

EDUCATION AND WORKFORCE FREEDOM ACT

DECEMBER 24, 2024.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Missouri, from the Committee on Ways and Means,  
submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 8915]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 8915) to amend the Internal Revenue Code of 1986 to expand the expenses treated as qualified higher education expenses for purposes of 529 accounts to include additional elementary and secondary school expenses and certain postsecondary credentialing expenses, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

	Page
I. SUMMARY AND BACKGROUND .....	3
A. Purpose and Summary .....	3
B. Background and Need for Legislation .....	4
C. Legislative History .....	4
D. Designated Hearing .....	4
II. EXPLANATION OF THE BILL .....	5
A. Expand the Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts To Include Additional Elementary and Secondary School Expenses and Certain Postsecondary Credentialing Expenses (Secs. 2 and 3 of the Bill and Sec. 529 of the Code) .....	5
III. VOTE OF THE COMMITTEE .....	9
IV. BUDGET EFFECTS OF THE BILL .....	9
A. Committee Estimate of Budgetary Effects .....	9

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority .....	10
C. Cost Estimate Prepared by the Congressional Budget Office .....	10
V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE .....	11
A. Committee Oversight Findings and Recommendations .....	11
B. Statement of General Performance Goals and Objectives .....	11
C. Applicability of House Rule XXI, Clause 5(b) .....	12
D. Information Relating to Unfunded Mandates .....	12
E. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits .....	12
F. Duplication of Federal Programs .....	12
G. Tax Complexity Analysis .....	12
VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED .....	13
A. Changes in Existing Law Proposed by the Bill, as Reported .....	13
VII. DISSENTING VIEWS .....	23

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Education and Workforce Freedom Act”.

**SEC. 2. ADDITIONAL ELEMENTARY, SECONDARY, AND HOME SCHOOL EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS.**

(a) IN GENERAL.—Section 529(c)(7) of the Internal Revenue Code of 1986 is amended to read as follows:

“(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this section to the term ‘qualified higher education expense’ shall include a reference to the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:

“(A) Tuition.

“(B) Curriculum and curricular materials.

“(C) Books or other instructional materials.

“(D) Online educational materials.

“(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—

“(i) is licensed as a teacher in any State,

“(ii) has taught at an eligible educational institution, or

“(iii) is a subject matter expert in the relevant subject.

“(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.

“(G) Fees for dual enrollment in an institution of higher education.

“(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.

Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after the date of the enactment of this Act.

**SEC. 3. CERTAIN POSTSECONDARY CREDENTIALING EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS.**

(a) IN GENERAL.—Section 529(e)(3) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(C) CERTAIN POSTSECONDARY CREDENTIALING EXPENSES.—The term ‘qualified higher education expenses’ includes qualified postsecondary credentialing expenses (as defined in subsection (f)).”.

(b) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—Section 529 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified postsecondary credentialing expenses’ means—

“(A) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program, or any other expense incurred in connection with enrollment in or attendance at a recognized postsecondary credential program if such expense would, if incurred in connection with enrollment or attendance at an eligible educational institution, be covered under subsection (e)(3)(A),

“(B) fees for testing if such testing is required to obtain or maintain a recognized postsecondary credential, and

“(C) fees for continuing education if such education is required to maintain a recognized postsecondary credential.

“(2) RECOGNIZED POSTSECONDARY CREDENTIAL PROGRAM.—For purposes of this subparagraph, the term ‘recognized postsecondary credential program’ means any program to obtain a recognized postsecondary credential if—

“(A) such program is included on a State list prepared under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)),

“(B) such program is listed in the WEAMS Public directory (or successor directory) maintained by the Department of Veterans Affairs,

“(C) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination, or

“(D) such program is identified by the Secretary, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subparagraph.

“(3) RECOGNIZED POSTSECONDARY CREDENTIAL.—The term ‘recognized postsecondary credential’ means—

“(A) any postsecondary employment credential that is industry recognized, including—

“(i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute,

“(ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line (COOL) directory of credentialing programs (or successor directory) maintained by the Department of Defense or by any branch of the Armed Services, and

“(iii) any postsecondary employment credential identified for purposes of this clause by the Secretary, after consultation with the Secretary of Labor, as being industry recognized,

“(B) any certificate of completion of an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 U.S.C. 50),

“(C) any occupational or professional license issued or recognized by a State or the Federal Government (and any certification that satisfies a condition for obtaining such a license), and

“(D) any recognized postsecondary credential as defined in section 3(52) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

## I. SUMMARY AND BACKGROUND

### A. PURPOSE AND SUMMARY

The bill, H.R. 8915, the “Education and Workforce Freedom Act,” as ordered reported by the Committee on Ways and Means on July 9, 2024, adds to present law new categories of expenses that are treated as “qualified higher education expenses” and that, as a result, are allowed favorable tax treatment under Internal Revenue Code (“Code”) section 529. Section 2 of the bill broadens the expenses related to elementary and secondary schools that are treated as qualified higher education expenses under section 529, and it provides that expenses in connection with a homeschool are in-

cluded. Section 3 of the bill treats certain postsecondary credentialing expenses as qualified higher education expenses.

#### B. BACKGROUND AND NEED FOR LEGISLATION

Qualified tuition programs, colloquially known as 529 plans, are valuable tools for millions of American families and students to help save for educational expenses, most commonly at the post-secondary four-year degree level. The Committee believes usage and flexibility of 529 plans should be expanded to help ease the educational cost burden and expand educational opportunities for parents and students alike.

