

Union Calendar No. 296

106TH CONGRESS
2D SESSION

H. R. 7

[Report No. 106-546]

A BILL

To amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes.

MARCH 24, 2000

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 1999

Mr. HULSHOF (for himself and Mr. LIPINSKI) introduced the following bill;
which was referred to the Committee on Ways and Means

MARCH 24, 2000

Additional sponsors: Mrs. EMERSON, Mr. PAUL, Mr. KNOLLENBERG, Mr. WATKINS, Mr. GREEN of Wisconsin, Mr. PITTS, Mr. TANCREDO, Mr. SESSIONS, Mr. PETERSON of Pennsylvania, Mr. SAM JOHNSON of Texas, Mr. DEAL of Georgia, Mr. McKEON, Mr. POMBO, Mr. ADERHOLT, Mr. SALMON, Mr. RYAN of Wisconsin, Mr. WELDON of Florida, Mr. CRANE, Mr. FOLEY, Mr. HOSTETTLER, Mr. GARY MILLER of California, Mr. SUNUNU, Mr. FORBES, Mr. BACHUS, Mr. CALVERT, Ms. GRANGER, Mr. KOLBE, Mr. BAKER, Mr. BALLENGER, Ms. PRYCE of Ohio, Mr. CAMP, Mr. NETHERCUTT, Mr. SCHAFER, Mrs. BIGGERT, Mr. ROHRABACHER, Mr. MILLER of Florida, Mr. HERGER, Mr. EHRLICH, Mr. METCALF, Mr. SHIMKUS, Mr. THOMAS, Mr. ROGAN, Mr. TERRY, Mr. SMITH of New Jersey, and Mr. DEMINT

MARCH 24, 2000

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on March 1, 1999]

A BILL

To amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, 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. SHORT TITLE; ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“Education Savings and School Excellence Act of 2000”.*

6 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 7 *expressly provided, whenever in this Act an amendment or*
 8 *repeal is expressed in terms of an amendment to, or repeal*
 9 *of, a section or other provision, the reference shall be consid-*
 10 *ered to be made to a section or other provision of the Inter-*
 11 *nal Revenue Code of 1986.*

12 **SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RE-**
 13 **TIREMENT ACCOUNTS.**

14 (a) *MAXIMUM ANNUAL CONTRIBUTIONS.*—

15 (1) *IN GENERAL.*—*Section 530(b)(1)(A)(iii) (de-*
 16 *fining education individual retirement account) is*
 17 *amended by striking “\$500” and inserting “\$2,000”.*

1 (2) CONFORMING AMENDMENT.—Section
 2 4973(e)(1)(A) is amended by striking “\$500” and in-
 3 serting “\$2,000”.

4 (b) TAX-FREE EXPENDITURES FOR ELEMENTARY AND
 5 SECONDARY SCHOOL EXPENSES.—

6 (1) IN GENERAL.—Section 530(b)(2) (defining
 7 qualified higher education expenses) is amended to
 8 read as follows:

9 “(2) QUALIFIED EDUCATION EXPENSES.—

10 “(A) IN GENERAL.—The term ‘qualified
 11 education expenses’ means—

12 “(i) qualified higher education ex-
 13 penses (as defined in section 529(e)(3)), and

14 “(ii) qualified elementary and sec-
 15 ondary education expenses (as defined in
 16 paragraph (4)).

17 “(B) QUALIFIED STATE TUITION PRO-
 18 GRAMS.—Such term shall include any contribu-
 19 tion to a qualified State tuition program (as de-
 20 fined in section 529(b)) on behalf of the des-
 21 ignated beneficiary (as defined in section
 22 529(e)(1)); but there shall be no increase in the
 23 investment in the contract for purposes of apply-
 24 ing section 72 by reason of any portion of such

1 *contribution which is not includible in gross in-*
 2 *come by reason of subsection (d)(2).”.*

3 (2) *QUALIFIED ELEMENTARY AND SECONDARY*
 4 *EDUCATION EXPENSES.*—*Section 530(b) (relating to*
 5 *definitions and special rules) is amended by adding*
 6 *at the end the following new paragraph:*

