

106TH CONGRESS
1ST SESSION

H. R. 1631

To amend the Internal Revenue Code of 1986 to make higher education more affordable by providing a full tax deduction for higher education expenses and interest on student loans.

IN THE HOUSE OF REPRESENTATIVES

APRIL 29, 1999

Mr. FORD 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 make higher education more affordable by providing a full tax deduction for higher education expenses and interest on student 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. SHORT TITLE.**

4 This Act may be cited as the “Make College Afford-
5 able Act of 1999”.

1 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

2 (a) DEDUCTION ALLOWED.—Section 221 of the In-
3 ternal Revenue Code of 1986 is amended to read as fol-
4 lows:

5 **“SEC. 221. HIGHER EDUCATION EXPENSES.**

6 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
7 individual, there shall be allowed as a deduction an
8 amount equal to—

9 “(1) the qualified higher education expenses,
10 and

11 “(2) interest on qualified higher education
12 loans,

13 paid by the taxpayer during the taxable year.

14 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
15 GROSS INCOME.—

16 “(1) IN GENERAL.—The amount which would
17 (but for this subsection) be taken into account under
18 subsection (a) shall be reduced (but not below zero)
19 by the amount determined under paragraph (2).

20 “(2) AMOUNT OF REDUCTION.—The amount
21 determined under this paragraph equals the amount
22 which bears the same ratio to the amount which
23 would be so taken into account as—

24 “(A) the excess of—

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

1 “(ii) \$65,000 (\$95,000 in the case of
2 a joint return), bears to

3 “(B) \$20,000.

4 “(3) MODIFIED ADJUSTED GROSS INCOME.—

5 For purposes of this subsection, the term ‘modified
6 adjusted gross income’ means the adjusted gross in-
7 come of the taxpayer for the taxable year
8 determined—

9 “(A) without regard to this section and
10 sections 911, 931, and 933, and

11 “(B) after the application of sections 86,
12 135, 219, 220, and 469.

13 For purposes of the sections referred to in subpara-
14 graph (B), adjusted gross income shall be deter-
15 mined without regard to the deduction allowed under
16 this section.

17 “(4) INFLATION ADJUSTMENTS.—

18 “(A) IN GENERAL.—In the case of a tax-
19 able year beginning after 2000, the \$65,000
20 and \$95,000 amounts described in paragraph
21 (2) shall each be increased by an amount equal
22 to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-
25 termined under section 1(f)(3) for the cal-

1 endar year in which the taxable year be-
2 gins, determined by substituting ‘calendar
3 year 1999’ for ‘calendar year 1992’ in sub-
4 paragraph (B) thereof.

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

9 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—
10 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—

15 “(i) tuition and fees charged by an
16 educational institution and required for the
17 enrollment or attendance of—

18 “(I) the taxpayer,

19 “(II) the taxpayer’s spouse,

20 “(III) any dependent of the tax-
21 payer with respect to whom the tax-
22 payer is allowed a deduction under
23 section 151, or

24 “(IV) any grandchild of the tax-
25 payer,

1 as an eligible student at an institution of
2 higher education, and

3 “(ii) reasonable living expenses for
4 such an individual while away from home
5 and attending such institution.

6 “(B) ELIGIBLE COURSES.—Amounts paid
7 for qualified higher education expenses of any
8 individual shall be taken into account under
9 subsection (a) only to the extent such
10 expenses—

11 “(i) are attributable to courses of in-
12 struction for which credit is allowed toward
13 a baccalaureate degree by an institution of
14 higher education or toward a certificate of
15 required course work at a vocational
16 school, and

17 “(ii) are not attributable to any grad-
18 uate program of such individual.

19 “(C) EXCEPTION FOR NONACADEMIC
20 FEES.—Such term does not include any student
21 activity fees, athletic fees, insurance expenses,
22 or other expenses unrelated to a student’s aca-
23 demic course of instruction.

1 “(D) ELIGIBLE STUDENT.—For purposes
2 of subparagraph (A), the term ‘eligible student’
3 means a student who—

4 “(i) meets the requirements of section
5 484(a)(1) of the Higher Education Act of
6 1965 (20 U.S.C. 1091(a)(1)), as in effect
7 on the date of the enactment of this sec-
8 tion, and

9 “(ii) is carrying at least one-half the
10 normal full-time work load for the course
11 of study the student is pursuing, as deter-
12 mined by the institution of higher edu-
13 cation.

14 “(E) IDENTIFICATION REQUIREMENT.—No
15 deduction shall be allowed under subsection (a)
16 to a taxpayer with respect to an eligible student
17 unless the taxpayer includes the name, age, and
18 taxpayer identification number of such eligible
19 student on the return of tax for the taxable
20 year.

21 “(2) INSTITUTION OF HIGHER EDUCATION.—
22 The term ‘institution of higher education’ means an
23 institution which—

24 “(A) is described in section 481 of the
25 Higher Education Act of 1965 (20 U.S.C.

1 1088), as in effect on the date of the enactment
2 of this section, and

3 “(B) is eligible to participate in programs
4 under title IV of such Act.

