

106TH CONGRESS  
1ST SESSION

# H. R. 2265

To amend the Internal Revenue Code of 1986 to provide that certain educational benefits provided by an employer to children of employees shall be excludable from gross income as a scholarship.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1999

Mr. LEVIN (for himself, Mr. ENGLISH, Mr. WAXMAN, Mr. COYNE, Mr. MCGOVERN, Ms. KILPATRICK, Mr. BALDACCI, Mr. FROST, Mr. REYES, Mr. EVANS, Mr. PASTOR, Mr. NEAL of Massachusetts, Mr. GEJDENSON, Mr. POMEROY, Mr. KENNEDY of Rhode Island, Mr. PALLONE, and Mr. HINCHEY) 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 certain educational benefits provided by an employer to children of employees shall be excludable from gross income as a scholarship.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. CERTAIN EDUCATIONAL BENEFITS PROVIDED**  
2 **BY AN EMPLOYER TO CHILDREN OF EMPLOY-**  
3 **EES EXCLUDABLE FROM GROSS INCOME AS A**  
4 **SCHOLARSHIP.**

5 (a) IN GENERAL.—Section 117 of the Internal Rev-  
6 enue Code of 1986 (relating to qualified scholarships) is  
7 amended by adding at the end the following new sub-  
8 section:

9 “(e) EMPLOYER-PROVIDED EDUCATIONAL BENEFITS  
10 PROVIDED TO CHILDREN OF EMPLOYEES.—

11 “(1) IN GENERAL.—In determining whether  
12 any amount is a qualified scholarship for purposes  
13 of subsection (a), the fact that such amount is pro-  
14 vided in connection with an employment relationship  
15 shall be disregarded if—

16 “(A) such amount is provided by the em-  
17 ployer to a child (as defined in section  
18 151(c)(3)) of an employee of such employer,

19 “(B) such amount is provided pursuant to  
20 a plan which meets the nondiscrimination re-  
21 quirements of subsection (d)(3), and

22 “(C) amounts provided under such plan  
23 are in addition to any other compensation pay-  
24 able to employees and such plan does not pro-  
25 vide employees with a choice between such  
26 amounts and any other benefit.

1 For purposes of subparagraph (C), the business  
2 practices of the employer (as well as such plan) shall  
3 be taken into account.

4 “(2) DOLLAR LIMITATIONS.—

5 “(A) PER CHILD.—The amount excluded  
6 from the gross income of the employee by rea-  
7 son of paragraph (1) for a taxable year with re-  
8 spect to amounts provided to each child of such  
9 employee shall not exceed \$2,000.

10 “(B) AGGREGATE LIMIT.—The amount ex-  
11 cluded from the gross income of the employee  
12 by reason of paragraph (1) for a taxable year  
13 (after the application of subparagraph (A))  
14 shall not exceed the excess of the dollar amount  
15 contained in section 127(a)(2) over the amount  
16 excluded from the employee’s gross income  
17 under section 127 for such year.

18 “(3) PRINCIPAL SHAREHOLDERS AND OWN-  
19 ERS.—Paragraph (1) shall not apply to any amount  
20 provided to any child of any individual if such indi-  
21 vidual (or such individual’s spouse) owns (on any  
22 day of the year) more than 5 percent of the stock  
23 or of the capital or profits interest in the employer.

24 “(4) DEGREE REQUIREMENT NOT TO APPLY.—

25 In the case of an amount which is treated as a quali-

1       fied scholarship by reason of this subsection, sub-  
2       section (a) shall be applied without regard to the re-  
3       quirement that the recipient be a candidate for a de-  
4       gree.

5               “(5) CERTAIN OTHER RULES TO APPLY.—Rules  
6       similar to the rules of paragraphs (4), (5), and (7)  
7       of section 127(c) shall apply for purposes of this  
8       subsection.”

9       (b) EFFECTIVE DATE.—The amendment made by  
10      this section shall apply to taxable years beginning after  
11      the date of the enactment of this Act.

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