7 “(4) *QUALIFIED ELEMENTARY AND SECONDARY*
 8 *EDUCATION EXPENSES.*—

9 “(A) *IN GENERAL.*—*The term ‘qualified ele-*
 10 *mentary and secondary education expenses’*
 11 *means—*

12 “(i) *expenses for tuition, fees, academic*
 13 *tutoring, special needs services, books, sup-*
 14 *plies, computer equipment (including re-*
 15 *lated software and services), and other*
 16 *equipment which are incurred in connection*
 17 *with the enrollment or attendance of the*
 18 *designated beneficiary of the trust as an ele-*
 19 *mentary or secondary school student at a*
 20 *public, private, or religious school, and*

21 “(ii) *expenses for room and board, uni-*
 22 *forms, transportation, and supplementary*
 23 *items and services (including extended day*
 24 *programs) which are required or provided*
 25 *by a public, private, or religious school in*

1 connection with such enrollment or attend-
 2 ance.

3 “(B) SPECIAL RULE FOR
 4 HOMESCHOOLING.—Such term shall include ex-
 5 penses described in subparagraph (A)(i) in con-
 6 nection with education provided by
 7 homeschooling if the requirements of any appli-
 8 cable State or local law are met with respect to
 9 such education.

10 “(C) SCHOOL.—The term ‘school’ means
 11 any school which provides elementary education
 12 or secondary education (kindergarten through
 13 grade 12), as determined under State law.”.

14 (3) CONFORMING AMENDMENTS.—Section 530 is
 15 amended—

16 (A) by striking “higher” each place it ap-
 17 pears in subsections (b)(1) and (d)(2), and

18 (B) by striking “HIGHER” in the heading
 19 for subsection (d)(2).

20 (c) WAIVER OF AGE LIMITATIONS FOR CHILDREN
 21 WITH SPECIAL NEEDS.—Section 530(b)(1) (defining edu-
 22 cation individual retirement account) is amended by add-
 23 ing at the end the following flush sentence:

24 “The age limitations in subparagraphs (A)(ii) and
 25 (E) and paragraphs (5) and (6) of subsection (d)

1 *shall not apply to any designated beneficiary with*
 2 *special needs (as determined under regulations pre-*
 3 *scribed by the Secretary).”.*

4 *(d) ENTITIES PERMITTED TO CONTRIBUTE TO AC-*
 5 *COUNTS.—Section 530(c)(1) (relating to reduction in per-*
 6 *mitted contributions based on adjusted gross income) is*
 7 *amended by striking “The maximum amount which a*
 8 *contributor” and inserting “In the case of a contributor*
 9 *who is an individual, the maximum amount the*
 10 *contributor”.*

11 *(e) TIME WHEN CONTRIBUTIONS DEEMED MADE.—*

12 *(1) IN GENERAL.—Section 530(b) (relating to*
 13 *definitions and special rules), as amended by sub-*
 14 *section (b)(2), is amended by adding at the end the*
 15 *following new paragraph:*

16 *“(5) TIME WHEN CONTRIBUTIONS DEEMED*
 17 *MADE.—An individual shall be deemed to have made*
 18 *a contribution to an education individual retirement*
 19 *account on the last day of the preceding taxable year*
 20 *if the contribution is made on account of such taxable*
 21 *year and is made not later than the time prescribed*
 22 *by law for filing the return for such taxable year (not*
 23 *including extensions thereof).”.*

24 *(2) EXTENSION OF TIME TO RETURN EXCESS*
 25 *CONTRIBUTIONS.—Subparagraph (C) of section*

1 530(d)(4) (relating to additional tax for distributions
2 not used for educational expenses) is amended—

3 (A) by striking clause (i) and inserting the
4 following new clause:

5 “(i) such distribution is made before
6 the first day of the sixth month of the tax-
7 able year following the taxable year, and”,
8 and

9 (B) by striking “DUE DATE OF RETURN” in
10 the heading and inserting “CERTAIN DATE”.