H.R. 8915 addresses this by expanding qualified expenses for 529 plans at the elementary, secondary, and postsecondary levels. Specifically, H.R. 8915 provides parents and students with resources to receive the education that is best for them by expanding 529 plans' qualified expenses to include tuition, curriculum and curricular materials, books or other instructional materials, online educational materials, tutoring, certain fees, and educational therapies. H.R. 8915 also provides students and workers to choose the educational opportunity that is best for them and helps address America's growing skills shortage by expanding 529 plans' qualified expenses to include postsecondary credentialing expenses, testing fees related to postsecondary credentials, and fees for continuing education required to maintain a postsecondary credential.

#### C. LEGISLATIVE HISTORY

##### *Background*

H.R. 8915 was introduced on July 2, 2024, and was referred to the Committee on Ways and Means.

##### *Committee Hearings*

On September 14, 2023, the Committee held a hearing entitled, "Member Day."

On October 25, 2023, the Committee held a hearing on, "Educational Freedom and Opportunity for American Families, Students, and Workers."

##### *Committee Action*

The Committee on Ways and Means marked up H.R. 8915, the "Education and Workforce Freedom Act," on July 9, 2024, and ordered the bill, as amended, favorably reported (with a quorum being present).

#### D. DESIGNATED HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearings were used to develop and consider H.R. 8915:

On September 14, 2023, the Committee held a hearing entitled, "Member Day."

On October 25, 2023, the Committee held a hearing on, "Educational Freedom and Opportunity for American Families, Students, and Workers."

## II. EXPLANATION OF THE BILL

### A. EXPAND THE EXPENSES TREATED AS QUALIFIED HIGHER EDUCATION EXPENSES FOR PURPOSES OF 529 ACCOUNTS TO INCLUDE ADDITIONAL ELEMENTARY AND SECONDARY SCHOOL EXPENSES AND CERTAIN POSTSECONDARY CREDENTIALING EXPENSES (SECS. 2 AND 3 OF THE BILL AND SEC. 529 OF THE CODE)

#### PRESENT LAW

##### *Qualified tuition programs generally*

To describe programs that are known colloquially as 529 plans, the Code uses the term “qualified tuition programs” and distinguishes between two types of programs.<sup>1</sup> One type of program, sometimes referred to as a prepaid tuition program, allows a person to purchase on behalf of a designated beneficiary tuition credits or certificates that entitle the beneficiary to the waiver or payment of the beneficiary’s qualified higher education expenses.<sup>2</sup> Prepaid tuition programs are established and maintained by State governments (or their agencies or instrumentalities) and eligible educational institutions.<sup>3</sup> The other type of program, sometimes referred to as a college savings plan, allows a person to make contributions to an account that is established for the purpose of satisfying the qualified higher education expenses of the designated beneficiary of the account.<sup>4</sup> A college savings plan may be established and maintained by State governments (or their agencies or instrumentalities), not by educational institutions.<sup>5</sup>

A qualified tuition program generally is exempt from Federal income taxation (but is subject to unrelated business income tax).<sup>6</sup> As a consequence, contributors to, and beneficiaries of, these programs (whether prepaid tuition programs or college savings plans) generally have no taxable income inclusions from earnings on assets held in the programs.

To be treated as a qualified tuition program that is generally exempt from Federal income taxation, a program must satisfy several requirements. The program must provide that purchases of tuition credits or certificates or contributions to a program must be made only in cash.<sup>7</sup> The program must provide separate accounting for each designated beneficiary.<sup>8</sup> The program must provide that a contributor to, or a designated beneficiary under, the program may direct the investment of any contributions to the program (or earnings on those investments) no more than twice a year.<sup>9</sup> The program must not allow any interest in the program to be used as a security for a loan.<sup>10</sup> The program must provide adequate safeguards to prevent contributions on behalf of a designated bene-

<sup>1</sup> Sec. 529(a), (b).

<sup>2</sup> Sec. 529(b)(1)(A)(i).

<sup>3</sup> *Ibid.* Section 529(e)(5) defines an eligible educational institution as an institution that (1) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. sec. 1088), as in effect on August 5, 1997, and (2) is eligible to participate in a program under title IV of such Act.

<sup>4</sup> Sec. 529(b)(1)(A)(ii).

<sup>5</sup> *Ibid.*

<sup>6</sup> Sec. 529(a).

<sup>7</sup> Sec. 529(b)(2).

<sup>8</sup> Sec. 529(b)(3).

<sup>9</sup> Sec. 529(b)(4).

<sup>10</sup> Sec. 529(b)(5).

ficiary that exceed the amount necessary to pay the beneficiary's qualified higher education expenses.<sup>11</sup>

When there is a cash distribution under a qualified tuition program, the portion of the distribution that is considered to be earnings on contributions to the account is includible in the gross income of the recipient of the distributions only to the extent that the total amount of cash distributions during the taxable year exceeds the amount of qualified higher education expenses of the account beneficiary during that year.<sup>12</sup> The income tax that is imposed on a recipient of a distribution that is included in the recipient's gross income is, with certain exceptions, increased by 10 percent of the amount of the inclusion.<sup>13</sup>

#### *Qualified higher education expenses*

Qualified higher education expenses include, among other expenses, tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the account beneficiary at an eligible educational institution (generally, a postsecondary school); expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with the beneficiary's enrollment or attendance at an eligible educational institution; expenses for the purchase of computer equipment and software to be used primarily by the beneficiary when enrolled at an eligible educational institution; and, in the case of a beneficiary who is at least a half-time student, reasonable costs for room and board while the beneficiary is attending an eligible educational institution.<sup>14</sup>

For certain purposes of section 529 (such as the exclusion from gross income for distributions from a qualified tuition program to pay qualified higher education expenses) but not for other purposes of section 529 (such as the requirement that a qualified tuition program must provide safeguards to prevent contributions on behalf of a beneficiary that exceed the amount necessary to pay the beneficiary's qualified higher education expenses), qualified higher education expenses also include expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school;<sup>15</sup> amounts for books, supplies, and equipment required for the participation of a beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S. Code section 50);<sup>16</sup> and up to a \$10,000 lifetime maximum in payments of principal and interest on a beneficiary's (or a beneficiary's sibling's) student loan.<sup>17</sup>

<sup>11</sup> Sec. 529(b)(6).

