



# New Bills Enhance Training Efforts

By Kermit Kaleba

**Congress completes appropriations for this year and looks ahead to 2008.**

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In February, Congress passed a resolution that will continue funding for federal training programs through the end of September.

The \$464 billion legislation was necessary because the previous Congress, which ended earlier this year, was unable to complete most of its appropriations bills after the November elections. Instead, it passed a stopgap measure that expired February 15.

Approval came just two weeks after President Bush released his \$2.9 trillion budget request for the 2008 fiscal year. The proposal calls for the consolidation of several job training programs administered under the Workforce Investment Act, including programs for adult and dislocated worker training. Although the proposal would cut overall funding for these programs, it would direct money toward Career Advancement

Accounts—individual training accounts that provide workers with up to \$3,000 per year over two years to spend on training services. The Department of Labor argues that this will triple the number of workers trained each year through the federal workforce system.

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In addition, the administration called for \$150 million for competitive grants to community and technical colleges, and indicated that it will continue to fund other programs that support regional job training initiatives and high-growth industry training.

While the annual release of the President's budget request garners much attention, it is Congress that ultimately decides how federal funds are allocated. With Democrats controlling both chambers for the first time in 12 years, it is unlikely that the President's career account proposal will be adopted in the final legislation, and it is possible that funding for federal job training programs could actually be increased in 2008.

As Congress gears up to address appropriations, several legislators introduced laws that could add significantly to American competitiveness. Representative Jerry Weller (R-Illinois) introduced the "Technology Retraining and Investment Now Act for the 21st Century," which would create a tax credit equal to half of the expenses paid for information and communications technology training programs. Generally, the credit would be capped at \$4,000

per individual per year. But for certain circumstances—such as programs that serve underprivileged areas or programs operated by employers with 200 or fewer employees—the maximum would be extended to \$5,000 per year. The bill also would create an advisory board that will develop a list of information technology training certifications and courses that qualify for the credit.

Senator Maria Cantwell (D-Washington) introduced the Lifelong Learning Accounts Act of 2007 that calls for the creation of portable accounts—similar to 401(k) plans—for continuing education and training expenses. (They differ from existing educational benefits

because they don't require specific age or employment status.) Each year, individuals could contribute up to \$500 tax-free to these lifelong learning accounts, known as LiLAs, and employers would receive a tax credit of up to \$500 per employee for contributing to their workers' accounts.

If approved, Cantwell's bill would start as a demonstration project in 10 states for 200,000 workers. The participating states will be determined by the treasury secretary.

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## Current Incentives

The federal government offers several tax incentives to encourage education and training. While these employment-based incentives do not provide a direct tax benefit for organizations, they can be powerful incentives toward recruitment and retention and should be on the minds of all learning professionals.

### Educational Assistance Programs

According to the Internal Revenue Service, employers may establish an educational assistance program for their employees. Under current law, employers may reimburse employees up to \$5,250 per year for tuition, fees, books, supplies, and equipment, and the payments are excluded from the employee's gross income for tax purposes. The program must be covered by a separate written plan document, cannot discriminate in favor of highly compensated employees, and cannot be offered with a choice between educational assistance and other compensation that would be considered as gross income to the employee. Appropriate notification must be given to eligible employees.

### Working Condition Fringe Benefits

The IRS allows employers to reimburse—tax-free—employees for business-related expense deductions. Educational expenses qualify if the education maintains or improves skills necessary for current employment, is expressly required by the employer, or is legally required to retain an established employment relationship. If the employer offers reimbursement for educational expenses, the employee may not also claim the deduction.

In contrast to the education assistance programs, a written plan is not required. However, it is important to note that this option cannot be used for any education or training that is not closely related to the employee's current duties, or for training that qualifies the employee for a new position.

Source: ASTD