11 (f) COORDINATION WITH HOPE AND LIFETIME
12 LEARNING CREDITS AND QUALIFIED TUITION PRO-
13 GRAMS.—

14 (1) IN GENERAL.—Section 530(d)(2)(C) is
15 amended to read as follows:

16 “(C) COORDINATION WITH HOPE AND LIFE-
17 TIME LEARNING CREDITS AND QUALIFIED TUI-
18 TION PROGRAMS.—For purposes of subparagraph
19 (A)—

20 “(i) CREDIT COORDINATION.—The
21 total amount of qualified higher education
22 expenses with respect to an individual for
23 the taxable year shall be reduced—

24 “(I) as provided in section
25 25A(g)(2), and

1 “(II) by the amount of such ex-
 2 penses which were taken into account
 3 in determining the credit allowed to
 4 the taxpayer or any other person under
 5 section 25A.

6 “(ii) COORDINATION WITH QUALIFIED
 7 TUITION PROGRAMS.—If, with respect to an
 8 individual for any taxable year—

9 “(I) the aggregate distributions
 10 during such year to which subpara-
 11 graph (A) and section 529(c)(3)(B)
 12 apply, exceed

13 “(II) the total amount of qualified
 14 education expenses (after the applica-
 15 tion of clause (i)) for such year,
 16 the taxpayer shall allocate such expenses
 17 among such distributions for purposes of de-
 18 termining the amount of the exclusion
 19 under subparagraph (A) and section
 20 529(c)(3)(B).”.

21 (2) CONFORMING AMENDMENTS.—

22 (A) Subsection (e) of section 25A is amend-
 23 ed to read as follows:

24 “(e) ELECTION NOT TO HAVE SECTION APPLY.—A
 25 taxpayer may elect not to have this section apply with re-

1 *spect to the qualified tuition and related expenses of an in-*
 2 *dividual for any taxable year.”.*

3 *(B) Section 135(d)(2)(A) is amended by*
 4 *striking “allowable” and inserting “allowed”.*

5 *(C) Section 530(d)(2)(D) is amended—*

6 *(i) by striking “or credit”, and*

7 *(ii) by striking “CREDIT OR” in the*
 8 *heading.*

9 *(D) Section 4973(e)(1) is amended by add-*
 10 *ing “and” at the end of subparagraph (A), by*
 11 *striking subparagraph (B), and by redesignating*
 12 *subparagraph (C) as subparagraph (B).*

13 *(g) RENAMING EDUCATION INDIVIDUAL RETIREMENT*
 14 *ACCOUNTS AS EDUCATION SAVINGS ACCOUNTS.—*

15 *(1) IN GENERAL.—*

16 *(A) Section 530 (as amended by the pre-*
 17 *ceding provisions of this section) is amended by*
 18 *striking “education individual retirement ac-*
 19 *count” each place it appears and inserting “edu-*
 20 *cation savings account”.*

21 *(B) The heading for paragraph (1) of sec-*
 22 *tion 530(b) is amended by striking “EDUCATION*
 23 *INDIVIDUAL RETIREMENT ACCOUNT” and insert-*
 24 *ing “EDUCATION SAVINGS ACCOUNT”.*

1 (C) *The heading for section 530 is amended*
 2 *to read as follows:*

3 **“SEC. 530. EDUCATION SAVINGS ACCOUNTS.”.**

4 (D) *The item in the table of contents for*
 5 *part VII of subchapter F of chapter 1 relating to*
 6 *section 530 is amended to read as follows:*

“Sec. 530. Education savings accounts.”.

7 (2) *CONFORMING AMENDMENTS.—*

8 (A) *The following provisions are each*
 9 *amended by striking “education individual re-*
 10 *irement” each place it appears and inserting*
 11 *“education savings”:*

12 (i) *Section 25A(e)(2).*

13 (ii) *Section 26(b)(2)(E).*

14 (iii) *Section 72(e)(9).*

15 (iv) *Section 135(c)(2)(C).*

16 (v) *Subsections (a) and (e) of section*
 17 4973.