<sup>12</sup> Sec. 529(c)(3)(A), (B)(ii). A payor of a distribution generally is required to report to the IRS and the recipient of the distribution on Form 1099-Q the amount of the distribution and the portions of the distributions representing contributions and earnings.

<sup>13</sup> Sec. 529(c)(6).

<sup>14</sup> Sec. 529(e)(3).

<sup>15</sup> Sec. 529(c)(7). There is a \$10,000 limitation on the total amount of nontaxable cash distributions that may be made in a taxable year from all qualified tuition programs with respect to a beneficiary to pay for that beneficiary's elementary or secondary school tuition. Sec. 529(e)(3)(A).

<sup>16</sup> Sec. 529(c)(8).

<sup>17</sup> Sec. 529(c)(9).

*Certain rules for contributions and distributions*

A contribution to a qualified tuition program is treated as a completed gift for gift tax purposes (and, as a consequence, may benefit from the gift tax annual exclusion).<sup>18</sup> If an individual's total contributions to a qualified tuition program during a year exceed the gift tax annual exclusion amount in that year, the individual may elect to take the total amount of the contributions into account for purposes of the annual exclusion ratably over the five-year period beginning with the year of the excess contributions.<sup>19</sup> An individual's interest in a qualified tuition program generally is excluded from the individual's gross estate for estate tax purposes.<sup>20</sup>

A distribution from a qualified tuition program that otherwise would be included in the income of the recipient of the distribution (for example, the beneficiary of the account) may be excluded under rules allowing, subject to limitations, tax-free rollovers to, among other alternatives, an ABL account of the beneficiary or of a member of the family of the beneficiary, a Roth IRA of the beneficiary, or the credit of another beneficiary of a qualified tuition program who is a member of the family of the beneficiary with respect to whom the distribution was made.<sup>21</sup>

REASONS FOR CHANGE

The Committee believes that the Code should give taxpayers the same incentive to save for education or skills-building whether the education or skills-building consists of a traditional four-year college or university, job-related credentialing programs, or public or private schooling or homeschooling at the elementary and secondary levels. Specifically, as it relates to elementary and secondary education, the Committee believes that the tax code should provide parents with the ability to seek the education that best suits their child. Present law, however, restricts favorable tax treatment under section 529 chiefly to saving for a traditional four-year college or university education.

EXPLANATION OF PROVISION

*Additional elementary, secondary, and home school expenses treated as qualified higher education expenses for all purposes of section 529*

The provision provides that the following expenses in connection with the enrollment or attendance of a designated beneficiary at an elementary or secondary public, private, or religious school, or in connection with a homeschool, are qualified higher education expenses: tuition (as under present law), curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for certain tutoring or educational classes outside of the home, fees for certain tests, fees for dual enrollment in an institution of higher education, and certain educational therapies for students with disabilities.

Under the provision, these elementary and secondary school expenses are considered qualified higher education expenses for all

<sup>18</sup> Sec. 529(c)(2)(A).

<sup>19</sup> Sec. 529(c)(2)(B).

<sup>20</sup> Sec. 529(c)(4)(A).

<sup>21</sup> Sec. 529(c)(3)(C), (E).

purposes of section 529, including the requirement that a qualified tuition program must provide safeguards to prevent contributions on behalf of a beneficiary that exceed the amount necessary to pay the beneficiary's qualified higher education expenses.

*Certain postsecondary credentialing expenses treated as qualified higher education expenses for all purposes of section 529*

The provision treats a broad category of postsecondary credentialing expenses as qualified higher education expenses for all purposes of section 529. These "qualified postsecondary credentialing expenses" are tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized "postsecondary credential program," or any other expense in connection with enrollment in or attendance at such a program if such expenses would, if incurred in connection with enrollment in or attendance at an eligible educational institution, be considered qualified higher education expenses before application of the proposal; fees for testing required to obtain or maintain a recognized postsecondary credential; and fees for continuing education if such education is required to maintain a recognized postsecondary credential.

For this purpose, a "recognized postsecondary credential program" means a program to obtain a recognized postsecondary credential if (a) such program is included on a list prepared under section 122(d) of the Workforce Innovation and Opportunity Act; (b) such program is listed in the Web Enabled Approval Management System ("WEAMS") Public directory (or a successor directory) maintained by the Department of Veterans Affairs; (c) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain a postsecondary credential and the organization recognizes the program as providing training or education that prepares individuals to take the examination; or (d) such program is identified by the Secretary of the Treasury, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential.<sup>22</sup>

A "recognized postsecondary credential" means any postsecondary employment credential that is industry recognized, any certificate of completion of an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act, any occupational or professional license issued or recognized by a State or the Federal government, and any recognized postsecondary credential as defined under section 3 of the Workforce Innovation and Opportunity Act (29 U.S. Code section 3102).<sup>23</sup>

<sup>22</sup> The WEAMS Public directory is a publicly-available, Internet-based search tool for identifying educational institutions that offer programs approved for veterans training.

<sup>23</sup> Under the proposal, a postsecondary employment credential that is industry recognized includes (i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute, (ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line ("COOL") directory of credentialing programs (or successor directory) maintained by the Department of Defense or by any branch of the Armed Services, and (iii) any postsecondary employment credential identified for purposes of this clause by the Secretary of the Treasury, after consultation with the Secretary of Labor, as being industry recognized.



