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# A BILL FOR AN ACT

RELATING TO LIFELONG LEARNING ACCOUNTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that it is increasingly  
2 critical for Hawaii's workforce to be prepared for the high-  
3 skill demands of a twenty-first century economy. An unprepared  
4 workforce is a serious threat to the State's continued  
5 competitiveness and economic development. Research by the  
6 Workforce Development Council and other agencies, show that  
7 while a highly trained, entry level workforce is very important,  
8 that entry level workforce improves the overall skill level only  
9 gradually over time. An estimated seventy-five per cent of the  
10 workers who will serve the economy over the next ten years are  
11 already on the job. The impending retirement of baby boom  
12 workers is expected to exceed the entry of new workers into the  
13 economy over the next several decades.

14           If Hawaii is to maintain a growing economy, it must balance  
15 this shortage of workers with a more skilled and productive  
16 workforce. This means ensuring the continuous, lifelong,  
17 upgrading of skills by workers already in the workforce as well  
18 as better training among new entrants.

1           However, in Hawaii's predominantly small-business economy,  
2 it is difficult for firms to establish and maintain a program to  
3 upgrade training for their workers, or for those workers to  
4 engage in lifelong learning. As a result, only a very small  
5 proportion of the workforce is seriously engaged in skill  
6 upgrading. It is critical that Hawaii optimize its limited,  
7 existing workforce by assisting in the upgrading of skills and  
8 instilling the concept that learning does not stop with a  
9 traditional, formal education.

10           An important step is to establish a funding mechanism to  
11 encourage and help leverage private sector spending for  
12 incumbent worker training. One mechanism that has been  
13 instituted in a number of states is lifelong learning accounts.

14           Lifelong learning accounts are employer-matched educational  
15 savings accounts used to finance workers' education and training.  
16 The concept allows an individual worker to contribute money to a  
17 lifelong learning account and have that contribution matched by  
18 the worker's employer, similar to a 401(k), but for the purpose  
19 of education and training. Lifelong learning accounts encourage  
20 a partnership between workers and employers to effectively  
21 leverage resources and increase access to education and  
22 training. The accounts are grounded in the idea that individual

1 responsibility, choice, and empowerment are key building blocks  
2 for self-reliance.

3 SECTION 2. This Act establishes a lifelong learning  
4 accounts program in Hawaii, in order to encourage employer and  
5 employee investment in upgrading the skills of the incumbent  
6 workforce.

7 SECTION 3. Chapter 235, Hawaii Revised Statutes, is  
8 amended by adding a new section to be appropriately designated  
9 and to read as follows:

10 "§235- Lifelong learning account tax credit. (a) There  
11 shall be allowed to each individual taxpayer, who is subject to  
12 the taxes imposed by this chapter and who is not claimed or is  
13 not otherwise eligible to be claimed as a dependent by another  
14 taxpayer for Hawaii state individual income tax purposes, a  
15 lifelong learning account credit, as provided under this  
16 section. The credit shall be equal to one-hundred per cent of  
17 the payments made by the taxpayer into a lifelong learning  
18 account during the taxable year. The credit shall be deducted  
19 against the taxpayer's net individual income tax liability for  
20 the taxable year in which the taxpayer made payments into the  
21 lifelong learning account. An individual who has no income or  
22 no income taxable under this chapter and who is not claimed or

1 is not otherwise eligible to be claimed as a dependent by a  
2 taxpayer for Hawaii state individual income tax purposes may  
3 also claim this credit. The tax credit shall be subject to the  
4 following:

5 (1) The tax credit shall not exceed \$1,000 in the  
6 aggregate for a husband and wife filing a joint  
7 return, provided that a husband and wife filing  
8 separate tax returns for a taxable year, for which a  
9 joint return could have been filed by them, shall  
10 claim only the tax credit to which they would have  
11 been entitled under this section had a joint return  
12 been filed.

13 (2) The tax credit shall not exceed \$500 in the aggregate  
14 for all other taxpayers filing an income tax return.

15 (b) The credit applies to payments made by the taxpayer  
16 during the taxable year into a qualified lifelong learning  
17 account that is established for the benefit of the taxpayer.

18 (c) As used in this section:

19 "Lifelong learning account" means an individual asset  
20 account held by a trustee, custodian, or fiduciary approved by  
21 the department of labor and industrial relations.

1        (d) For the purpose of this credit, the "net income tax  
2 liability" means net income tax liability reduced by all other  
3 credits allowed under this chapter. If the tax credits claimed  
4 by a taxpayer exceed the amount of income tax payment due from  
5 the taxpayer, the excess of credits over payments due shall be  
6 refunded to the taxpayer; provided that no refunds or payment on  
7 account of the tax credit allowed by this section shall be made  
8 for amounts less than \$1.

9        (e) All claims, including any amended claims, for tax  
10 credits under this section shall be filed on or before the end  
11 of the twelfth month following the close of the taxable year for  
12 which the credit may be claimed. Failure to comply with the  
13 foregoing provision shall constitute a waiver of the right to  
14 claim the credit."