18 (vi) *Subsections (c) and (e) of section*
 19 4975.

20 (vii) *Section 6693(a)(2)(D).*

21 (B) *The headings for each of the following*
 22 *provisions are amended by striking “EDUCATION*
 23 *INDIVIDUAL RETIREMENT ACCOUNTS” each place*
 24 *it appears and inserting “EDUCATION SAVINGS*
 25 *ACCOUNTS”.*

1 (i) Section 72(e)(9).

2 (ii) Section 135(c)(2)(C).

3 (iii) Section 4973(e).

4 (iv) Section 4975(c)(5).

5 (h) *EFFECTIVE DATES.*—

6 (1) *IN GENERAL.*—*Except as provided in para-*
 7 *graph (2), the amendments made by this section shall*
 8 *apply to taxable years beginning after December 31,*
 9 *2000.*

10 (2) *SUBSECTION (g).*—*The amendments made by*
 11 *subsection (g) shall take effect on the date of the en-*
 12 *actment of this Act.*

13 **SEC. 3. MODIFICATIONS TO QUALIFIED TUITION PRO-**
 14 **GRAMS.**

15 (a) *SHORT TITLE.*—*This section may be cited as the*
 16 *“Collegiate Learning and Student Savings (CLASS) Act”.*

17 (b) *ELIGIBLE EDUCATIONAL INSTITUTIONS PER-*
 18 *MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.*—

19 (1) *IN GENERAL.*—*Section 529(b)(1) (defining*
 20 *qualified State tuition program) is amended by in-*
 21 *serting “or by one or more eligible educational insti-*
 22 *tutions” after “maintained by a State or agency or*
 23 *instrumentality thereof”.*

24 (2) *PRIVATE QUALIFIED TUITION PROGRAMS LIM-*
 25 *ITED TO BENEFIT PLANS.*—*Clause (ii) of section*

1 529(b)(1)(A) is amended by inserting “in the case of
 2 a program established and maintained by a State or
 3 agency or instrumentality thereof,” before “may
 4 make”.

5 (3) CONFORMING AMENDMENTS.—

6 (A) Sections 72(e)(9), 135(c)(2)(C),
 7 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and
 8 6693(a)(2)(C) are each amended by striking
 9 “qualified State tuition” each place it appears
 10 and inserting “qualified tuition”.

11 (B) The headings for sections 72(e)(9) and
 12 135(c)(2)(C) are each amended by striking
 13 “QUALIFIED STATE TUITION” and inserting
 14 “QUALIFIED TUITION”.

15 (C) The headings for sections 529(b) and
 16 530(b)(2)(B) are each amended by striking
 17 “QUALIFIED STATE TUITION” and inserting
 18 “QUALIFIED TUITION”.

19 (D) The heading for section 529 is amended
 20 by striking “**STATE**”.

21 (E) The item relating to section 529 in the
 22 table of sections for part VIII of subchapter F of
 23 chapter 1 is amended by striking “State”.

24 (c) EXCLUSION FROM GROSS INCOME OF EDUCATION
 25 DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—

1 (1) *IN GENERAL.*—Section 529(c)(3)(B) (relating
2 to distributions) is amended to read as follows:

3 “(B) *DISTRIBUTIONS FOR QUALIFIED HIGH-*
4 *ER EDUCATION EXPENSES.*—For purposes of this
5 paragraph—

6 “(i) *IN-KIND DISTRIBUTIONS.*—No
7 amount shall be includible in gross income
8 under subparagraph (A) by reason of a dis-
9 tribution which consists of providing a ben-
10 efit to the distributee which, if paid for by
11 the distributee, would constitute payment of
12 a qualified higher education expense.