## EFFECTIVE DATE

The provision is effective for distributions made after the date of enactment.

**III. VOTE OF THE COMMITTEE**

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of H.R. 8915, the “Education and Workforce Freedom Act,” on July 9, 2024.

The vote on the amendment offered by Mr. Doggett to the amendment in the nature of a substitute to H.R. 8915, which would provide that any distribution from a 529 with respect to homeschool expenses is subject to Federal income tax if the distributee, or anyone who can claim the distributee as a dependent on their Federal income tax return, has adjusted gross income in excess of \$1,000,000 for the taxable year in which the distribution occurred was not agreed to by a roll call vote of 14 yeas to 22 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO) .....		X	.....	Mr. Neal .....	X	.....	.....
Mr. Buchanan .....			.....	Mr. Doggett .....	X	.....	.....
Mr. Smith (NE) .....		X	.....	Mr. Thompson .....	X	.....	.....
Mr. Kelly .....		X	.....	Mr. Larson .....	X	.....	.....
Mr. Schweikert .....		X	.....	Mr. Blumenauer .....	X	.....	.....
Mr. LaHood .....			.....	Mr. Pascrell .....	X	.....	.....
Dr. Wenstrup .....		X	.....	Mr. Davis .....		.....	.....
Mr. Arrington .....		X	.....	Ms. Sánchez .....		.....	.....
Dr. Ferguson .....		X	.....	Ms. Sewell .....	X	.....	.....
Mr. Estes .....		X	.....	Ms. DelBene .....	X	.....	.....
Mr. Smucker .....		X	.....	Ms. Chu .....	X	.....	.....
Mr. Hern .....		X	.....	Ms. Moore .....		.....	.....
Ms. Miller .....			.....	Mr. Kildee .....	X	.....	.....
Dr. Murphy .....		X	.....	Mr. Beyer .....	X	.....	.....
Mr. Kustoff .....		X	.....	Mr. Evans .....		.....	.....
Mr. Fitzpatrick .....		X	.....	Mr. Schneider .....	X	.....	.....
Mr. Steube .....		X	.....	Mr. Panetta .....	X	.....	.....
Ms. Tenney .....		X	.....	Mr. Gomez .....	X	.....	.....
Mrs. Fischbach .....		X	.....				
Mr. Moore .....		X	.....				
Mrs. Steel .....		X	.....				
Ms. Van Duyne .....		X	.....				
Mr. Feenstra .....		X	.....				
Ms. Malliotakis .....		X	.....				
Mr. Carey .....		X	.....				

**IV. BUDGET EFFECTS OF THE BILL****A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS**

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 8915 as reported. The estimate prepared by the Joint Committee on Taxation (“JCT”) is included below.

The proposal is estimated to have the following effect on Federal fiscal year budget receipts:

FISCAL YEARS  
[Millions of dollars]

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025–29	2025–34
–9	–13	–17	–17	–18	–19	–20	–20	–21	–22	–74	–177

NOTE: Details may not add to totals due to rounding.

**B. STATEMENT REGARDING NEW BUDGET AUTHORITY  
AND TAX EXPENDITURES BUDGET AUTHORITY**

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority. The Committee states that sections 2 and 3 of the bill increase an existing tax expenditure by treating additional expenses as qualified higher education expenses for purposes of section 529 of the Internal Revenue Code. The table in Part IV.A includes five- and ten-year estimates of the effects of these sections on Federal fiscal year budget receipts.

**C. COST ESTIMATE PREPARED BY THE  
CONGRESSIONAL BUDGET OFFICE**

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

<b>H.R. 8915, Education and Workforce Freedom Act</b>			
As ordered reported by the House Committee on Ways and Means on July 9, 2024			
By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	0
Revenues	0	-74	-177
Increase or Decrease (-) in the Deficit	0	74	177
Spending Subject to Appropriation (Outlays)	0	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	< \$5 billion	<b>Mandate Effects</b>	
		Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000.			

H.R. 8915 would expand the allowable use of savings plans authorized under section 529 of the Internal Revenue Code. Income earned in 529 plans is not subject to taxation, and distributions are not included in recipients' taxable income if the money is used for qualified education expenses, including tuition at elementary, secondary, or postsecondary institutions, or for educational supplies and program fees for postsecondary and apprenticeship programs. H.R. 8915 would allow tax-free distributions from 529 plans to cover additional elementary, secondary, and homeschool expenses, including costs for supplies, tutoring, and testing. The bill also would allow tax-free distributions to cover tuition, supplies, and fees for programs that offer postsecondary credentials.

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by the Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. The estimates for the revenue provisions of H.R. 8915 were provided by JCT.<sup>1</sup>

The estimated budgetary effect of H.R. 8915 is shown in Table 1. The costs of the legislation fall within budget function 800 (general government).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 8915

	By fiscal year, millions of dollars—													
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024–2029	2024–2034	
DECREASES IN REVENUES														
Estimated Revenues	0	–9	–13	–17	–17	–18	–19	–20	–20	–21	–22	–74	–177	

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding.

CBO estimates that implementing H.R. 8915 also would increase the Internal Revenue Service's administrative costs by less than \$500,000 over the 2024–2029 period; any related spending would be subject to the availability of appropriated funds.

For this estimate, CBO and JCT assume that the bill will be enacted in fiscal year 2024. JCT estimates that enacting the bill would decrease revenues by \$177 million over the 2024–2034 period. That reduction would stem from an increase in income excluded from taxation in 529 plans.

