or fiduciary qualifying under section 116L.85, on behalf of an employee in Minnesota.

(c) "Qualified individual" means an individual who is not claimed as a dependent or as a qualifying child, as those terms are defined in section 152 of the Internal Revenue Code, by another taxpayer for federal tax purposes.

Subd. 4. **Special tax on nonqualified withdrawals.** (a) An individual making a nonqualified withdrawal from a lifelong learning account is subject to a tax equal to the greater of:

(1) 25 percent of the withdrawal; or

(2) the tax credit claimed on contributions under subdivision 1 or the amount withdrawn, whichever is less.

(b) For purposes of this subdivision, a "nonqualified withdrawal" means a withdrawal that is not:

(1) used to pay "qualified higher education expenses" as defined in section 529(e) of the Internal Revenue Code; or

(2) contributed to another lifelong learning account within 60 days after the withdrawal from the original account.

(c) The tax under this subdivision is due and payable at the same time as and with the return for the taxable year in which the withdrawal was made. The trustee for the lifelong learning account shall withhold and remit to the commissioner 25 percent of each withdrawal from an account, unless the account holder certifies that the amount will be used for qualifying higher education expenses. The amount withheld is a credit against the tax due under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.