13 “(ii) *CASH DISTRIBUTIONS.*—In the
14 case of distributions not described in clause
15 (i), if—

16 “(I) such distributions do not ex-
17 ceed the qualified higher education ex-
18 penses (reduced by expenses described
19 in clause (i)), no amount shall be in-
20 cludible in gross income, and

21 “(II) in any other case, the
22 amount otherwise includible in gross
23 income shall be reduced by an amount
24 which bears the same ratio to such

1 *amount as such expenses bear to such*
2 *distributions.*

3 “(iii) *TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a des-*
4 *ignated beneficiary under a qualified twi-*
5 *tion program shall be treated as a distribu-*
6 *tion to the beneficiary for purposes of this*
7 *paragraph.*

8 “(iv) *COORDINATION WITH HOPE AND*
9 *LIFETIME LEARNING CREDITS.—The total*
10 *amount of qualified higher education ex-*
11 *penses with respect to an individual for the*
12 *taxable year shall be reduced—*

13 “(I) *as provided in section*
14 *25A(g)(2), and*

15 “(II) *by the amount of such ex-*
16 *penses which were taken into account*
17 *in determining the credit allowed to*
18 *the taxpayer or any other person under*
19 *section 25A.*

20 “(v) *COORDINATION WITH EDUCATION*
21 *INDIVIDUAL RETIREMENT ACCOUNTS.—If,*
22 *with respect to an individual for any tax-*
23 *able year—*

1 “(I) the aggregate distributions to
 2 which clauses (i) and (ii) and section
 3 530(d)(2)(A) apply, exceed

4 “(II) the total amount of qualified
 5 higher education expenses otherwise
 6 taken into account under clauses (i)
 7 and (ii) (after the application of clause
 8 (iv)) for such year,

9 the taxpayer shall allocate such expenses
 10 among such distributions for purposes of de-
 11 termining the amount of the exclusion
 12 under clauses (i) and (ii) and section
 13 530(d)(2)(A).”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Section 135(d)(2)(B) is amended by
 16 striking “the exclusion under section 530(d)(2)”
 17 and inserting “the exclusions under sections
 18 529(c)(3)(B)(i) and 530(d)(2)”.

19 (B) Section 221(e)(2)(A) is amended by in-
 20 serting “529,” after “135,”.

21 (d) ROLLOVER TO DIFFERENT PROGRAM FOR BENEFIT
 22 OF SAME DESIGNATED BENEFICIARY.—Section
 23 529(c)(3)(C) (relating to change in beneficiaries) is
 24 amended—

1 (1) by striking “transferred to the credit” in
2 clause (i) and inserting “transferred—

3 “(I) to another qualified tuition
4 program for the benefit of the des-
5 ignated beneficiary, or

6 “(II) to the credit”,

7 (2) by adding at the end the following new
8 clause:

9 “(iii) *LIMITATION ON CERTAIN ROLL-*
10 *OVERS.*—Clause (i)(I) shall not apply to
11 any amount transferred with respect to a
12 designated beneficiary if, at any time dur-
13 ing the 1-year period ending on the day of
14 such transfer, any other amount was trans-
15 ferred with respect to such beneficiary
16 which was not includible in gross income by
17 reason of clause (i)(I).”, and

18 (3) by inserting “OR PROGRAMS” after “BENE-
19 FICIARIES” in the heading.

20 (e) *MEMBER OF FAMILY INCLUDES FIRST COUSIN.*—
21 Section 529(e)(2) (defining member of family) is amended
22 by striking “and” at the end of subparagraph (B), by strik-
23 ing the period at the end of subparagraph (C) and by in-
24 serting “; and”, and by adding at the end the following
25 new subparagraph:

1 “(D) *any first cousin of such beneficiary.*”.

