

106TH CONGRESS
1ST SESSION

S. 1054

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

IN THE SENATE OF THE UNITED STATES

MAY 14, 1999

Ms. COLLINS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to enhance various 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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Savings for Scholars Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this title an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RE-**
 4 **TIREMENT ACCOUNTS.**

5 (a) MAXIMUM ANNUAL CONTRIBUTIONS.—

6 (1) IN GENERAL.—Section 530(b)(1)(A)(iii)
 7 (defining education individual retirement account) is
 8 amended by striking “\$500” and inserting
 9 “\$2,000”.

10 (2) CONFORMING AMENDMENT.—Section
 11 4973(e)(1)(A) is amended by striking “\$500” and
 12 inserting “\$2,000”.

13 (b) TIME WHEN CONTRIBUTIONS DEEMED MADE.—
 14 Section 530(b) (relating to definitions and special rules)
 15 is amended by adding at the end the following new para-
 16 graph:

17 “(4) TIME WHEN CONTRIBUTIONS DEEMED
 18 MADE.—A taxpayer shall be deemed to have made a
 19 contribution to an education individual retirement
 20 account on the last day of the preceding taxable year
 21 if the contribution is made on account of such tax-
 22 able year and is made not later than the time pre-
 23 scribed by law for filing the return for such taxable
 24 year (not including extensions thereof).”

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1998.

4 **SEC. 3. MODIFICATIONS TO QUALIFIED STATE TUITION**
 5 **PROGRAMS.**

6 (a) BENEFICIARY MAY CHANGE PROGRAM.—Section
 7 529(c)(3)(C) (relating to change in beneficiaries) is
 8 amended—

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

11 “(I) to another qualified State
 12 tuition program for the benefit of the
 13 designated beneficiary, or

14 “(II) to the credit”,

15 (2) by adding at the end the following new
 16 clause:

17 “(iii) LIMITATION ON CERTAIN ROLL-
 18 OVERS.—Clause (i)(I) shall only apply to
 19 the first 3 transfers with respect to a des-
 20 ignated beneficiary.”, and

21 (3) in the heading, by inserting “OR PRO-
 22 GRAMS” after “BENEFICIARIES.

23 (b) MEMBER OF FAMILY INCLUDES FIRST COUS-
 24 IN.—Section 529(e)(2) (defining member of family) is
 25 amended by striking “and” at the end of subparagraph

1 (B), by striking the period at the end of subparagraph
 2 (C) and by inserting “; and”, and by adding at the end
 3 the following new subparagraph:

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

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to distributions made after Decem-
 7 ber 31, 1998, in taxable years ending after such date.

8 **SEC. 4. MODIFICATIONS TO HOPE AND LIFETIME LEARN-**
 9 **ING CREDITS.**

10 (a) COORDINATION WITH EDUCATION IRAS.—Sub-
 11 section (e) of section 25A (relating to Hope and Lifetime
 12 Learning credits) is amended to read as follows:

13 “(e) COORDINATION WITH EXCLUSIONS.—The
 14 amount of qualified tuition and related expenses otherwise
 15 taken into account under subsection (a) with respect to
 16 an individual for an academic period shall be reduced (be-
 17 fore the application of subsections (b), (c), (d), and (g))
 18 by any distribution from an education individual retire-
 19 ment account for the benefit of such individual which is
 20 allocable to such period, to the extent such distribution
 21 is excludable from gross income under section 530(d)(2).”

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to expenses paid after December
 24 31, 1998, in taxable years ending after such date.

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