15        SECTION 4. Chapter 235, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:

18        **"§235-    Employer's tax credit for lifelong learning**  
19 **account matching funds paid on behalf of employees. (a)**

20 Subject to the limitations of this section, a taxpayer that is  
21 an employer subject to taxation under this chapter may claim a  
22 non-refundable tax credit for payments made by the employer

1 during the taxable year as matching payments to lifelong  
2 learning accounts for individual employees. The tax credit  
3 shall be equal to one-hundred per cent of the contributions made  
4 by the taxpayer to the taxpayer's employees' lifelong learning  
5 accounts. The maximum tax credit shall not exceed \$500 during  
6 the taxable year for each employee on whose behalf qualified  
7 lifelong learning account matching payments are made.

8 (b) The credit allowed under this section shall be claimed  
9 against the net income tax liability for the taxable year in  
10 which contributions are made. If the tax credit under this  
11 section exceeds the taxpayer's income tax liability, the excess  
12 of the credit may be carried forward until exhausted.

13 (c) All claims, including any amended claims, for tax  
14 credits under this section shall be filed on or before the end  
15 of the twelfth month following the close of the taxable year for  
16 which the credit may be claimed. Failure to comply with this  
17 provision shall constitute a waiver of the right to claim the  
18 credit.

19 (d) The director of taxation shall prepare any forms that  
20 may be necessary to claim a credit under this section.

21 (e) As used in this section:

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1       "Lifelong learning account" means an individual asset  
2 account held by a trustee, custodian, or fiduciary approved by  
3 the department of labor and industrial relations."

4       SECTION 5. Chapter 394, Hawaii Revised Statutes, is  
5 amended by adding a new section to be appropriately designated  
6 and to read as follows:

7       "§394- Lifelong learning accounts program. (a) There is  
8 established the lifelong learning accounts program.

9       (b) For the purposes of this section, "lifelong learning  
10 account" means an individual asset account held by a trustee,  
11 custodian, or fiduciary approved by the department of labor and  
12 industrial relations on behalf of a healthcare, hospitality, or  
13 technology employee in the State. The moneys in the individual  
14 asset account shall be used only to pay education expenses  
15 incurred by or on behalf of the account owner.

16       (c) The department shall establish a lifelong learning  
17 accounts program to:

18       (1) Encourage both lower-income and lower-skilled  
19       healthcare, hospitality, and technology industry  
20       workers to participate in a lifelong learning account;

21       (2) Encourage the establishment of lifelong learning  
22       accounts in diverse geographic and economic areas,

1           among differing sizes of firms, and include  
2           healthcare, hospitality, and technology industry  
3           workers in urban, suburban, and rural areas of the  
4           State;

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

8           (4) Document the process and outcomes in the establishment  
9           of lifelong learning accounts, and prepare a report  
10           that shall include recommendations for extension of  
11           lifelong learning accounts to other industry sectors;

12           (5) In conformity with and subject to chapter 91, the  
13           director of labor and industrial relations shall make  
14           rules, not inconsistent with this chapter, which the  
15           director deems necessary for or conducive to its  
16           proper application and enforcement of this chapter.

17           (d) The department may enter into contracts with other  
18           government agencies, non profit organizations, or for-profit  
19           firms in addressing the purpose and required activities of the  
20           lifelong learning accounts program."

21           SECTION 6. Statutory material to be repealed is bracketed  
22           and stricken. New statutory material is underscored.




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1 SECTION 7. This Act shall take effect on July 1, 2008;  
2 Provided that Section 3 and 4 shall apply to taxable years  
3 beginning after December 31, 2007.

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INTRODUCED BY:

  
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BY REQUEST

**Report Title:**

Lifelong Learning Accounts; Adult Education; Training; Tax Credits

**Description:**

Establishes a Lifelong Learning Accounts program and tax credit in the department of labor and industrial relations to support upgraded training for the incumbent workforce, and encourages participation by employers and employees through tax credit incentives.

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO LIFELONG LEARNING ACCOUNTS.

PURPOSE: The purpose of this bill is to establish a Lifelong Learning Accounts program to improve the skill level of the workforce.

MEANS: Add two sections to chapter 235, Hawaii Revised Statutes, and one to chapter 394, Hawaii Revised Statutes and appropriates funds.

JUSTIFICATION: The bill establishes a lifelong learning program.

The program works with other elements of the Innovation Initiative to develop a competitive workforce with the skill levels to support high skill high wage industries in the future. Without efforts to raise skill levels and institute other initiatives to build a competitive workforce, Hawaii cannot maintain, much less advance its standard of living.

Impact on the public: The program will significantly increase the skills and advancement potential of the current workforce.

Impact on the department and other agencies: The implementing department will initiate and administer the new program. Department of Taxation will administer tax credit.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: LBR-111

OTHER AFFECTED AGENCIES: Department of Taxation.

EFFECTIVE DATE: July 1, 2008