

119TH CONGRESS
1ST SESSION

H. R. 2543

To amend the Internal Revenue Code of 1986 to expand the exclusion of Pell Grants from gross income, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 2025

Mr. DOGGETT (for himself, Mr. KELLY of Pennsylvania, Mr. DAVIS of Illinois, and Mr. FEENSTRA) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand the exclusion of Pell Grants from gross income, and for other purposes.

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 “Tax-Free Pell Grant
5 Act”.

6 **SEC. 2. EXPANSION OF PELL GRANT EXCLUSION FROM**
7 **GROSS INCOME.**

8 (a) IN GENERAL.—Section 117(b)(1) of the Internal
9 Revenue Code of 1986 is amended by striking “received

1 by an individual” and all that follows and inserting “re-
2 ceived by an individual—

3 “(A) as a scholarship or fellowship grant
4 to the extent the individual establishes that, in
5 accordance with the conditions of the grant,
6 such amount was used for qualified tuition and
7 related expenses, or

8 “(B) as a Federal Pell Grant under section
9 401 of the Higher Education Act of 1965 (as
10 in effect on the date of the enactment of the
11 Tax-Free Pell Grant Act).”.

12 (b) NO ADJUSTMENT UNDER AMERICAN OPPOR-
13 TUNITY AND LIFETIME LEARNING CREDITS.—Section
14 25A(g)(2)(A) of such Code is amended by striking “a
15 qualified scholarship which” and inserting “a qualified
16 scholarship which is described in section 117(b)(1)(A) and
17 which”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2024.

21 **SEC. 3. EXPANSION OF AMERICAN OPPORTUNITY AND**
22 **LIFETIME LEARNING CREDITS.**

23 (a) IN GENERAL.—Section 25A of the Internal Rev-
24 enue Code of 1986 is amended—

25 (1) in subsection (f)(1)—

(A) in subparagraph (A), by striking “tuition and fees” and inserting “tuition, fees, computer or peripheral equipment, child and dependent care expenses, and course materials”,

(B) by striking subparagraph (D), and

(C) by adding at the end the following new subparagraphs:

“(D) CHILD AND DEPENDENT CARE EXPENSES.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘child and dependent care expenses’ means amounts paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be enrolled in an eligible educational institution for any period for which there are 1 or more qualifying individuals with respect to the taxpayer:

“(I) expenses for household services, and

“(II) expenses for the care of a qualifying individual.

Such term shall not include any amount paid for services outside the taxpayer’s household at a camp where the qualifying individual stays overnight.

1 “(ii) QUALIFYING INDIVIDUAL.—The
 2 term ‘qualifying individual’ has the mean-
 3 ing given such term in section 21(b)(1).

4 “(iii) EXCEPTION, DEPENDENT CARE
 5 CENTERS.—Rules similar to the rules of
 6 subparagraphs (B), (C), and (D) of section
 7 21(b)(2) shall apply, except the term ‘child
 8 and dependent care expenses’ shall be sub-
 9 stituted for the term ‘employment-related
 10 expenses’ each place it appears in such
 11 subparagraphs.

12 “(E) CHILD AND DEPENDENT CARE EX-
 13 PENSES ONLY QUALIFIED EXPENSES WHEN
 14 CLAIMED BY ELIGIBLE STUDENT.—Amounts
 15 paid for an expense described in subparagraph
 16 (E) may not be taken into account under this
 17 paragraph for a taxable year unless required for
 18 the enrollment or attendance of an individual
 19 described in subparagraph (A)(i) or subpara-
 20 graph (A)(ii).

21 “(F) COMPUTER OR PERIPHERAL EQUIP-
 22 MENT.—

23 “(i) DEFINED.—For purposes of this
 24 paragraph, the term ‘computer or periph-
 25 eral equipment’ means expenses for the

1 purchase of computer or peripheral equip-
 2 ment (as defined in section 168(i)(2)(B),
 3 computer software (as defined in section
 4 197(e)(3)(B))), or internet access and re-
 5 lated services, if such equipment, software,
 6 or services are to be used primarily by the
 7 individual during any of the years the indi-
 8 vidual is enrolled at an eligible educational
 9 institution.

10 “(ii) DOLLAR LIMIT ON AMOUNT
 11 CREDITABLE.—The aggregate of the
 12 amounts paid or expenses incurred for
 13 computer or peripheral equipment which
 14 may be taken into account under this para-
 15 graph for a taxable year by the taxpayer
 16 shall not exceed \$1,000.”, and

17 (2) in subsection (g)(5)—

18 (A) in the heading, by adding “OR CRED-
 19 IT” at the end, and

20 (B) by inserting “or credit” after “a de-
 21 duction”.

22 (b) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to taxable years beginning after
 24 December 31, 2024.

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