CBO estimates that implementing the bill would increase federal costs by less than \$500,000 over the 2024–2029 period for the Internal Revenue Service to make those changes; any related spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Kathleen Burke. The estimate was reviewed by John McClelland, Director of Tax Analysis.

PHILLIP L. SWAGEL,  
*Director, Congressional Budget Office.*

## V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

### A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings and recommendations that are reflected in this report.

### B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill does not authorize funding, so no statement of general performance goals and objectives is required.

<sup>1</sup> See Joint Committee on Taxation, *Description of H.R. 8915, the “Education and Workforce Freedom Act”* JCX–29–24 (July 5, 2024), [www.jct.gov/publications/2024/jcx-29-24](http://www.jct.gov/publications/2024/jcx-29-24).

### C. APPLICABILITY OF HOUSE RULE XXI, CLAUSE 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the bill, and states that the bill does not provide such a Federal income tax rate increase.

### D. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104-4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

### E. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

### F. DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95-220, as amended by Pub. L. No. 98-169).

### G. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the “IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

## **VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED**

### **A. CHANGES IN EXISTING LAW PROPOSED BY THE BILL, AS REPORTED**

Pursuant to clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill are shown as follows:

#### **CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED**

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

### **INTERNAL REVENUE CODE OF 1986**

\* \* \* \* \*

## **Subtitle A—Income Taxes**

\* \* \* \* \*

### **CHAPTER 1—NORMAL TAXES AND SURTAXES**

\* \* \* \* \*

## **Subchapter F—EXEMPT ORGANIZATIONS**

\* \* \* \* \*

### **PART VIII—CERTAIN SAVINGS ENTITIES**

\* \* \* \* \*

#### **SEC. 529. QUALIFIED TUITION PROGRAMS.**

(a) **GENERAL RULE.**—A qualified tuition program shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, such program shall be subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable organizations).

(b) **QUALIFIED TUITION PROGRAM.**—For purposes of this section—

(1) **IN GENERAL.**—The term “qualified tuition program” means a program established and maintained by a State or agency or instrumentality thereof or by 1 or more eligible educational institutions—

(A) under which a person—

(i) may purchase tuition credits or certificates on behalf of a designated beneficiary which entitle the beneficiary to the waiver or payment of qualified higher education expenses of the beneficiary, or

(ii) in the case of a program established and maintained by a State or agency or instrumentality thereof, may make contributions to an account which is estab-

lished for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account, and

(B) which meets the other requirements of this subsection.

Except to the extent provided in regulations, a program established and maintained by 1 or more eligible educational institutions shall not be treated as a qualified tuition program unless such program provides that amounts are held in a qualified trust and such program has received a ruling or determination that such program meets the applicable requirements for a qualified tuition program. For purposes of the preceding sentence, the term “qualified trust” means a trust which is created or organized in the United States for the exclusive benefit of designated beneficiaries and with respect to which the requirements of paragraphs (2) and (5) of section 408(a) are met.

(2) CASH CONTRIBUTIONS.—A program shall not be treated as a qualified tuition program unless it provides that purchases or contributions may only be made in cash.

(3) SEPARATE ACCOUNTING.—A program shall not be treated as a qualified tuition program unless it provides separate accounting for each designated beneficiary.

(4) LIMITED INVESTMENT DIRECTION.—A program shall not be treated as a qualified tuition program unless it provides that any contributor to, or designated beneficiary under, such program may, directly or indirectly, direct the investment of any contributions to the program (or any earnings thereon) no more than 2 times in any calendar year.

(5) NO PLEDGING OF INTEREST AS SECURITY.—A program shall not be treated as a qualified tuition program if it allows any interest in the program or any portion thereof to be used as security for a loan.

(6) PROHIBITION ON EXCESS CONTRIBUTIONS.—A program shall not be treated as a qualified tuition program unless it provides adequate safeguards to prevent contributions on behalf of a designated beneficiary in excess of those necessary to provide for the qualified higher education expenses of the beneficiary.

(c) TAX TREATMENT OF DESIGNATED BENEFICIARIES AND CONTRIBUTORS.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, no amount shall be includible in gross income of—

(A) a designated beneficiary under a qualified tuition program, or

(B) a contributor to such program on behalf of a designated beneficiary, with respect to any distribution or earnings under such program.

(2) GIFT TAX TREATMENT OF CONTRIBUTIONS.—For purposes of chapters 12 and 13—

(A) IN GENERAL.—Any contribution to a qualified tuition program on behalf of any designated beneficiary—

(i) shall be treated as a completed gift to such beneficiary which is not a future interest in property, and

(ii) shall not be treated as a qualified transfer under section 2503(e).

(B) TREATMENT OF EXCESS CONTRIBUTIONS.—If the aggregate amount of contributions described in subparagraph (A) during the calendar year by a donor exceeds the limitation for such year under section 2503(b), such aggregate amount shall, at the election of the donor, be taken into account for purposes of such section ratably over the 5-year period beginning with such calendar year.

(3) DISTRIBUTIONS.—

(A) IN GENERAL.—Any distribution under a qualified tuition program shall be includible in the gross income of the distributee in the manner as provided under section 72 to the extent not excluded from gross income under any other provision of this chapter.

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

(i) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

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

(I) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and

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

(iii) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

(iv) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

(v) COORDINATION WITH AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

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

(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

(vi) COORDINATION WITH COVERDELL EDUCATION SAVINGS ACCOUNTS.—If, with respect to an individual for any taxable year—

(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed

(II) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (v)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).

