

106TH CONGRESS
1ST SESSION

H. R. 588

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs which are comparable to qualified State tuition programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1999

Mr. ENGLISH 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 permit private educational institutions to maintain qualified tuition programs which are comparable to qualified State tuition programs, and for other purposes.

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. ELIGIBLE EDUCATIONAL INSTITUTIONS PER-**
4 **MITTED TO MAINTAIN QUALIFIED TUITION**
5 **PROGRAMS; OTHER MODIFICATIONS OF**
6 **QUALIFIED TUITION PROGRAMS.**

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

1 (1) IN GENERAL.—Paragraph (1) of section
2 529(b) of the Internal Revenue Code of 1986 (defin-
3 ing qualified State tuition program) is amended by
4 inserting “or by 1 or more eligible educational insti-
5 tutions” after “maintained by a State or agency or
6 instrumentality thereof”.

7 (2) TECHNICAL AMENDMENTS.—

8 (A) Section 72(e)(9) of such Code is
9 amended—

10 (i) in the heading, by striking “QUALI-
11 FIED STATE TUITION PROGRAMS” and in-
12 serting “QUALIFIED TUITION PROGRAMS”,
13 and

14 (ii) in the text, by striking “qualified
15 State tuition program” and inserting
16 “qualified tuition program”.

17 (B) Subsections (c)(2)(C) and (d)(1)(D) of
18 section 135 of such Code are amended by strik-
19 ing “qualified State tuition program” and in-
20 serting “qualified tuition program”.

21 (C) Section 529 of such Code is
22 amended—

23 (i) by striking “qualified State tuition
24 program” each place it appears and insert-
25 ing “qualified tuition program”, and

1 (ii) in subsection (c)(3)(D), by strik-
2 ing “qualified State tuition programs” and
3 inserting “qualified tuition programs”.

4 (D) Section 530(b)(2)(B) of such Code is
5 amended—

6 (i) in the heading, by striking
7 “QUALIFIED STATE TUITION PROGRAMS”
8 and inserting “QUALIFIED TUITION PRO-
9 GRAMS”, and

10 (ii) in the text, by striking “qualified
11 State tuition program” and inserting
12 “qualified tuition program”.

13 (E) Section 4973(e)(1)(B) of such Code is
14 amended by striking “qualified State tuition
15 program” and inserting “qualified tuition pro-
16 gram”.

17 (F) Section 6693(a)(2)(C) of such Code is
18 amended by striking “qualified State tuition
19 programs” and inserting “qualified tuition pro-
20 grams”.

21 (G)(i) The section heading of section 529
22 of such Code is amended to read as follows:

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

24 (ii) The item relating to section 529 of
25 such Code in the table of sections for part VIII

1 of subchapter F of chapter 1 of such Code is
 2 amended by striking “State”.

3 (b) EXCLUSION FROM GROSS INCOME OF DISTRIBUTIONS ALLOCABLE TO QUALIFIED HIGHER EDUCATION
 4 EXPENSES.—

6 (1) IN GENERAL.—Subparagraph (B) of section
 7 529(c)(3) of such Code (relating to distributions) is
 8 amended to read as follows:

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

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

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

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

3 (2) DISTRIBUTIONS TREATED AS FIRST BEING
4 ATTRIBUTABLE TO INCOME.—Subparagraph (A) of
5 section 529(c)(3) of such Code is amended to read
6 as follows:

7 “(A) IN GENERAL.—Any distribution from
8 a qualified tuition program—

9 “(i) shall be includible in the gross in-
10 come of the distributee to the extent allo-
11 cable to income under the program, and

12 “(ii) shall not be includible in gross
13 income to the extent allocable to invest-
14 ment in the contract.

15 For purposes of the preceding sentence, rules
16 similar to the rules of section 72(e)(3) shall
17 apply.”.

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

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect on January 1, 2000.

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