

105TH CONGRESS  
1ST SESSION

# H. R. 1512

To amend the Internal Revenue Code of 1986 to provide incentives for public-private educational partnerships for public educational institutions serving disadvantaged students and to provide tax relief to families who are struggling to pay for college.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 1, 1997

Mr. RANGEL 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 provide incentives for public-private educational partnerships for public educational institutions serving disadvantaged students and to provide tax relief to families who are struggling to pay for college.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Education Opportunities Tax Act of 1997”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
2 wise expressly provided, whenever in this Act an amend-  
3 ment or repeal is expressed in terms of an amendment  
4 to, or repeal of, a section or other provision, the reference  
5 shall be considered to be made to a section or other provi-  
6 sion of the Internal Revenue Code of 1986.

7 **TITLE I—PUBLIC-PRIVATE**  
8 **EDUCATION PARTNERSHIPS**

9 **SEC. 101. PURPOSE.**

10 The purpose of this title is to facilitate the establish-  
11 ment of working partnerships of educators, businesses,  
12 labor, and community groups to—

13 (1) enhance the academic curriculum for edu-  
14 cation or training below the college level,

15 (2) increase graduation and employment rates,

16 (3) better prepare students for the rigors of col-  
17 lege and the increasingly complex workforce, and

18 (4) promote the global leadership position of  
19 the United States economy,

20 by providing a no-cost source of capital to cover the cost  
21 of establishing specialized academies in distressed areas  
22 (referred to as “education zones”) and by providing tax  
23 credits to employers who hire recent graduates of such  
24 academies.

1 **SEC. 102. INCENTIVES FOR EDUCATION ZONES.**

2 (a) IN GENERAL.—Part III of subchapter U of chap-  
 3 ter 1 (relating to additional incentives for empowerment  
 4 zones), as amended by subsection (b), is amended by in-  
 5 serting after subpart B the following new subpart:

6 **“Subpart C—Incentives for Education Zones**

“Sec. 1397B. Credit to holders of qualified zone academy bonds.

“Sec. 1397C. Credit for employing recent qualified zone academy  
 graduates.

7 **“SEC. 1397B. CREDIT TO HOLDERS OF QUALIFIED ZONE**  
 8 **ACADEMY BONDS.**

9 “(a) ALLOWANCE OF CREDIT.—In the case of a tax-  
 10 payer who holds a qualified zone academy bond on the  
 11 credit allowance date of such bond which occurs during  
 12 the taxable year, there shall be allowed as a credit against  
 13 the tax imposed by this chapter for such taxable year the  
 14 amount determined under subsection (b).

15 “(b) AMOUNT OF CREDIT.—

16 “(1) IN GENERAL.—The amount of the credit  
 17 determined under this subsection with respect to any  
 18 qualified zone academy bond is the amount equal to  
 19 the product of—

20 “(A) the credit rate determined by the Sec-  
 21 retary under paragraph (2) for the month in  
 22 which such bond was issued, multiplied by

23 “(B) the face amount of the bond held by  
 24 the taxpayer on the credit allowance date.

1           “(2) DETERMINATION.—During each calendar  
 2           month, the Secretary shall determine a credit rate  
 3           which shall apply to bonds issued during the follow-  
 4           ing calendar month. The credit rate for any month  
 5           is the percentage which the Secretary estimates will  
 6           permit the issuance of qualified zone academy bonds  
 7           without discount and without interest cost to the is-  
 8           suer.

9           “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
 10          credit allowed under subsection (a) for any taxable year  
 11          shall not exceed the excess of—

12                 “(1) the sum of the regular tax liability (as de-  
 13                 fined in section 26(b)) plus the tax imposed by sec-  
 14                 tion 55, over

15                 “(2) the sum of the credits allowable under part  
 16                 IV of subchapter A (other than subpart C thereof,  
 17                 relating to refundable credits).

18          “(d) QUALIFIED ZONE ACADEMY BOND.—For pur-  
 19          poses of this section—

20                 “(1) IN GENERAL.—The term ‘qualified zone  
 21                 academy bond’ means any bond issued as part of an  
 22                 issue if—

23                         “(A) 95 percent or more of the proceeds of  
 24                         such issue are to be used for a qualified pur-  
 25                         pose with respect to a qualified zone academy,

1           “(B) the bond is issued by a State or local  
2           government within the jurisdiction of which  
3           such academy is located,

4           “(C) the issuer—

5                 “(i) designates such bond for purposes  
6                 of this section, and

7                 “(ii) certifies that it has written as-  
8                 surances that the private business con-  
9                 tribution requirement of paragraph (2) will  
10                be met with respect to such academy, and

11           “(D) the term of each bond which is part  
12           of such issue does not exceed the maximum  
13           term permitted under paragraph (3).

