

106TH CONGRESS
1ST SESSION

S. 13

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

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. SESSIONS (for himself, Mr. GRAHAM, Mr. MACK, Mr. ABRAHAM, Mr. COCHRAN, and Mr. COVERDELL) 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 provide additional 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 “Collegiate Learning
5 and Student Savings Act”.

6 **SEC. 2. ELIGIBLE EDUCATIONAL INSTITUTIONS PER-**
7 **MITTED TO MAINTAIN QUALIFIED TUITION**
8 **PROGRAMS.**

9 (a) IN GENERAL.—Section 529(b)(1) of the Internal
10 Revenue Code of 1986 (defining qualified State tuition

1 program) is amended by inserting “or by 1 or more eligible
 2 educational institutions or a consortium that consists sole-
 3 ly of eligible educational institutions” after “maintained
 4 by a State or agency or instrumentality thereof”.

5 (b) PRIVATE QUALIFIED TUITION PROGRAMS LIM-
 6 ITED TO BENEFIT PLANS.—Clause (ii) of section
 7 529(b)(1)(A) of the Internal Revenue Code of 1986 is
 8 amended by inserting “in the case of a program estab-
 9 lished and maintained by a State or agency or instrumen-
 10 tality thereof” before “may make”.

11 (c) CONFORMING AMENDMENTS.—

12 (1) The text and headings of each of the sec-
 13 tions 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529,
 14 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) of the In-
 15 ternal Revenue Code of 1986 is amended by striking
 16 “qualified State tuition” each place it appears and
 17 inserting “qualified tuition”.

18 (2)(A) The section heading of section 529 of
 19 such Code is amended to read as follows:

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

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

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1999.

4 **SEC. 3. EXCLUSION FROM GROSS INCOME OF EDUCATION**
 5 **DISTRIBUTIONS FROM QUALIFIED TUITION**
 6 **PROGRAMS.**

7 (a) IN GENERAL.—Section 529(c)(3)(B) of the Inter-
 8 nal Revenue Code of 1986 (relating to distributions) is
 9 amended to read as follows:

10 “(B) DISTRIBUTIONS FOR QUALIFIED
 11 HIGHER EDUCATION EXPENSES.—

12 “(i) IN GENERAL.—If a distributee
 13 elects the application of this clause for any
 14 taxable year—

15 “(I) no amount shall be includ-
 16 ible in gross income under subpara-
 17 graph (A) by reason of a distribution
 18 which consists of providing a benefit
 19 to the distributee which, if paid for by
 20 the distributee, would constitute pay-
 21 ment of a qualified higher education
 22 expense, and

23 “(II) the amount which (but for
 24 the election) would be includible in
 25 gross income under subparagraph (A)

1 by reason of any other distribution
2 shall not be so includible in an
3 amount which bears the same ratio to
4 the amount which would be so includ-
5 ible as such expenses bear to such ag-
6 gregate distributions.

7 “(ii) IN-KIND DISTRIBUTIONS.—Any
8 benefit furnished to a designated bene-
9 ficiary under a qualified State tuition pro-
10 gram shall be treated as a distribution to
11 the beneficiary for purposes of this para-
12 graph.

13 “(iii) DISALLOWANCE OF EXCLUDED
14 AMOUNTS AS CREDIT OR DEDUCTION.—No
15 deduction or credit shall be allowed to the
16 taxpayer under any other section of this
17 chapter for any qualified higher education
18 expenses to the extent taken into account
19 in determining the amount of the exclusion
20 under this subparagraph.”.

21 (b) BENEFICIARY MAY CHANGE PROGRAM.—Section
22 529(c)(3)(C) of the Internal Revenue Code of 1986 (relat-
23 ing to change in beneficiaries) is amended—

1 (1) in clause (i), by inserting “to another quali-
 2 fied tuition program for the benefit of the des-
 3 ignated beneficiary or” after “transferred”, and

4 (2) in the heading, by inserting “OR PRO-
 5 GRAMS” after “BENEFICIARIES.

6 (c) ADDITIONAL TAX ON AMOUNTS NOT USED FOR
 7 HIGHER EDUCATION EXPENSES.—Section 529(c)(3) of
 8 the Internal Revenue Code of 1986 (relating to distribu-
 9 tions) is amended by adding at the end the following:

10 “(E) ADDITIONAL TAX ON AMOUNTS NOT
 11 USED FOR HIGHER EDUCATION EXPENSES.—
 12 The tax imposed by section 530(d)(4) shall
 13 apply to payments and distributions from quali-
 14 fied tuition programs in the same manner as
 15 such tax applies to education individual retire-
 16 ment accounts.”.

17 (d) COORDINATION WITH EDUCATION CREDITS.—
 18 Section 25A(e)(2) of the Internal Revenue Code of 1986
 19 (relating to coordination with exclusions) is amended—

20 (1) by inserting “a qualified tuition program
 21 or” before “an education individual retirement ac-
 22 count”, and

23 (2) by striking “section 530(d)(2)” and insert-
 24 ing “section 529(c)(3)(B) or 530(d)(2)”.

25 (e) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as provided in para-
 2 graph (2), the amendments made by this section
 3 shall apply to distributions made after December 31,
 4 1999, for education furnished in academic periods
 5 beginning after such date.

6 (2) PRIVATE PROGRAMS.—In the case of a
 7 qualified tuition program established and maintained
 8 by an entity other than a State or agency or instru-
 9 mentality thereof, the amendments made by sub-
 10 sections (a), (c), and (d) shall apply to distributions
 11 made after December 31, 2003, for education fur-
 12 nished in academic periods beginning after such
 13 date.

14 **SEC. 4. QUALIFIED TUITION PROGRAMS INCLUDED IN SE-**
 15 **CURITIES EXEMPTION.**

16 (a) EXEMPTED SECURITIES.—Section 3(a)(4) of the
 17 Securities Act of 1933 (15 U.S.C. 77c(a)(4)) is amended
 18 by striking “individual;” and inserting “individual or any
 19 security issued by a prepaid tuition program described in
 20 section 529 of the Internal Revenue Code of 1986;”.

21 (b) QUALIFIED TUITION PROGRAMS NOT INVEST-
 22 MENT COMPANIES.—Section 3(c) of the Investment Com-
 23 pany Act of 1940 (15 U.S.C. 80a-3(c)) is amended by
 24 adding at the end the following:

- 1 “(15) Any prepaid tuition program described in
- 2 section 529 of the Internal Revenue Code of 1986.”.