(C) CHANGE IN BENEFICIARIES OR PROGRAMS.—

(i) ROLLOVERS.—Subparagraph (A) shall not apply to that portion of any distribution which, within 60 days of such distribution, is transferred—

(I) to another qualified tuition program for the benefit of the designated beneficiary,

(II) to the credit of another designated beneficiary under a qualified tuition program who is a member of the family of the designated beneficiary with respect to which the distribution was made, or

(III) before January 1, 2026, to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary or a member of the family of the designated beneficiary.

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B)(i).

(ii) CHANGE IN DESIGNATED BENEFICIARIES.—Any change in the designated beneficiary of an interest in a qualified tuition program shall not be treated as a distribution for purposes of subparagraph (A) if the new beneficiary is a member of the family of the old beneficiary.

(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any transfer if such transfer occurs within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the designated beneficiary.

(D) SPECIAL RULE FOR CONTRIBUTIONS OF REFUNDED AMOUNTS.—In the case of a beneficiary who receives a refund of any qualified higher education expenses from an eligible educational institution, subparagraph (A) shall not apply to that portion of any distribution for the taxable year which is recontributed to a qualified tuition program of which such individual is a beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount.

(E) SPECIAL ROLLOVER TO ROTH IRAS FROM LONG-TERM QUALIFIED TUITION PROGRAMS.—



(i) IN GENERAL.—In the case of a distribution from a qualified tuition program of a designated beneficiary which has been maintained for the 15-year period ending on the date of such distribution, subparagraph (A) shall not apply to so much the portion of such distribution which—

(I) does not exceed the aggregate amount contributed to the program (and earnings attributable thereto) before the 5-year period ending on the date of the distribution, and

(II) is paid in a direct trustee-to-trustee transfer to a Roth IRA maintained for the benefit of such designated beneficiary.

(ii) LIMITATIONS.—

(I) ANNUAL LIMITATION.—Clause (i) shall only apply to so much of any distribution as does not exceed the amount applicable to the designated beneficiary under section 408A(c)(2) for the taxable year (reduced by the amount of aggregate contributions made during the taxable year to all individual retirement plans maintained for the benefit of the designated beneficiary).

(II) AGGREGATE LIMITATION.—This subparagraph shall not apply to any distribution described in clause (i) to the extent that the aggregate amount of such distributions with respect to the designated beneficiary for such taxable year and all prior taxable years exceeds \$35,000.

(4) ESTATE TAX TREATMENT.—

(A) IN GENERAL.—No amount shall be includible in the gross estate of any individual for purposes of chapter 11 by reason of an interest in a qualified tuition program.

(B) AMOUNTS INCLUDIBLE IN ESTATE OF DESIGNATED BENEFICIARY IN CERTAIN CASES.—Subparagraph (A) shall not apply to amounts distributed on account of the death of a beneficiary.

(C) AMOUNTS INCLUDIBLE IN ESTATE OF DONOR MAKING EXCESS CONTRIBUTIONS.—In the case of a donor who makes the election described in paragraph (2)(B) and who dies before the close of the 5-year period referred to in such paragraph, notwithstanding subparagraph (A), the gross estate of the donor shall include the portion of such contributions properly allocable to periods after the date of death of the donor.

(5) OTHER GIFT TAX RULES.—For purposes of chapters 12 and 13—

(A) TREATMENT OF DISTRIBUTIONS.—Except as provided in subparagraph (B), in no event shall a distribution from a qualified tuition program be treated as a taxable gift.

(B) TREATMENT OF DESIGNATION OF NEW BENEFICIARY.—The taxes imposed by chapters 12 and 13 shall apply to a transfer by reason of a change in the designated beneficiary under the program (or a rollover to the account of a new beneficiary) unless the new beneficiary is—

(i) assigned to the same generation as (or a higher generation than) the old beneficiary (determined in accordance with section 2651), and

(ii) a member of the family of the old beneficiary.

(6) **ADDITIONAL TAX.**—The tax imposed by section 530(d)(4) shall apply to any payment or distribution from a qualified tuition program in the same manner as such tax applies to a payment or distribution from a Coverdell education savings account. This paragraph shall not apply to any payment or distribution in any taxable year beginning before January 1, 2004, which is includible in gross income but used for qualified higher education expenses of the designated beneficiary.

[(7) **TREATMENT OF ELEMENTARY AND SECONDARY TUITION.**—Any reference in this subsection to the term “qualified higher education expense” shall include a reference to expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.]

*(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this section to the term “qualified higher education expense” shall include a reference to the following expenses in connection with enrollment or attendance at, or for students enrolled at or attending, an elementary or secondary public, private, or religious school:*

*(A) Tuition.*

*(B) Curriculum and curricular materials.*

*(C) Books or other instructional materials.*

*(D) Online educational materials.*

*(E) Tuition for tutoring or educational classes outside of the home, including at a tutoring facility, but only if the tutor or instructor is not related to the student and—*

*(i) is licensed as a teacher in any State,*

*(ii) has taught at an eligible educational institution,*

*or*

*(iii) is a subject matter expert in the relevant subject.*

*(F) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination, or any examinations related to college or university admission.*

*(G) Fees for dual enrollment in an institution of higher education.*

*(H) Educational therapies for students with disabilities provided by a licensed or accredited practitioner or provider, including occupational, behavioral, physical, and speech-language therapies.*

*Such term shall include expenses for the purposes described in subparagraphs (A) through (H) in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law).*

(8) **TREATMENT OF CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.**—Any reference in this subsection to the term “qualified higher education expense” shall include a reference to expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).

(9) TREATMENT OF QUALIFIED EDUCATION LOAN REPAYMENTS.—

(A) IN GENERAL.—Any reference in this subsection to the term “qualified higher education expense” shall include a reference to amounts paid as principal or interest on any qualified education loan (as defined in section 221(d)) of the designated beneficiary or a sibling of the designated beneficiary.

