
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 under-staffed workforce is a serious threat to the State's
5 continued competitiveness and economic development.

6 In this regard, research by the Workforce Development
7 Council and other agencies, show that while a highly trained,
8 entry level workforce is very important, the overall skill level
9 of the entry level workforce improves only gradually over time.
10 The number of retiring baby boom workers is expected to exceed
11 the number of new workers entering the workforce over the next
12 several decades.

13 If Hawaii is to maintain a growing economy, it must make up
14 for the impending shortage of workers with a more skilled and
15 productive workforce. In this regard, an estimated seventy-five
16 per cent of the workers who will serve the economy over the next
17 ten years are already on the job. Accordingly, it is critical
18 to ensure the continuous, lifelong, upgrading of skills of



1 workers already in the workforce as well as better training
2 among new entrants.

3 In Hawaii's predominantly small-business economy, it is
4 difficult for firms to establish and maintain a program to
5 upgrade training for their workers, or for those workers to
6 engage in lifelong learning. As a result, only a very small
7 proportion of the workforce is seriously engaged in skill
8 upgrading. It is critical that Hawaii optimize its limited,
9 existing workforce by assisting in the upgrading of skills and
10 instilling the concept that learning does not stop with a
11 traditional, formal education. An important step in achieving
12 this goal is to establish a funding mechanism to encourage and
13 help leverage private sector spending for incumbent worker
14 training. One mechanism that has been instituted in a number of
15 states is lifelong learning accounts.

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



1 to effectively leverage resources and increase access to
2 education and training. The accounts are grounded in the idea
3 that individual responsibility, choice, and empowerment are key
4 building blocks for self-reliance.

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

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

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



1 no income taxable under this chapter and who is not claimed or
2 is not otherwise eligible to be claimed as a dependent by a
3 taxpayer for Hawaii state individual income tax purposes may
4 also claim this credit. The tax credit shall be subject to the
5 following:

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

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 tax credit, the "net income
2 tax liability" means net income tax liability reduced by all
3 other credits allowed under this chapter. If the tax credit
4 claimed by a taxpayer exceed the amount of income tax payment
5 due from the taxpayer, the excess of the tax credit over payment
6 due shall be refunded to the taxpayer; provided that no refund
7 or payment on account of the tax credit allowed by this section
8 shall be made 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 nonrefundable 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:



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
8 is 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 only be used 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 and

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

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

22 SECTION 6. New statutory material is underscored.



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



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. (SD1)

