

107TH CONGRESS  
1ST SESSION

# H. R. 475

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid to any qualified State tuition program 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

FEBRUARY 6, 2001

Mr. ROGERS of Michigan (for himself, Mr. ENGLISH, Mr. CAMP, Mrs. KELLY, Ms. GRANGER, Mr. SMITH of Michigan, and Mr. KNOLLENBERG) 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 allow a deduction for amounts paid to any qualified State tuition program 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 “Securing Affordable  
5       Vocational and Collegiate Education (SAVE) Act.”

1 **SEC. 2. DEDUCTION FOR PAYMENTS TO QUALIFIED STATE**  
2 **TUITION PROGRAMS.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-  
4 ter 1 of the Internal Revenue Code of 1986 (relating to  
5 additional itemized deductions for individuals) is amended  
6 by redesignating section 222 as section 223 and by insert-  
7 ing after section 221 the following new section:

8 **“SEC. 222. PAYMENTS TO QUALIFIED STATE TUITION PRO-**  
9 **GRAMS.**

10 “(a) ALLOWANCE OF DEDUCTION.—In the case of an  
11 individual, there shall be allowed as a deduction an  
12 amount equal to the amount paid by the taxpayer during  
13 the taxable year to any qualified State tuition program  
14 (as defined in section 529) for the benefit of any des-  
15 ignated beneficiary (as defined in such section).

16 “(b) DOLLAR LIMITATION.—The deduction allowed  
17 by subsection (a) for the taxable year shall not exceed  
18 \$5,000 (\$10,000 in the case of a joint return).”

19 (b) DEDUCTION ALLOWED IN COMPUTING AD-  
20 JUSTED GROSS INCOME.—Section 62(a) of such Code is  
21 amended by inserting after paragraph (17) the following  
22 new paragraph:

23 “(18) PAYMENTS TO QUALIFIED STATE TUI-  
24 TION PROGRAMS.—The deduction allowed by section  
25 222.”

1 (c) CONFORMING AMENDMENT.—The table of sec-  
 2 tions for part VII of subchapter B of chapter 1 of such  
 3 Code is amended by striking the item relating to section  
 4 222 and inserting:

“Sec. 222. Payments to qualified State tuition programs.  
 “Sec. 223. Cross reference.”

5 (d) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to taxable years beginning after  
 7 December 31, 2001.

8 **SEC. 3. EXCLUSION FROM GROSS INCOME OF EDUCATION**  
 9 **DISTRIBUTIONS FROM QUALIFIED STATE**  
 10 **TUITION PROGRAMS.**

11 (a) IN GENERAL.—Section 529(c)(3)(B) of the Inter-  
 12 nal Revenue Code of 1986 (relating to distributions) is  
 13 amended to read as follows:

14 “(B) DISTRIBUTIONS FOR QUALIFIED  
 15 HIGHER EDUCATION EXPENSES.—For purposes  
 16 of this paragraph—

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

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

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

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

15           “(iii) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a des-  
16 ignated beneficiary under a qualified State  
17 tuition program shall be treated as a dis-  
18 tribution to the beneficiary for purposes of  
19 this paragraph.  
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21           “(iv) COORDINATION WITH HOPE AND  
22 LIFETIME LEARNING CREDITS.—The total  
23 amount of qualified higher education ex-  
24 penses with respect to an individual for the  
25 taxable year shall be reduced—

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

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

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

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

15 “(II) the total amount of quali-  
16 fied higher education expenses other-  
17 wise taken into account under clauses  
18 (i) and (ii) (after the application of  
19 clause (iv)) for such year,  
20 the taxpayer shall allocate such expenses  
21 among such distributions for purposes of  
22 determining the amount of the exclusion  
23 under clauses (i) and (ii) and section  
24 530(d)(2)(A).”.

25 (b) CONFORMING AMENDMENTS.—

1           (1) Section 135(d)(2)(B) of such Code is  
2       amended by striking “the exclusion under section  
3       530(d)(2)” and inserting “the exclusions under sec-  
4       tions 529(c)(3)(B)(i) and 530(d)(2)”.

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

7       (c) EFFECTIVE DATE.—The amendments made by  
8       this section shall apply to taxable years beginning after  
9       December 31, 2001.

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