14           “(2) PRIVATE BUSINESS CONTRIBUTION RE-  
15           QUIREMENT.—

16                 “(A) IN GENERAL.—For purposes of para-  
17                 graph (1), the private business contribution re-  
18                 quirement of this paragraph is met with respect  
19                 to any issue if the qualified zone academy has  
20                 written commitments from private entities to  
21                 make qualified contributions having a present  
22                 value (as of the date of issuance of the issue)  
23                 of not less than 50 percent of the proceeds of  
24                 the issue.

1           “(B) QUALIFIED CONTRIBUTIONS.—For  
2           purposes of subparagraph (A), the term ‘quali-  
3           fied contribution’ means any contribution (of a  
4           type and quality acceptable to the academy)  
5           of—

6                   “(i) equipment for use in the qualified  
7                   zone academy,

8                   “(ii) technical assistance in developing  
9                   curriculum or in training teachers in order  
10                  to promote appropriate market driven tech-  
11                  nology in the classroom,

12                  “(iii) services of employees as mentors  
13                  or classroom teachers,

14                  “(iv) internships, fieldtrips, or other  
15                  educational opportunities outside the acad-  
16                  emy for students, or

17                  “(v) any other property or service  
18                  specified by the academy.

19           “(3) TERM REQUIREMENT.—During each cal-  
20           endar month, the Secretary shall determine the max-  
21           imum term permitted under this paragraph for  
22           bonds issued during the following calendar month.  
23           Such maximum term shall be the term which the  
24           Secretary estimates will result in the present value  
25           of the obligation to repay the principal on the bond

1 being equal to 50 percent of the face amount of the  
2 bond. Such present value shall be determined using  
3 as a discount rate the average annual interest rate  
4 of tax-exempt obligations having a term of 10 years  
5 or more which are issued during the month. If the  
6 term as so determined is not a multiple of a whole  
7 year, such term shall be rounded to the next highest  
8 whole year.

9 “(4) QUALIFIED ZONE ACADEMY.—

10 “(A) IN GENERAL.—The term ‘qualified  
11 zone academy’ means any public educational in-  
12 stitution described in subparagraph (B) which  
13 provides education or training below the college  
14 level if such institution is operated under a spe-  
15 cial academic program designed in cooperation  
16 with business to enhance the academic curricu-  
17 lum, increase graduation and employment rates,  
18 and better prepare students for the rigors of  
19 college and the increasingly complex workforce.

20 “(B) EDUCATION ZONE INSTITUTION.—

21 For purposes of subparagraph (A), an edu-  
22 cational institution is described in this subpara-  
23 graph if—

24 “(i) such institution is located in an  
25 empowerment zone or enterprise commu-

1           nity (including any such zone or commu-  
 2           nity designated after the date of the enact-  
 3           ment of this section), or

4           “(ii) there is a reasonable expectation  
 5           (as of the date of issuance of the bonds)  
 6           that at least 35 percent of the students at-  
 7           tending such institution will be members of  
 8           families which have incomes which on an  
 9           annual basis are 70 percent or less of the  
 10          Bureau of Labor Statistics lower living  
 11          standard.

12          “(5) QUALIFIED PURPOSE.—The term ‘quali-  
 13          fied purpose’ means, with respect to any qualified  
 14          zone academy—

15               “(A) constructing or renovating such an  
 16               academy,

17               “(B) providing equipment for use at such  
 18               academy,

19               “(C) developing course materials for edu-  
 20               cation to be provided at such academy, and

21               “(D) training teachers for such academy.

22          “(e) LIMITATION ON AMOUNT OF BONDS DES-  
 23          IGNATED.—

24               “(1) NATIONAL LIMITATION.—There is a na-  
 25               tional zone academy bond limitation for each cal-



1       endar year. Such limitation is \$6,000,000,000 for  
2       1998, 1999, and 2000 and zero thereafter.

3           “(2) ALLOCATION OF LIMITATION.—The na-  
4       tional zone academy bond limitation for a calendar  
5       year shall be allocated by the Secretary among the  
6       States on the basis of their respective populations of  
7       individuals below the poverty line (as defined by the  
8       Office of Management and Budget). The limitation  
9       amount allocated to a State under the preceding  
10      sentence shall be allocated by the State education  
11      agency to qualified zone academies within such  
12      State.

