

107TH CONGRESS  
1ST SESSION

# H. R. 249

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs and to provide that distributions from such programs which are used to pay educational expenses shall not be includible in gross income.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 30, 2001

Mr. BACHUS introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs and to provide that distributions from such programs which are used to pay educational expenses shall not be includible in gross income.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “College Savings Pro-  
5       tection Act”.

1 **SEC. 2. MODIFICATIONS TO QUALIFIED TUITION PRO-**  
 2 **GRAMS.**

3 (a) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-  
 4 MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

5 (1) IN GENERAL.—Section 529(b)(1) of the In-  
 6 ternal Revenue Code of 1986 (defining qualified  
 7 State tuition program) is amended by inserting “or  
 8 by one or more eligible educational institutions”  
 9 after “maintained by a State or agency or instru-  
 10 mentality thereof”.

11 (2) PRIVATE QUALIFIED TUITION PROGRAMS  
 12 LIMITED TO BENEFIT PLANS.—Clause (ii) of section  
 13 529(b)(1)(A) of such Code is amended by inserting  
 14 “in the case of a program established and main-  
 15 tained by a State or agency or instrumentality there-  
 16 of,” before “may make”.

17 (3) CONFORMING AMENDMENTS.—

18 (A) Sections 72(e)(9), 135(c)(2)(C),  
 19 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and  
 20 6693(a)(2)(C) of such Code are each amended  
 21 by striking “qualified State tuition” each place  
 22 it appears and inserting “qualified tuition”.

23 (B) The headings for sections 72(e)(9) and  
 24 135(c)(2)(C) of such Code are each amended by  
 25 striking “QUALIFIED STATE TUITION” and in-  
 26 serting “QUALIFIED TUITION”.

1 (C) The headings for sections 529(b) and  
 2 530(b)(2)(B) of such Code are each amended  
 3 by striking “QUALIFIED STATE TUITION” and  
 4 inserting “QUALIFIED TUITION”.

5 (D) The heading for section 529 of such  
 6 Code is amended by striking “**STATE**”.

7 (E) The item relating to section 529 in the  
 8 table of sections for part VIII of subchapter F  
 9 of chapter 1 of such Code is amended by strik-  
 10 ing “State”.

11 (b) EXCLUSION FROM GROSS INCOME OF EDU-  
 12 CATION DISTRIBUTIONS FROM QUALIFIED TUITION PRO-  
 13 GRAMS.—

14 (1) IN GENERAL.—Section 529(c)(3)(B) of such  
 15 Code (relating to distributions) is amended to read  
 16 as follows:

17 “(B) DISTRIBUTIONS FOR QUALIFIED  
 18 HIGHER EDUCATION EXPENSES.—For purposes  
 19 of this paragraph—

20 “(i) IN-KIND DISTRIBUTIONS.—No  
 21 amount shall be includible in gross income  
 22 under subparagraph (A) by reason of a  
 23 distribution which consists of providing a  
 24 benefit to the distributee which, if paid for  
 25 by the distributee, would constitute pay-

1           ment of a qualified higher education ex-  
2           pense.

3           “(ii) CASH DISTRIBUTIONS.—In the  
4           case of distributions not described in  
5           clause (i), if—

6                       “(I) such distributions do not ex-  
7                       ceed the qualified higher education ex-  
8                       penses (reduced by expenses described  
9                       in clause (i)), no amount shall be in-  
10                      cludible in gross income, and

11                     “(II) in any other case, the  
12                     amount otherwise includible in gross  
13                     income shall be reduced by an amount  
14                     which bears the same ratio to such  
15                     amount as such expenses bear to such  
16                     distributions.

17           “(iii) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a des-  
18           ignated beneficiary under a qualified tui-  
19           tion program shall be treated as a distribu-  
20           tion to the beneficiary for purposes of this  
21           paragraph.  
22

23           “(iv) COORDINATION WITH HOPE AND  
24           LIFETIME LEARNING CREDITS.—The total  
25           amount of qualified higher education ex-

1           penses with respect to an individual for the  
2           taxable year shall be reduced—

3                   “(I) as provided in section  
4                   25A(g)(2), and

5                   “(II) by the amount of such ex-  
6                   penses which were taken into account  
7                   in determining the credit allowed to  
8                   the taxpayer or any other person  
9                   under section 25A.

10                   “(v) COORDINATION WITH EDUCATION  
11                   INDIVIDUAL RETIREMENT ACCOUNTS.—If,  
12                   with respect to an individual for any tax-  
13                   able year—

14                   “(I) the aggregate distributions  
15                   to which clauses (i) and (ii) and sec-  
16                   tion 530(d)(2)(A) apply, exceed

17                   “(II) the total amount of quali-  
18                   fied higher education expenses other-  
19                   wise taken into account under clauses  
20                   (i) and (ii) (after the application of  
21                   clause (iv)) for such year,

22           the taxpayer shall allocate such expenses  
23           among such distributions for purposes of  
24           determining the amount of the exclusion

1 under clauses (i) and (ii) and section  
2 530(d)(2)(A).”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 135(d)(2)(B) of such Code is  
5 amended by striking “the exclusion under sec-  
6 tion 530(d)(2)” and inserting “the exclusions  
7 under sections 529(c)(3)(B)(i) and 530(d)(2)”.

8 (B) Section 221(e)(2)(A) of such Code is  
9 amended by inserting “529,” after “135,”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 2000.

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