5 “(d) QUALIFIED HIGHER EDUCATION LOAN.—For
6 purposes of this section—

7 “(1) IN GENERAL.—The term ‘qualified higher
8 education loan’ means a loan which is—

9 “(A) made, insured, or guaranteed by the
10 Federal Government,

11 “(B) made by a State or a political sub-
12 division of a State,

13 “(C) made from the proceeds of a qualified
14 student loan bond under section 144(b), or

15 “(D) made by an institution of higher edu-
16 cation (as defined in section 1201(a) of the
17 Higher Education Act of 1965 (20 U.S.C.
18 1141(a))).

19 “(2) LIMITATION.—The amount of interest on
20 a qualified higher education loan which is taken into
21 account under subsection (a)(2) shall not exceed the
22 amount which bears the same ratio to such amount
23 of interest as—

24 “(A) the proceeds from such loan used for
25 qualified higher education expenses, bears to

1 “(B) the total proceeds from such loan.

2 For purposes of the preceding sentence, the term
3 ‘qualified higher education expenses’ shall be deter-
4 mined without regard to subsection (c)(1)(A)(i)(IV).

5 “(e) SPECIAL RULES.—

6 “(1) NO DOUBLE BENEFIT.—

7 “(A) IN GENERAL.—No deduction shall be
8 allowed under subsection (a) for any expense
9 for which a deduction is allowable to the tax-
10 payer under any other provision of this chapter
11 unless the taxpayer irrevocably waives his right
12 to the deduction of such expense under such
13 other provision.

14 “(B) DENIAL OF DEDUCTION IF CREDIT
15 ELECTED.—No deduction shall be allowed
16 under subsection (a) for a taxable year with re-
17 spect to the qualified higher education expenses
18 of an individual if the taxpayer elects to have
19 section 25A apply with respect to such indi-
20 vidual for such year.

21 “(C) DEPENDENTS.—No deduction shall
22 be allowed under subsection (a) to any indi-
23 vidual with respect to whom a deduction under
24 section 151 is allowable to another taxpayer for

1 a taxable year beginning in the calendar year
2 in which such individual's taxable year begins.

3 “(D) COORDINATION WITH EXCLUSIONS.—

4 A deduction shall be allowed under subsection
5 (a) for qualified higher education expenses only
6 to the extent the amount of such expenses ex-
7 ceeds the amount excludable under section 135
8 or 530(d)(2) for the taxable year.

9 “(2) LIMITATION ON TAXABLE YEAR OF DE-
10 Duction.—

11 “(A) IN GENERAL.—A deduction shall be
12 allowed under subsection (a) for qualified high-
13 er education expenses for any taxable year only
14 to the extent such expenses are in connection
15 with enrollment at an institution of higher edu-
16 cation during the taxable year.

17 “(B) CERTAIN PREPAYMENTS ALLOWED.—

18 Subparagraph (A) shall not apply to qualified
19 higher education expenses paid during a taxable
20 year if such expenses are in connection with an
21 academic term beginning during such taxable
22 year or during the first 3 months of the next
23 taxable year.

24 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-
25 SHIPS AND VETERANS BENEFITS.—The amount of

1 qualified higher education expenses otherwise taken
2 into account under subsection (a) or (d)(2) with re-
3 spect to the education of an individual shall be re-
4 duced (before the application of subsection (b)) by
5 the sum of the amounts received with respect to
6 such individual for the taxable year as—

7 “(A) a qualified scholarship which under
8 section 117 is not includable in gross income,

9 “(B) an educational assistance allowance
10 under chapter 30, 31, 32, 34, or 35 of title 38,
11 United States Code, or

12 “(C) a payment (other than a gift, be-
13 quest, devise, or inheritance within the meaning
14 of section 102(a)) for educational expenses, or
15 attributable to enrollment at an eligible edu-
16 cational institution, which is exempt from in-
17 come taxation by any law of the United States.

18 “(4) NO DEDUCTION FOR MARRIED INDIVID-
19 UALS FILING SEPARATE RETURNS.—If the taxpayer
20 is a married individual (within the meaning of sec-
21 tion 7703), this section shall apply only if the tax-
22 payer and the taxpayer’s spouse file a joint return
23 for the taxable year.

24 “(5) NONRESIDENT ALIENS.—If the taxpayer is
25 a nonresident alien individual for any portion of the

1 taxable year, this section shall apply only if such in-
2 dividual is treated as a resident alien of the United
3 States for purposes of this chapter by reason of an
4 election under subsection (g) or (h) of section 6013.

5 “(6) REGULATIONS.—The Secretary may pre-
6 scribe such regulations as may be necessary or ap-
7 propriate to carry out this section, including regula-
8 tions requiring recordkeeping and information re-
9 porting.”

10 (b) DEDUCTION ALLOWED IN COMPUTING AD-
11 JUSTED GROSS INCOME.—Paragraph (17) of section
12 62(a) of such Code is amended to read as follows:

13 “(17) HIGHER EDUCATION EXPENSES.—The
14 deduction allowed by section 221.”

15 (c) CONFORMING AMENDMENTS.—

16 (1) The table of sections for part VII of sub-
17 chapter B of chapter 1 of such Code is amended by
18 striking the item relating to section 221 and insert-
19 ing the following new item:

“Sec. 221. Higher education expenses.”

20 (2) Section 6050S(e) of such Code is amended
21 by striking “section 221(e)(1)” and inserting “sec-
22 tion 221(d)(1)”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to payments made after December
3 31, 1998.

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