

105TH CONGRESS  
1ST SESSION

# H. R. 656

To amend the Internal Revenue Code of 1986 to provide that distributions from qualified State tuition programs which are used to pay educational expenses shall not be includible in gross income and to include as such expenses the cost of room and board.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1997

Mr. BACHUS (for himself, Mr. YOUNG of Alaska, Mr. CRAMER, Mr. RILEY, Mr. ADERHOLT, Mr. MICA, Mr. OXLEY, Mr. MCCOLLUM, and Mr. LATOURETTE) 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 provide that distributions from qualified State tuition programs which are used to pay educational expenses shall not be includible in gross income and to include as such expenses the cost of room and board.

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. MODIFICATIONS OF TAX TREATMENT OF**  
4       **QUALIFIED STATE TUITION PROGRAMS.**

5       (a) EXCLUSION OF DISTRIBUTIONS USED FOR EDU-  
6       CATIONAL PURPOSES.—Subparagraph (B) of section

1 529(c)(3) of the Internal Revenue Code of 1986 is amend-  
 2 ed to read as follows:

3 “(B) DISTRIBUTIONS FOR QUALIFIED  
 4 HIGHER EDUCATION EXPENSES.—Subpara-  
 5 graph (A) shall not apply to any distribution to  
 6 the extent—

7 “(i) the distribution is used exclusively  
 8 to pay qualified higher education expenses  
 9 of the distributee, or

10 “(ii) the distribution consists of pro-  
 11 viding a benefit to the distributee which, if  
 12 paid for by the distributee, would con-  
 13 stitute payment of a qualified higher edu-  
 14 cation expense.”

15 (b) QUALIFIED HIGHER EDUCATION EXPENSES TO  
 16 INCLUDE ROOM AND BOARD.—Section 529(e)(3) of such  
 17 Code is amended to read as follows:

18 “(3) QUALIFIED HIGHER EDUCATION EX-  
 19 PENSES.—The term ‘qualified higher education ex-  
 20 penses’ means the cost of attendance (within the  
 21 meaning of section 472 of the Higher Education Act  
 22 of 1965 (20 U.S.C. 1087ll), as in effect on the date  
 23 of the enactment of this paragraph) of a designated  
 24 beneficiary at an eligible educational institution (as  
 25 defined in section 135(c)(3)).”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1996.

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