13          “(3) DESIGNATION SUBJECT TO LIMITATION  
14      AMOUNT.—The maximum aggregate face amount of  
15      bonds issued during any calendar year which may be  
16      designated under subsection (d)(1) with respect to  
17      any qualified zone academy shall not exceed the limi-  
18      tation amount allocated to such academy under  
19      paragraph (2) for such calendar year.

20          “(4) CARRYOVER OF USED LIMITATION.—If for  
21      any calendar year—

22              “(A) the limitation amount for any State,  
23              exceeds

24              “(B) the amount of bonds issued during  
25              such year which are designated under sub-

1           section (d)(1) with respect to qualified zone  
2           academies within such State,  
3           the limitation amount for such State for the follow-  
4           ing calendar year shall be increased by the amount  
5           of such excess.

6           “(f) OTHER DEFINITIONS.—For purposes of this sec-  
7           tion—

8           “(1) CREDIT ALLOWANCE DATE.—The term  
9           ‘credit allowance date’ means, with respect to any  
10          issue, the last day of the 1-year period beginning on  
11          the date of issuance of such issue and the last day  
12          of each successive 1-year period thereafter.

13          “(2) BOND.—The term ‘bond’ includes any ob-  
14          ligation.

15          “(3) STATE.—The term ‘State’ includes the  
16          District of Columbia and any possession of the Unit-  
17          ed States.

18          “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
19          income includes the amount of the credit allowed to the  
20          taxpayer under this section.

21       **“SEC. 1397C. CREDIT FOR EMPLOYING RECENT QUALIFIED**  
22               **ZONE ACADEMY GRADUATES.**

23          “(a) IN GENERAL.—For purposes of subpart F of  
24          part IV of subchapter A (relating to rules for computing  
25          work opportunity credit), an individual shall be treated as

1 a member of a targeted group if such individual is certified  
2 by the designated local agency (as defined in section  
3 51(d)(10))—

4 “(1) as having graduated from a qualified zone  
5 academy (as defined in section 1397B(d)(4)), and

6 “(2) as having a hiring date (as defined in sec-  
7 tion 51(d)(9)) which is not more than 6 months  
8 after the date of such graduation.

9 “(b) SPECIAL RULES.—

10 “(1) LOWER CREDIT.—In the case of an indi-  
11 vidual who is a member of a targeted group solely  
12 by reason of subsection (a), section 51(a) shall be  
13 applied by substituting ‘20 percent’ for ‘35 percent’.

14 “(2) CREDIT PERMANENT.—Paragraph (4) of  
15 section 51(c) (relating to termination) shall not  
16 apply for purposes of determining the credit allow-  
17 able by reason of this section.”

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subchapter U of chapter 1 (as in effect be-  
20 fore the amendment made by subsection (a)) is  
21 amended by redesignating subpart C as subpart D,  
22 and by redesignating sections 1397B, 1397C, and  
23 1397D as sections 1397D, 1397E, and 1397F, re-  
24 spectively.

1           (2) Subsection (b) of section 1394 is amend-  
2       ed—

3                   (A) by striking “section 1397C” in para-  
4           graph (2) and inserting “section 1397E”, and

5                   (B) by striking “section 1397B” in para-  
6           graph (3) and inserting “section 1397D”.

7           (3) The table of subparts for part III of sub-  
8       chapter U of chapter 1 is amended by striking the  
9       last item and inserting the following:

                  “Subpart C. Incentives for education zones.  
                  “Subpart D. General provisions.”

10           (4) The table of sections for subpart D of such  
11       part III, as so redesignated, is amended to read as  
12       follows:

                  “Sec. 1397D. Enterprise zone business defined.  
                  “Sec. 1397E. Qualified zone property defined.”

13           (5) The table of sections for part IV of sub-  
14       chapter U of chapter 1 is amended to read as fol-  
15       lows:

                  “Sec. 1397F. Regulations.”

16       (c) EFFECTIVE DATE.—The amendments made by  
17       this section—

18                   (1) to the extent related to 1397B of the Inter-  
19       nal Revenue Code of 1986 (as added by this section)  
20       shall apply to obligations issued after December 31,  
21       1997, and

1           (2) to the extent related to section 1397C of  
 2           such Code (as so added) shall apply to individuals  
 3           who begin work for the employer after such date.