(B) LIMITATION.—The amount of distributions treated as a qualified higher education expense under this paragraph with respect to the loans of any individual shall not exceed \$10,000 (reduced by the amount of distributions so treated for all prior taxable years).

(C) SPECIAL RULES FOR SIBLINGS OF THE DESIGNATED BENEFICIARY.—

(i) SEPARATE ACCOUNTING.—For purposes of subparagraph (B) and subsection (d), amounts treated as a qualified higher education expense with respect to the loans of a sibling of the designated beneficiary shall be taken into account with respect to such sibling and not with respect to such designated beneficiary.

(ii) SIBLING DEFINED.—For purposes of this paragraph, the term “sibling” means an individual who bears a relationship to the designated beneficiary which is described in section 152(d)(2)(B).

(d) REPORTS.—

(1) IN GENERAL.—Each officer or employee having control of the qualified tuition program or their designee shall make such reports regarding such program to the Secretary and to designated beneficiaries with respect to contributions, distributions, and such other matters as the Secretary may require. The reports required by this paragraph shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by the Secretary.

(2) ROLLOVER DISTRIBUTIONS.—In the case of any distribution described in subsection (c)(3)(E), the officer or employee having control of the qualified tuition program (or their designee) shall provide a report to the trustee of the Roth IRA to which the distribution is made. Such report shall be filed at such time and in such manner as the Secretary may require and shall include information with respect to the contributions, distributions, and earnings of the qualified tuition program as of the date of the distribution described in subsection (c)(3)(A), together with such other matters as the Secretary may require.

(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) DESIGNATED BENEFICIARY.—The term “designated beneficiary” means—

(A) the individual designated at the commencement of participation in the qualified tuition program as the beneficiary of amounts paid (or to be paid) to the program,

(B) in the case of a change in beneficiaries described in subsection (c)(3)(C), the individual who is the new beneficiary, and

(C) in the case of an interest in a qualified tuition program purchased by a State or local government (or agency or instrumentality thereof) or an organization described in section 501(c)(3) and exempt from taxation under section 501(a) as part of a scholarship program operated by such government or organization, the individual receiving such interest as a scholarship.

(2) MEMBER OF FAMILY.—The term “member of the family” means, with respect to any designated beneficiary—

(A) the spouse of such beneficiary;

(B) an individual who bears a relationship to such beneficiary which is described in subparagraphs (A) through (G) of section 152(d)(2);

(C) the spouse of any individual described in subparagraph (B); and

(D) any first cousin of such beneficiary.

(3) QUALIFIED HIGHER EDUCATION EXPENSES.—

(A) IN GENERAL.—The term “qualified higher education expenses” means—

(i) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution,

(ii) expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance, and

(iii) expenses for the purchase of computer or peripheral equipment (as defined in section 168(i)(2)(B)), computer software (as defined in section 197(e)(3)(B)), or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.

Clause (iii) shall not include expenses for computer software designed for sports, games, or hobbies unless the software is predominantly educational in nature. The amount of cash distributions from all qualified tuition programs described in subsection (b)(1)(A)(ii) with respect to a beneficiary during any taxable year shall, in the aggregate, include not more than \$10,000 in expenses described in subsection (c)(7) incurred during the taxable year.

(B) ROOM AND BOARD INCLUDED FOR STUDENTS WHO ARE AT LEAST HALF-TIME.—

(i) IN GENERAL.—In the case of an individual who is an eligible student (as defined in section 25A(b)(3)) for any academic period, such term shall also include reasonable costs for such period (as determined under the qualified tuition program) incurred by the designated beneficiary for room and board while attending such institution. For purposes of subsection (b)(6), a designated beneficiary shall be treated as meeting the requirements of this clause.

(ii) LIMITATION.—The amount treated as qualified higher education expenses by reason of clause (i) shall not exceed—

(I) the allowance (applicable to the student) for room and board included in the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087*ll*), as in effect on the date of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001) as determined by the eligible educational institution for such period, or

(II) if greater, the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.

(C) CERTAIN POSTSECONDARY CREDENTIALING EXPENSES.—The term “qualified higher education expenses” includes qualified postsecondary credentialing expenses (as defined in subsection (f)).

(4) APPLICATION OF SECTION 514.—An interest in a qualified tuition program shall not be treated as debt for purposes of section 514.

(5) ELIGIBLE EDUCATIONAL INSTITUTION.—The term “eligible educational institution” means an institution—

(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this paragraph, and

(B) which is eligible to participate in a program under title IV of such Act.

(f) QUALIFIED POSTSECONDARY CREDENTIALING EXPENSES.—For purposes of this section—

(1) IN GENERAL.—The term “qualified postsecondary credentialing expenses” means—

(A) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in a recognized postsecondary credential program, or any other expense incurred in connection with enrollment in or attendance at a recognized postsecondary credential program if such expense would, if incurred in connection with enrollment or attendance at an eligible educational institution, be covered under subsection (e)(3)(A),

(B) fees for testing if such testing is required to obtain or maintain a recognized postsecondary credential, and

(C) fees for continuing education if such education is required to maintain a recognized postsecondary credential.

(2) RECOGNIZED POSTSECONDARY CREDENTIAL PROGRAM.—For purposes of this subparagraph, the term “recognized postsecondary credential program” means any program to obtain a recognized postsecondary credential if—

(A) such program is included on a State list prepared under section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3152(d)),

(B) such program is listed in the WEAMS Public directory (or successor directory) maintained by the Department of Veterans Affairs,

(C) an examination (developed or administered by an organization widely recognized as providing reputable credentials in the occupation) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination, or

(D) such program is identified by the Secretary, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subparagraph.

