

105TH CONGRESS  
1ST SESSION

# H. R. 1465

To amend the Internal Revenue Code of 1986 to restore the deduction  
for interest on certain educational loans.

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IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 1997

Mr. BUNNING 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 restore  
the deduction for interest on certain educational loans.

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. RESTORATION OF DEDUCTION FOR INTEREST**

4                       **ON EDUCATIONAL LOANS.**

5       (a) IN GENERAL.—Paragraph (2) of section 163(h)  
6 of the Internal Revenue Code of 1986 (defining personal  
7 interest) is amended by striking “and” at the end of sub-  
8 paragraph (D), by redesignating subparagraph (E) as sub-  
9 paragraph (F), and by inserting after subparagraph (D)  
10 the following new subparagraph:

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1           “(E) any interest on a qualified edu-  
2           cational loan (within the meaning of paragraph  
3           (5)), and”.

4           (b) QUALIFIED EDUCATIONAL LOAN DEFINED.—  
5   Paragraph (5) of section 163(h) of such Code is amended  
6   to read as follows:

7           “(5) QUALIFIED EDUCATIONAL LOAN.—For  
8           purposes of this subsection—

9           “(A) IN GENERAL.—The term ‘qualified  
10          educational loan’ means any indebtedness—

11           “(i) which is provided—

12                   “(I) pursuant to a Federal,  
13                   State, or State-based guarantee pro-  
14                   gram or insurance program,

15                   “(II) by an organization de-  
16                   scribed in section 501(c)(3) and ex-  
17                   empt from tax under section 501(a),  
18                   or

19                   “(III) by a financial institution  
20                   under a supplemental education pro-  
21                   gram which requires that repayments  
22                   on the loan be made to the edu-  
23                   cational institution referred to in sub-  
24                   paragraph (D)(i), and

1 “(ii) which is incurred to pay qualified  
2 educational expenses which are paid or in-  
3 curred within a reasonable period of time  
4 before or after the indebtedness is in-  
5 curred.

6 “(B) PHASEOUT OF BENEFIT.—

7 “(i) IN GENERAL.—The amount of in-  
8 terest which would (but for this subpara-  
9 graph) be taken into account under para-  
10 graph (2)(E) for the taxable year shall be  
11 reduced (but not below zero) by the  
12 amount which bears the same ratio to such  
13 interest as the excess of the taxpayer’s ad-  
14 justed gross income for such taxable year  
15 over the applicable dollar amount bears to  
16 phaseout range.

17 “(ii) APPLICABLE DOLLAR AMOUNT;  
18 PHASEOUT RANGE.—For purposes of  
19 clause (i)—

20 “(I) in the case of a return of an  
21 unmarried individual, the applicable  
22 dollar amount is \$40,000 and the  
23 phaseout range is \$15,000,

24 “(II) in the case of a joint re-  
25 turn, the applicable dollar amount is

1                   \$60,000 and the phaseout range is  
2                   \$30,000, and

3                   “(III) in any other case, the ap-  
4                   plicable dollar amount is zero.

5                   “(C) DEDUCTION ALLOWABLE ONLY FOR  
6                   FIRST 48 MONTHS LOAN IS IN REPAYMENT STA-  
7                   TUS.—Paragraph (2)(E) shall apply only to in-  
8                   terest which is paid or incurred during the first  
9                   48 months (whether or not consecutive) for  
10                  which a payment is required to be made on the  
11                  loan.

12                  “(D) QUALIFIED EDUCATIONAL EX-  
13                  PENSES.—For purposes of this paragraph—

14                  “(i) IN GENERAL.—The term ‘quali-  
15                  fied educational expenses’ means qualified  
16                  tuition and related expenses of the tax-  
17                  payer, his spouse, or a dependent (as de-  
18                  fined in section 152) for attendance at an  
19                  educational institution described in section  
20                  170(b)(1)(A)(ii).

21                  “(ii) QUALIFIED TUITION AND RELAT-  
22                  ED EXPENSES.—The term ‘qualified tui-  
23                  tion and related expenses’ has the meaning  
24                  given such term by section 117(b), except

1 that such term shall include any reason-  
2 able living expenses while away from home.

3 “(E) ADJUSTMENT OF PHASEOUT FOR IN-  
4 FLATION.—

5 “(i) IN GENERAL.—In the case of any  
6 taxable year beginning in a calendar year  
7 after 1998, the \$40,000 and \$60,000  
8 amounts contained in subparagraph (B)  
9 shall be increased by an amount equal to—

10 “(I) such dollar amount, multi-  
11 plied by

12 “(II) the cost-of-living adjust-  
13 ment under section 1(f)(3) for the cal-  
14 endar year in which the taxable year  
15 begins, determined by substituting  
16 ‘calendar year 1997’ for ‘calendar  
17 year 1992’ in subparagraph (B) there-  
18 of.

19 “(ii) ROUNDING.—If any amount as  
20 adjusted under clause (i) is not a multiple  
21 of \$50, such amount shall be rounded to  
22 the nearest multiple of \$50 (or, if such  
23 amount is a multiple of \$25, such amount  
24 shall be rounded to the next highest mul-  
25 tiple of \$50).”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1997, but only with respect to loans the  
4 first required payment on which is after such date.

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