## 4     **TITLE II—HOPE SCHOLARSHIP** 5                                 **CREDIT**

### 6     **SEC. 201. HOPE SCHOLARSHIP CREDIT.**

7           (a) IN GENERAL.—Subpart A of part IV of sub-  
 8     chapter A of chapter 1 (relating to nonrefundable personal  
 9     credits) is amended by inserting after section 23 the fol-  
 10    lowing new section:

#### 11    **“SEC. 24. HOPE SCHOLARSHIP CREDIT.**

12           “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 13    dividual, there shall be allowed as a credit against the tax  
 14    imposed by this chapter for the taxable year the amount  
 15    of qualified higher education expenses paid by the tax-  
 16    payer during such taxable year for education furnished  
 17    during any academic period beginning in such year.

18           “(b) LIMITATIONS.—

19           “(1) DOLLAR LIMITATION.—The amount al-  
 20    lowed as a credit under subsection (a) for any tax-  
 21    able year with respect to the qualified higher edu-  
 22    cation expenses of any 1 individual shall not exceed  
 23    \$1,500 (\$1,000 if the individual was an eligible stu-  
 24    dent in 2 or more prior taxable years).

1           “(2) CREDIT ALLOWED FOR ONLY 4 TAXABLE  
2       YEARS.—No credit shall be allowed under subsection  
3       (a) for a taxable year with respect to the qualified  
4       higher education expenses of an individual unless the  
5       taxpayer elects to have this section apply with re-  
6       spect to such individual for such year. An election  
7       under this paragraph shall not take effect with re-  
8       spect to an individual for any taxable year if an elec-  
9       tion under this paragraph (by the taxpayer or any  
10      other individual) is in effect with respect to such in-  
11      dividual for any 4 prior taxable years.

12           “(3) CREDIT ALLOWED FOR YEAR ONLY IF IN-  
13      DIVIDUAL IS AT LEAST  $\frac{1}{2}$  TIME STUDENT FOR POR-  
14      TION OF YEAR.—No credit shall be allowed under  
15      subsection (a) for a taxable year with respect to the  
16      qualified higher education expenses of an individual  
17      unless such individual is an eligible student for at  
18      least one academic period which begins during such  
19      year.

20           “(4) CREDIT ALLOWED ONLY FOR FIRST 4  
21      YEARS OF POSTSECONDARY EDUCATION.—No credit  
22      shall be allowed under subsection (a) for a taxable  
23      year with respect to the qualified higher education  
24      expenses of an individual if the individual has com-  
25      pleted (before the beginning of such taxable year)

1 the first 4 years of postsecondary education at an  
2 institution of higher education.

3 “(c) LIMITATION BASED ON MODIFIED ADJUSTED  
4 GROSS INCOME.—

5 “(1) IN GENERAL.—The amount which would  
6 (but for this subsection) be taken into account under  
7 subsection (a) for the taxable year shall be reduced  
8 (but not below zero) by the amount determined  
9 under paragraph (2).

10 “(2) AMOUNT OF REDUCTION.—The amount  
11 determined under this paragraph is the amount  
12 which bears the same ratio to the amount which  
13 would be so taken into account as—

14 “(A) the excess of—

15 “(i) the taxpayer’s modified adjusted  
16 gross income for such taxable year, over

17 “(ii) \$50,000 (\$80,000 in the case of  
18 a joint return), bears to

19 “(B) \$20,000.

20 “(3) MODIFIED ADJUSTED GROSS INCOME.—

21 The term ‘modified adjusted gross income’ means  
22 the adjusted gross income of the taxpayer for the  
23 taxable year increased by any amount excluded from  
24 gross income under section 911, 931, or 933.

1       “(d) LIMITATION BASED ON AMOUNT OF TAX.—The  
 2 credit allowed under subsection (a) for any taxable year  
 3 shall not exceed the excess of—

4               “(1) the sum of the regular tax liability (as de-  
 5 fined in section 26(b)) plus the tax imposed by sec-  
 6 tion 55, over

7               “(2) the sum of the credits allowable under part  
 8 IV of subchapter A (other than subpart C thereof,  
 9 relating to refundable credits).

10       “(e) DEFINITIONS.—For purposes of this section—

11               “(1) QUALIFIED HIGHER EDUCATION EX-  
 12 PENSES.—

13               “(A) IN GENERAL.—The term ‘qualified  
 14 higher education expenses’ means tuition and  
 15 fees required for the enrollment or attendance  
 16 of—

17                       “(i) the taxpayer,

18                       “(ii) the taxpayer’s spouse, or

19                       “(iii) any dependent of the taxpayer

20                       with respect to whom the taxpayer is al-

21                       lowed a deduction under section 151,

22                       at an institution of higher education.