2 (f) *DEFINITION OF QUALIFIED HIGHER EDUCATION*
3 *EXPENSES.*—

4 (1) *IN GENERAL.*—Subparagraph (A) of section
5 529(e)(3) (relating to definition of qualified higher
6 education expenses) is amended to read as follows:

7 “(A) *IN GENERAL.*—The term ‘qualified
8 higher education expenses’ means—

9 “(i) *tuition and fees required for the*
10 *enrollment or attendance of a designated*
11 *beneficiary at an eligible educational insti-*
12 *tution for courses of instruction of such ben-*
13 *eficiary at such institution, and*

14 “(ii) *expenses for books, supplies, and*
15 *equipment which are incurred in connection*
16 *with such enrollment or attendance, but not*
17 *to exceed the allowance for books and sup-*
18 *plies included in the cost of attendance (as*
19 *defined in section 472 of the Higher Edu-*
20 *cation Act of 1965 (20 U.S.C. 1087ll), as in*
21 *effect on the date of the enactment of the*
22 *Education Savings and School Excellence*
23 *Act of 2000 as determined by the eligible*
24 *educational institution.*”.

1 (2) *EXCEPTION FOR EDUCATION INVOLVING*
 2 *SPORTS, ETC.—Paragraph (3) of section 529(e) (relat-*
 3 *ing to qualified higher education expenses) is amend-*
 4 *ed by adding at the end the following new subpara-*
 5 *graph:*

6 “(C) *EXCEPTION FOR EDUCATION INVOLV-*
 7 *ING SPORTS, ETC.—The term ‘qualified higher*
 8 *education expenses’ shall not include expenses*
 9 *with respect to any course or other education in-*
 10 *volving sports, games, or hobbies unless such*
 11 *course or other education is part of the bene-*
 12 *ficiary’s degree program or is taken to acquire or*
 13 *improve job skills of the beneficiary.”.*

14 (g) *EFFECTIVE DATES.—*

15 (1) *IN GENERAL.—The amendments made by*
 16 *this section shall apply to taxable years beginning*
 17 *after December 31, 2000.*

18 (2) *QUALIFIED HIGHER EDUCATION EX-*
 19 *PENSES.—The amendments made by subsection (f)*
 20 *shall apply to amounts paid for courses beginning*
 21 *after December 31, 2000.*

1 **SEC. 4. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**
 2 **UNDER THE NATIONAL HEALTH SERVICE**
 3 **CORPS SCHOLARSHIP PROGRAM, THE F. ED-**
 4 **WARD HEBERT ARMED FORCES HEALTH PRO-**
 5 **FESIONS SCHOLARSHIP AND FINANCIAL AS-**
 6 **SISTANCE PROGRAM, AND CERTAIN OTHER**
 7 **PROGRAMS.**

8 (a) *IN GENERAL.*—Section 117(c) (relating to the ex-
 9 clusion from gross income amounts received as a qualified
 10 scholarship) is amended—

11 (1) by striking “Subsections (a)” and inserting
 12 the following:

13 “(1) *IN GENERAL.*—Except as provided in para-
 14 graph (2), subsections (a)”, and

15 (2) by adding at the end the following new para-
 16 graph:

17 “(2) *EXCEPTIONS.*—Paragraph (1) shall not
 18 apply to any amount received by an individual
 19 under—

20 “(A) the National Health Service Corps
 21 Scholarship program under section
 22 338A(g)(1)(A) of the Public Health Service Act,

23 “(B) the Armed Forces Health Professions
 24 Scholarship and Financial Assistance program
 25 under subchapter I of chapter 105 of title 10,
 26 United States Code,

“(C) the National Institutes of Health Undergraduate Scholarship program under section 487D of the Public Health Service Act, or

“(D) any State program determined by the Secretary to have substantially similar objectives as such programs.”.

(b) *EFFECTIVE DATES.*—

(1) *IN GENERAL.*—Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 1993.

(2) *STATE PROGRAMS.*—Section 117(c)(2)(D) of the Internal Revenue Code of 1986 (as added by the amendments made by subsection (a)) shall apply to amounts received in taxable years beginning after December 31, 1999.

SEC. 5. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) *IN GENERAL.*—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking “\$5,000,000” the second place it appears and inserting “\$10,000,000”.

1 (b) *EFFECTIVE DATE.*—The amendment made by sub-
 2 section (a) shall apply to obligations issued in calendar
 3 years beginning after December 31, 2000.