(3) **RECOGNIZED POSTSECONDARY CREDENTIAL.**—The term “recognized postsecondary credential” means—

(A) any postsecondary employment credential that is industry recognized, including—

(i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute,

(ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line (COOL) directory of credentialing programs (or successor directory) maintained by the Department of Defense or by any branch of the Armed Services, and

(iii) any postsecondary employment credential identified for purposes of this clause by the Secretary, after consultation with the Secretary of Labor, as being industry recognized,

(B) any certificate of completion of an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 U.S.C. 50),

(C) any occupational or professional license issued or recognized by a State or the Federal Government (and any certification that satisfies a condition for obtaining such a license), and

(D) any recognized postsecondary credential as defined in section 3(52) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).

[(f)] (g) **REGULATIONS.**—Notwithstanding any other provision of this section, the Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section and to prevent abuse of such purposes, including regulations under chapters 11, 12, and 13 of this title.

\* \* \* \* \*

## VII. DISSENTING VIEWS

Committee Democrats oppose H.R. 8915, which, among other changes, expands 529 plans to homeschool expenses.

Currently, taxpayers can use tax-advantaged savings accounts such as 529 accounts (qualified tuition programs) to pay for a variety of educational expenses. These savings accounts generally allow taxpayers to contribute after-tax dollars, which grow tax free within the account, and whose gains are exempted from tax upon withdrawal if the proceeds are used for a qualifying purpose (such as tuition). Thus, the tax-free growth of the accounts is a significant federal subsidy for the tuition (and related expenses) paid for with the fund's proceeds.

Accordingly, 529 plans represent a significant Federal subsidy for those who have the means to save, which are predominantly high-income and wealthy individuals. Committee Democrats believe that, to the extent our tax code is leveraged to fund educational opportunities, we should be prioritizing those tax provisions that help economically disadvantaged taxpayers, such as the American Opportunity Tax Credit. Instead, Republicans have chosen to expand 529 plans, continuing a pattern of providing benefits to those who need them the least.

H.R. 8915 amends Section 529 to include home school expenses as qualifying expenses. Committee Democrats are concerned that there is no accountability for the funds spent by individuals claiming to use the 529 funds for home school expenses, increasing the likelihood that such funds may be used fraudulently.

The expansion of 529 accounts to include home school expenses has the effect of spending scarce Federal dollars on individuals who have the means and wherewithal to keep their children out of public schools, rather than using those dollars to support public education. Rather than take up this bill, Congress should prioritize funding and support for public schools, which serve all students, and not siphon those funds to unaccountable homeschools.

Sincerely,

RICHARD E. NEAL,  
*Ranking Member.*

## DISSENTING VIEWS

529s began as a way to help upper-income families pay for the soaring cost of higher education. Like many of those families with professional incomes, my wife and I, together with their parents, have made 529 contributions for our grandchildren with the goal of enabling them to obtain all of their education for which they're willing to work for, debt-free. But most Americans do not have the disposable income to set aside thousands of dollars in order to take advantage of this government tax subsidy. The question that we have here today is a frequent one before this committee: should we do more to help those who already have, or should we help those who have not but want the same opportunities for their children and their grandchildren that I want for my family?

The same members of this committee who repeatedly insist that we cannot afford new investments for our public schools are the same ones demanding that this bill provide more subsidies for prosperous families. Through the 2017 Trump tax scam, Republicans exploited 529s, originally designed for higher education, to subsidize a parallel education system by including pre-college private academy tuition.

Now each year, an estimated \$1 billion in otherwise taxable revenue is directed to private schools and out of our public school system. Half of all the money that is in 529 accounts was held by households with an annual income each year in excess of \$437,000. Data obtained yesterday from the Joint Committee on Taxation by my colleague Mr. Davis shows that two-thirds of distributions from 529 accounts are attributable to families earning over \$200,00 per year. However, just fifteen percent of payments from 529 accounts are attributable to those earning \$100,000 or less.

This is not surprising when you consider the fact that many Americans who want their children to be able to go to college or use a 529 are paying off their own student loans and they don't have a considerable amount of discretionary income to put into a 529. All over this country our schools are suffering, particularly in a state with a sorry history of funding for its public schools, like Texas, which is suffering from inadequate school budgets. Students need additional and greater Pell grants to cover the cost of a college education. That is where I think we should be focusing our attention.

The New York Times conducted a study a couple of years ago that pointed out what's really behind the movement for 529s. It found that people with hundreds of thousands of dollars to spare can create 529 accounts that will end up holding millions of dollars. These are the so-called "Dynasty 529s." Wealthy individuals can front-load large 529 deposits in such a way that the accounts can pay for several college education decades from now and still have money left over for other family members pursuing higher edu-



cation in future generations. It's all legal, and by jumping through a few modest hoops, it is generally tax free on a per-saver, per-student basis. It is the wealthy who have the best opportunity to extract the largest breaks from the federal government when it comes to saving and paying for college.

Today's bill is just expanding that a little further, covering more, and allowing for more of this kind of treatment of those who have but not those who want to provide a first time, first-generation student with an opportunity.

Finally, it's important to look at the credentialing section of this bill. You'd think it's all about getting a plumber or a contractor licensed, but the way it is written, a corporate lawyer who wants to take a Mediterranean cruise and get a little continuing legal education along the way or a physician who wants to ski in Aspen and get a little continuing medical education can finance that all out of this tax-advantaged account the way Republicans are proposing to set it up. This is not about helping the little guy. This is not about helping the families that are struggling to advance in our society. It is about widening the gap between those who have and those who have not.

LLOYD DOGGETT,  
*Member of Congress.*