23               “(B) EXCEPTION FOR EDUCATION INVOLV-

24                       ING SPORTS, ETC.—Such term does not include

25                       expenses with respect to any course or other



1 education involving sports, games, or hobbies,  
2 unless such course or other education is part of  
3 the individual's degree program.

4 “(C) EXCEPTION FOR NONACADEMIC  
5 FEES.—Such term does not include student ac-  
6 tivity fees, athletic fees, insurance expenses, or  
7 other expenses unrelated to an individual's aca-  
8 demic course of instruction.

9 “(2) INSTITUTION OF HIGHER EDUCATION.—  
10 The term ‘institution of higher education’ means an  
11 institution—

12 “(A) which is described in section 481 of  
13 the Higher Education Act of 1965 (20 U.S.C.  
14 1088), as in effect on the date of the enactment  
15 of this section, and

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

18 “(3) ELIGIBLE STUDENT.—The term ‘eligible  
19 student’ means, with respect to any academic period,  
20 a student who—

21 “(A) meets the requirements of section  
22 484(a)(1) of the Higher Education Act of 1965  
23 (20 U.S.C. 1091(a)(1)), as in effect on the date  
24 of the enactment of this section, and

1           “(B) is carrying at least  $\frac{1}{2}$  the normal  
2           full-time work load for the course of study the  
3           student is pursuing.

4           “(f) TREATMENT OF EXPENSES PAID BY DEPEND-  
5 ENT.—If a deduction under section 151 with respect to  
6 an individual is allowed to another taxpayer for a taxable  
7 year beginning in the calendar year in which such individ-  
8 ual’s taxable year begins—

9           “(1) no credit shall be allowed under subsection  
10          (a) to such individual for such individual’s taxable  
11          year, and

12          “(2) qualified higher education expenses paid  
13          by such individual during such individual’s taxable  
14          year shall be treated for purposes of this section as  
15          paid by such other taxpayer.

16          “(g) TREATMENT OF CERTAIN PREPAYMENTS.—If  
17 qualified higher education expenses are paid by the tax-  
18 payer during a taxable year for an academic period which  
19 begins during the first 3 months following such taxable  
20 year, such academic period shall be treated for purposes  
21 of this section as beginning during such taxable year.

22          “(h) SPECIAL RULES.—

23          “(1) DENIAL OF CREDIT IF INDIVIDUAL CON-  
24 VICTED OF DRUG OFFENSE.—No credit shall be al-  
25 lowed under subsection (a) with respect to the quali-

1       fied higher education expenses of an individual for  
 2       any taxable year if the individual has been convicted  
 3       before the end of such year of a Federal or State fel-  
 4       ony offense consisting of the possession or distribu-  
 5       tion of a controlled substance.

6               “(2) DENIAL OF CREDIT IF INDIVIDUAL FAILS  
 7       TO MAKE SATISFACTORY ACADEMIC PROGRESS.—  
 8       If—

9               “(A) an election was in effect under this  
 10       section with respect to the qualified higher edu-  
 11       cation expenses of an individual for any taxable  
 12       year, and

13              “(B) such individual failed to make satis-  
 14       factory academic progress described in section  
 15       484(c) of the Higher Education Act of 1965  
 16       during such year,

17       no credit shall be allowed under subsection (a) with  
 18       respect to qualified higher education expenses of  
 19       such individual for a succeeding taxable year.

20              “(3) NO DOUBLE BENEFIT.—No credit shall be  
 21       allowed under subsection (a) for any taxable year for  
 22       any expense for which a deduction is allowed under  
 23       any other provision of this chapter.

24              “(4) IDENTIFICATION REQUIREMENT.—No  
 25       credit shall be allowed under subsection (a) to a tax-

1 payer with respect to the qualified higher education  
2 expenses of an individual unless the taxpayer in-  
3 cludes the name and taxpayer identification number  
4 of such individual on the return of tax for the tax-  
5 able year.