4 **SEC. 6. MODIFICATION OF ARBITRAGE REBATE RULES AP-**
 5 **PLICABLE TO PUBLIC SCHOOL CONSTRUC-**
 6 **TION BONDS.**

7 (a) *IN GENERAL.*—Subparagraph (C) of section
 8 148(f)(4) is amended by adding at the end the following
 9 new clause:

10 “(xviii) 4-YEAR SPENDING REQUIRE-
 11 MENT FOR PUBLIC SCHOOL CONSTRUCTION
 12 ISSUE.—

13 “(I) *IN GENERAL.*—In the case of
 14 a public school construction issue, the
 15 spending requirements of clause (ii)
 16 shall be treated as met if at least 10
 17 percent of the available construction
 18 proceeds of the construction issue are
 19 spent for the governmental purposes of
 20 the issue within the 1-year period be-
 21 ginning on the date the bonds are
 22 issued, 30 percent of such proceeds are
 23 spent for such purposes within the 2-
 24 year period beginning on such date, 60
 25 percent of such proceeds are spent for

1 *such purposes within the 3-year period*
2 *beginning on such date, and 100 per-*
3 *cent of such proceeds are spent for such*
4 *purposes within the 4-year period be-*
5 *ginning on such date.*

6 *“(II) PUBLIC SCHOOL CONSTRUC-*
7 *TION ISSUE.—For purposes of this*
8 *clause, the term ‘public school construc-*
9 *tion issue’ means any construction*
10 *issue if no bond which is part of such*
11 *issue is a private activity bond and all*
12 *of the available construction proceeds*
13 *of such issue are to be used for the con-*
14 *struction (as defined in clause (iv)) of*
15 *public school facilities to provide edu-*
16 *cation or training below the postsec-*
17 *ondary level or for the acquisition of*
18 *land that is functionally related and*
19 *subordinate to such facilities.*

20 *“(III) OTHER RULES TO APPLY.—*
21 *Rules similar to the rules of the pre-*
22 *ceding provisions of this subparagraph*
23 *which apply to clause (ii) also apply*
24 *to this clause.”.*

1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
 2 *section shall apply to obligations issued after December 31,*
 3 *2000.*

4 **SEC. 7. ELIMINATION OF 60-MONTH LIMIT AND INCREASE**
 5 **IN INCOME LIMITATION ON STUDENT LOAN**
 6 **INTEREST DEDUCTION.**

7 (a) *ELIMINATION OF 60-MONTH LIMIT.*—

8 (1) *IN GENERAL.*—*Section 221 (relating to inter-*
 9 *est on education loans) is amended by striking sub-*
 10 *section (d) and by redesignating subsections (e), (f),*
 11 *and (g) as subsections (d), (e), and (f), respectively.*

12 (2) *CONFORMING AMENDMENT.*—*Section*
 13 *6050S(e) is amended by striking “section 221(e)(1)”*
 14 *and inserting “section 221(d)(1)”.*

15 (3) *EFFECTIVE DATE.*—*The amendments made*
 16 *by this subsection shall apply with respect to any*
 17 *loan interest paid after December 31, 2000, in taxable*
 18 *years ending after such date.*

19 (b) *INCREASE IN INCOME LIMITATION.*—

20 (1) *IN GENERAL.*—*Section 221(b)(2)(B) (relating*
 21 *to amount of reduction) is amended by striking*
 22 *clauses (i) and (ii) and inserting the following:*

23 “(i) the excess of—

1 “(I) the taxpayer’s modified ad-
 2 justed gross income for such taxable
 3 year, over

4 “(II) \$45,000 (\$90,000 in the case
 5 of a joint return), bears to

6 “(ii) \$15,000.”.

7 (2) CONFORMING AMENDMENT.—Section
 8 221(g)(1) is amended by striking “\$40,000 and
 9 \$60,000 amounts” and inserting “\$45,000 and
 10 \$90,000 amounts”.

11 (3) EFFECTIVE DATE.—The amendments made
 12 by this subsection shall apply to taxable years ending
 13 after December 31, 2000.

