

106TH CONGRESS
1ST SESSION

H. R. 464

To amend the Internal Revenue Code of 1986 to provide tax incentives
for education.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1999

Ms. GRANGER (for herself, Mr. WELLER, Mr. PICKERING, Mr. BEREUTER, Mr. BONILLA, Mr. PAUL, Mr. PITTS, Mr. CUNNINGHAM, Mr. KING, Mr. POMBO, Mr. SESSIONS, Mr. FROST, Mr. MANZULLO, Mr. BRADY of Texas, Mr. YOUNG of Alaska, Ms. DUNN, Mrs. MORELLA, Mr. SISISKY, Ms. ROS-LEHTINEN, Mr. MCINTOSH, Mr. WATKINS, Mr. LATOURETTE, Mrs. MYRICK, Mr. BARTON of Texas, Mr. MCHUGH, Mr. SCHAFER, Mr. SHOWS, Mr. ARMEY, Mr. THORNBERRY, Mr. ROGAN, Mr. COMBEST, Mr. BUYER, and Mr. SCARBOROUGH) 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
tax incentives for education.

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 “Higher Education
5 Affordability and Availability Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF EDUCATION**
2 **DISTRIBUTIONS FROM QUALIFIED TUITION**
3 **PROGRAMS; COVERAGE OF PRIVATE PRO-**
4 **GRAMS.**

5 (a) EXCLUSION.—

6 (1) IN GENERAL.—Subparagraph (B) of section
7 529(c)(3) of the Internal Revenue Code of 1986 (re-
8 lating to distributions) is amended to read as fol-
9 lows:

10 “(B) DISTRIBUTIONS FOR QUALIFIED
11 HIGHER EDUCATION EXPENSES.—If a distribu-
12 tee elects the application of this subparagraph
13 for any taxable year—

14 “(i) no amount shall be includible in
15 gross income by reason of a distribution
16 which consists of providing a benefit to the
17 distributee which, if paid for by the dis-
18 tributee, would constitute payment of a
19 qualified higher education expense, and

20 “(ii) the amount which (but for the
21 election) would be includible in gross in-
22 come by reason of any other distribution
23 shall not be so includible in an amount
24 which bears the same ratio to the amount
25 which would be so includible as the amount
26 of the qualified higher education expenses

1 of the distributee bears to the amount of
2 the distribution.”

3 (2) ADDITIONAL TAX ON AMOUNTS NOT USED
4 FOR HIGHER EDUCATION EXPENSES.—Section 529
5 of such Code is amended by adding at the end the
6 following new subsection:

7 “(f) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
8 USED FOR EDUCATIONAL EXPENSES.—

9 “(1) IN GENERAL.—The tax imposed by section
10 530(d)(4) shall apply to payments and distributions
11 from qualified tuition programs in the same manner
12 as such tax applies to education individual retire-
13 ment accounts.

14 “(2) EXCESS CONTRIBUTIONS RETURNED BE-
15 FORE DUE DATE OF RETURN.—Paragraph (1) shall
16 not apply to the distribution to a contributor of any
17 contribution paid during a taxable year to a quali-
18 fied tuition program to the extent that such con-
19 tribution exceeds the limitation in section 4973(e) if
20 such distribution (and the net income with respect
21 to such excess contribution) meets requirements
22 comparable to the requirements of clauses (i) and
23 (ii) of section 530(d)(4)(C).”

1 (3) COORDINATION WITH EDUCATION CRED-
 2 ITS.—Section 25A(e)(2) of such Code is amended by
 3 inserting “529(c)(3)(B) or” before “530(d)(2)”.

4 (4) EFFECTIVE DATE.—The amendments made
 5 by this subsection shall apply to distributions after
 6 December 31, 1998, for education furnished in aca-
 7 demic periods beginning after such date.

8 (b) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-
 9 MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

10 (1) IN GENERAL.—Paragraph (1) of section
 11 529(b) of such Code (defining qualified State tuition
 12 program) is amended by inserting “or by one or
 13 more eligible educational institutions” after “main-
 14 tained by a State or agency or instrumentality there-
 15 of”.

16 (2) CONFORMING AMENDMENTS.—

17 (A) Paragraph (2) of section 26(b) of such
 18 Code is amended by redesignating subpara-
 19 graphs (E) through (Q) as subparagraphs (F)
 20 through (R), respectively, and by inserting after
 21 subparagraph (D) the following new subpara-
 22 graph:

23 “(E) section 529(f) (relating to additional
 24 tax on certain distributions from qualified tui-
 25 tion programs),”.

1 (B) The text and headings of sections 529
 2 and 530 of such Code are amended by striking
 3 “qualified State tuition program” each place it
 4 appears and inserting “qualified tuition pro-
 5 gram”.

6 (C)(i) The section heading of section 529
 7 of such Code is amended to read as follows:

8 **“SEC. 529. QUALIFIED TUITION PROGRAMS.”**

9 (ii) The item relating to section 529 of
 10 such Code in the table of sections for part VIII
 11 of subchapter F of chapter 1 is amended by
 12 striking “State”.

13 (3) EFFECTIVE DATE.—The amendments made
 14 by this subsection shall apply to taxable years begin-
 15 ning after December 31, 1998.

16 (c) CHANGE OF QUALIFIED TUITION PROGRAM OR
 17 OF DESIGNATED BENEFICIARY.—

18 (1) IN GENERAL.—Clause (i) of section
 19 529(c)(3)(C) of such Code is amended by inserting
 20 “to another qualified tuition program for the benefit
 21 of the designated beneficiary or” after “trans-
 22 ferred”.

23 (2) INCLUSION OF SIBLINGS AS MEMBER OF
 24 FAMILY.—Paragraph (2) of section 529(e) of such

1 Code is amended by striking “subparagraph (B).”
2 and inserting “subparagraph (B),
3 except that such term shall include any sibling
4 (whether by the whole or half blood) of the des-
5 ignated beneficiary.”.

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to taxable years begin-
8 ning after December 31, 1998.

○