6 “(5) ADJUSTMENT FOR CERTAIN SCHOLAR-  
7 SHIPS.—The amount of qualified higher education  
8 expenses otherwise taken into account under sub-  
9 section (a) with respect to an individual for an aca-  
10 demic period shall be reduced (before the application  
11 of subsections (b) and (c)) by the sum of—

12 “(A) any amounts paid for the benefit of  
13 such individual which are allocable to such pe-  
14 riod as—

15 “(i) a qualified scholarship which is  
16 excludable from gross income under section  
17 117,

18 “(ii) an educational assistance allow-  
19 ance under chapter 30, 31, 32, 34, or 35  
20 of title 38, United States Code, or under  
21 chapter 1606 of title 10, United States  
22 Code,

23 “(iii) a payment which is excludable  
24 from gross income under section 127, or

1           “(iv) a payment (other than a gift, be-  
2           quest, devise, or inheritance within the  
3           meaning of section 102(a)) for such indi-  
4           vidual’s educational expenses, or attrib-  
5           utable to such individual’s enrollment at an  
6           institution of higher education, which is ex-  
7           cludable from gross income under any law  
8           of the United States, and

9           “(B) the amount excludable from gross in-  
10          come under section 135 which is allocable to  
11          such expenses with respect to such individual  
12          for such period.

13          “(6) NO CREDIT FOR MARRIED INDIVIDUALS  
14          FILING SEPARATE RETURNS.—If the taxpayer is a  
15          married individual (within the meaning of section  
16          7703), this section shall apply only if the taxpayer  
17          and the taxpayer’s spouse file a joint return for the  
18          taxable year.

19          “(7) NONRESIDENT ALIENS.—If the taxpayer is  
20          a nonresident alien individual for any portion of the  
21          taxable year, this section shall apply only if such in-  
22          dividual is treated as a resident alien of the United  
23          States for purposes of this chapter by reason of an  
24          election under subsection (g) or (h) of section 6013.

1           “(8) COORDINATION WITH OTHER STUDENT FI-  
2           NANCIAL ASSISTANCE.—The credit provided under  
3           subsection (a), and any payment provided under  
4           subsection (j), shall not be taken into account for  
5           purposes of determining eligibility for, or the  
6           amount of, any student financial assistance provided  
7           under the Higher Education Act of 1965.

8           “(i) INFLATION ADJUSTMENTS.—

9           “(1) DOLLAR LIMITATION ON AMOUNT OF  
10          CREDIT.—

11           “(A) IN GENERAL.—In the case of a tax-  
12          able year beginning after 1997, the \$1,500 and  
13          \$1,000 amounts in subsection (b)(1)(A) shall be  
14          increased by an amount equal to—

15           “(i) such dollar amount, multiplied by

16           “(ii) the cost-of-living adjustment de-  
17          termined under section 1(f)(3) for the cal-  
18          endar year in which the taxable year be-  
19          gins, determined by substituting ‘calendar  
20          year 1996’ for ‘calendar year 1992’ in sub-  
21          paragraph (B) thereof.

22           “(B) ROUNDING.—If any amount as ad-  
23          justed under subparagraph (A) is not a multiple  
24          of \$50, such amount shall be rounded to the  
25          next lowest multiple of \$50.

1 “(2) INCOME LIMITS.—

2 “(A) IN GENERAL.—In the case of a tax-  
3 able year beginning after 2000, the \$50,000  
4 and \$80,000 amounts in subsection (c)(2) shall  
5 each be increased by an amount equal to—

6 “(i) such dollar amount, multiplied by

7 “(ii) the cost-of-living adjustment de-  
8 termined under section 1(f)(3) for the cal-  
9 endar year in which the taxable year be-  
10 gins, determined by substituting ‘calendar  
11 year 1999’ for ‘calendar year 1992’ in sub-  
12 paragraph (B) thereof.

13 “(B) ROUNDING.—If any amount as ad-  
14 justed under subparagraph (A) is not a multiple  
15 of \$5,000, such amount shall be rounded to the  
16 next lowest multiple of \$5,000.

17 “(j) CREDIT TO BE REFUNDABLE.—

18 “(1) IN GENERAL.—Each qualified student  
19 shall be entitled to the refundable Hope Credit.

20 “(2) PAYMENT BY EDUCATIONAL INSTITU-  
21 TION.—Each institution of higher education shall  
22 pay, as an agent of the Secretary of the Treasury,  
23 the refundable Hope Credit to each qualified student  
24 attending such institution.

1           “(3) QUALIFIED STUDENT.—For purposes of  
2           this subsection, the term ‘qualified student’ means,  
3           with respect to any calendar year, any eligible stu-  
4           dent if—

5                   “(A) the credit provided by subsection (a)  
6                   would have been allowable to the applicable tax-  
7                   payer with respect to such student but for the  
8                   waiver under subparagraph (D) and the limita-  
9                   tion based on such taxpayer’s income tax liabil-  
10                  ity,

11                  “(B) the applicable taxpayer certifies to  
12                  the institution that it is reasonable to expect  
13                  that such taxpayer will not be allowed the maxi-  
14                  mum credit under this section by reason of hav-  
15                  ing insufficient income tax liability,

16                  “(C) such applicable taxpayer provides to  
17                  the institution of higher education such infor-  
18                  mation as is necessary to determine the amount  
19                  of the refundable Hope credit to which the stu-  
20                  dent is entitled, and

21                  “(D) such applicable taxpayer irrevocably  
22                  waives the right to claim such credit for such  
23                  year.