14 **SEC. 8. 2-PERCENT FLOOR ON MISCELLANEOUS ITEMIZED**
 15 **DEDUCTIONS NOT TO APPLY TO QUALIFIED**
 16 **PROFESSIONAL DEVELOPMENT EXPENSES OF**
 17 **ELEMENTARY AND SECONDARY SCHOOL**
 18 **TEACHERS.**

19 (a) IN GENERAL.—Section 67(b) (defining miscella-
 20 neous itemized deductions) is amended by striking “and”
 21 at the end of paragraph (11), by striking the period at the
 22 end of paragraph (12) and inserting “, and”, and by add-
 23 ing at the end the following new paragraph:

1 “(13) any deduction allowable for the qualified
2 professional development expenses of an eligible teach-
3 er.”.

4 (b) *DEFINITIONS.*—Section 67 (relating to 2-percent
5 floor on miscellaneous itemized deductions) is amended by
6 adding at the end the following new subsection:

7 “(g) *QUALIFIED PROFESSIONAL DEVELOPMENT EX-*
8 *PENSES OF ELIGIBLE TEACHERS.*—For purposes of sub-
9 section (b)(13)—

10 “(1) *QUALIFIED PROFESSIONAL DEVELOPMENT*
11 *EXPENSES.*—

12 “(A) *IN GENERAL.*—The term ‘qualified
13 professional development expenses’ means ex-
14 penses in an amount not to exceed \$1,000 for
15 any taxable year—

16 “(i) for tuition, fees, books, supplies,
17 equipment, and transportation required for
18 the enrollment or attendance of an indi-
19 vidual in a qualified course of instruction,
20 and

21 “(ii) with respect to which a deduction
22 is allowable under section 162 (determined
23 without regard to this section).

1 “(B) *QUALIFIED COURSE OF INSTRU-*
 2 *CTION.—The term ‘qualified course of instruction’*
 3 *means a course of instruction which—*

4 “(i) *is—*

5 “(I) *at an institution of higher*
 6 *education (as defined in section 481 of*
 7 *the Higher Education Act of 1965 (20*
 8 *U.S.C. 1088), as in effect on the date*
 9 *of the enactment of this subsection), or*

10 “(II) *a professional conference,*
 11 *and*

12 “(ii) *is part of a program of profes-*
 13 *sional development which is approved and*
 14 *certified by the appropriate local edu-*
 15 *cational agency as furthering the individ-*
 16 *ual’s teaching skills.*

17 “(C) *LOCAL EDUCATIONAL AGENCY.—The term*
 18 *‘local educational agency’ has the meaning given such*
 19 *term by section 14101 of the Elementary and Sec-*
 20 *ondary Education Act of 1965, as so in effect.*

21 “(2) *ELIGIBLE TEACHER.—*

22 “(A) *IN GENERAL.—The term ‘eligible*
 23 *teacher’ means an individual who is a kinder-*
 24 *garten through grade 12 classroom teacher, in-*

1 *structor, counselor, aide, or principal in an ele-*
 2 *mentary or secondary school.*

3 “(B) *ELEMENTARY OR SECONDARY*
 4 *SCHOOL.—The terms ‘elementary school’ and*
 5 *‘secondary school’ have the meanings given such*
 6 *terms by section 14101 of the Elementary and*
 7 *Secondary Education Act of 1965 (20 U.S.C.*
 8 *8801), as so in effect.”.*

9 (c) *EFFECTIVE DATE.—The amendments made by this*
 10 *section shall apply to taxable years beginning after Decem-*
 11 *ber 31, 2000.*

12 ***SEC. 9. EXTENSION OF SPECIAL RULE FOR CHARITABLE***
 13 ***CONTRIBUTIONS OF COMPUTER TECH-***
 14 ***NOLOGY AND EQUIPMENT FOR ELEMENTARY***
 15 ***AND SECONDARY SCHOOL PURPOSES.***

16 *Subparagraph (F) of section 170(e)(6) (relating to ter-*
 17 *mination) is amended by striking “2000” and inserting*
 18 *“2001”.*