24           For purposes of this subsection, the applicable tax-  
25           payer is the student or, if any other taxpayer is al-



1       lowed a deduction under section 151 for such stu-  
2       dent, such other taxpayer.

3               “(4) REFUNDABLE HOPE CREDIT.—For pur-  
4       poses of this subsection, the term ‘refundable Hope  
5       Credit’ means, with respect to a student, the amount  
6       of the credit provided by subsection (a) which would  
7       have been allowable to the applicable taxpayer with  
8       respect to such student but for the waiver under  
9       paragraph (3)(D) and the limitation based on such  
10      taxpayer’s income tax liability.

11              “(5) PAYMENTS TO ELIGIBLE EDUCATIONAL IN-  
12      STITUTIONS.—The Secretary of the Treasury shall  
13      pay, either in advance or by way of reimbursement,  
14      to each institution of higher education an amount  
15      equal to the aggregate payments made under this  
16      subsection by such institution to qualified students.  
17      Section 1324 of title 31, United States Code, shall  
18      apply to the payments required under this para-  
19      graph in the same manner as if such payments were  
20      refunds of overpayments of tax.

21              “(6) RECAPTURE IF PAYMENT EXCEEDS COR-  
22      RECT AMOUNT.—If the payments made under this  
23      subsection with respect to any qualified student for  
24      any calendar year exceed the amount of the refund-  
25      able Hope credit to which the applicable taxpayer

1 with respect to such student is entitled, such excess  
2 shall be assessed and collected in the same manner  
3 as an underpayment of tax imposed by this chapter  
4 for such year on such taxpayer.

5 “(k) REGULATIONS.—The Secretary may prescribe  
6 such regulations as may be necessary or appropriate to  
7 carry out this section, including regulations providing for  
8 a recapture of credit allowed under this section in cases  
9 where there is a refund in a subsequent taxable year of  
10 any amount which was taken into account in determining  
11 the amount of such credit.”

12 (b) EXTENSION OF PROCEDURES APPLICABLE TO  
13 MATHEMATICAL OR CLERICAL ERRORS.—Paragraph (2)  
14 of section 6213(g) (relating to the definition of mathe-  
15 matical or clerical errors) is amended by striking “and”  
16 at the end of subparagraph (G), by striking the period  
17 at the end of subparagraph (H) and inserting “, and”,  
18 and by inserting after subparagraph (H) the following new  
19 subparagraph:

20 “(I) an omission of a correct TIN required  
21 under section 24(h)(4) (relating to higher edu-  
22 cation tuition and fees) to be included on a re-  
23 turn.”

24 (c) RETURNS RELATING TO HIGHER EDUCATION  
25 EXPENSES.—

1           (1) IN GENERAL.—Subpart B of part III of  
2           subchapter A of chapter 61 (relating to information  
3           concerning transactions with other persons) is  
4           amended by inserting after section 6050R the fol-  
5           lowing new section:

6   **“SEC. 6050S. RETURNS RELATING TO HIGHER EDUCATION**  
7                 **EXPENSES.**

8           “(a) IN GENERAL.—Any person—

9                 “(1) which is an institution of higher education  
10           which receives payments for qualified higher edu-  
11           cation expenses with respect to any individual for  
12           any calendar year or which pays any amount under  
13           section 24(j) with respect to any individual for any  
14           calendar year, or

15                 “(2) which is engaged in a trade or business  
16           which, in the course of such trade or business makes  
17           payments during any calendar year to any individual  
18           which constitute reimbursements or refunds (or  
19           similar amounts) of qualified higher education ex-  
20           penses of such individual,

21           shall make the return described in subsection (b) with re-  
22           spect to the individual at such time as the Secretary may  
23           by regulations prescribe.

24           “(b) FORM AND MANNER OF RETURNS.—A return  
25           is described in this subsection if such return—

1           “(1) is in such form as the Secretary may pre-  
2       scribe,

3           “(2) contains—

4               “(A) the name, address, and TIN of the  
5       individual with respect to whom payments de-  
6       scribed in subsection (a) were received from (or  
7       were paid to),

8               “(B) the name, address, and TIN of any  
9       individual certified by the individual described  
10      in subparagraph (A) as the taxpayer who will  
11      claim the individual as a dependent for pur-  
12      poses of the deduction allowable under section  
13      151 for any taxable year ending with or within  
14      the calendar year,

15           “(C) the—

16               “(i) aggregate amount of payments  
17      for qualified higher education expenses re-  
18      ceived with respect to the individual de-  
19      scribed in subparagraph (A) during the  
20      calendar year, and

21               “(ii) aggregate amount of reimburse-  
22      ments or refunds (or similar amounts)  
23      paid to such individual during the calendar  
24      year, and

1                   “(D) such other information as the Sec-  
2                   retary may prescribe.

3           “(c) APPLICATION TO GOVERNMENTAL UNITS.—For  
4 purposes of this section—

5                   “(1) a governmental unit or any agency or in-  
6                   strumentality thereof shall be treated as a person,  
7                   and

8                   “(2) any return required under subsection (a)  
9                   by such governmental entity shall be made by the of-  
10                  ficer or employee appropriately designated for the  
11                  purpose of making such return.

12          “(d) STATEMENTS TO BE FURNISHED TO INDIVID-  
13 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
14 QUIRED.—Every person required to make a return under  
15 subsection (a) shall furnish to each individual whose name  
16 is required to be set forth in such return under subpara-  
17 graph (A) or (B) of subsection (b)(2) a written statement  
18 showing—

19                   “(1) the name, address, and phone number of  
20                   the information contact of the person required to  
21                   make such return, and

22                   “(2) the aggregate amounts described in sub-  
23                   paragraph (C) of subsection (b)(2).

24 The written statement required under the preceding sen-  
25 tence shall be furnished on or before January 31 of the

1 year following the calendar year for which the return  
 2 under subsection (a) was required to be made.

3 “(e) DEFINITIONS.—For purposes of this section, the  
 4 terms ‘institution of higher education’ and ‘qualified high-  
 5 er education expenses’ have the respective meanings given  
 6 such terms by section 24.

7 “(f) RETURNS WHICH WOULD BE REQUIRED TO BE  
 8 MADE BY 2 OR MORE PERSONS.—Except to the extent  
 9 provided in regulations prescribed by the Secretary, in the  
 10 case of any amount received by any person on behalf of  
 11 another person, only the person first receiving such  
 12 amount shall be required to make the return under sub-  
 13 section (a).

14 “(g) REGULATIONS.—The Secretary shall prescribe  
 15 such regulations as may be necessary to carry out the pro-  
 16 visions of this section. No penalties shall be imposed under  
 17 section 6724 with respect to any return or statement re-  
 18 quired under this section until such time as such regula-  
 19 tions are issued.”

20 (2) ASSESSABLE PENALTIES.—Section 6724(d)  
 21 (relating to definitions) is amended—

22 (A) by redesignating clauses (x) through  
 23 (xv) as clauses (xi) through (xvi), respectively,  
 24 in paragraph (1)(B) and by inserting after

1 clause (ix) of such paragraph the following new  
 2 clause:

3 “(x) section 6050S (relating to re-  
 4 turns relating to payments for qualified  
 5 higher education expenses),”, and

6 (B) by striking “or” at the end of the next  
 7 to last subparagraph, by striking the period at  
 8 the end of the last subparagraph and inserting  
 9 “, or”, and by adding at the end the following  
 10 new subparagraph:

11 “(Z) section 6050S(d) (relating to returns  
 12 relating to qualified higher education ex-  
 13 penses).”

14 (3) CLERICAL AMENDMENT.—The table of sec-  
 15 tions for subpart B of part III of subchapter A of  
 16 chapter 61 is amended by inserting after the item  
 17 relating to section 6050R the following new item:

“Sec. 6050S. Returns relating to higher education expenses.”

18 (d) CONFORMING AMENDMENTS.—

19 (1) Subsection (a) of section 26 is amended by  
 20 inserting “(other than section 24)” after “amount of  
 21 credits”.

22 (2) The table of sections for subpart A of part  
 23 IV of subchapter A of chapter 1 is amended by in-

1       serting after the item relating to section 23 the fol-  
2       lowing new item:

“Sec. 24. Hope scholarship credit.”

3       (e) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to expenses paid after December  
5 31, 1996 (in taxable years ending after such date), for  
6 education furnished in academic periods beginning after  
7 June 30, 1997.

○