

106TH CONGRESS
1ST SESSION

S. 1974

To amend the Internal Revenue Code of 1986 to make higher education more affordable by providing a full tax deduction for higher education expenses and a tax credit for student education loans.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 1999

Mr. SCHUMER (for himself, Ms. SNOWE, Mr. BAYH, and Mr. SMITH of Oregon) 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 make higher education more affordable by providing a full tax deduction for higher education expenses and a tax credit for student education loans.

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 “Make College Afford-
5 able Act of 1999”.

6 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

7 (a) DEDUCTION ALLOWED.—Part VII of subchapter
8 B of chapter 1 of the Internal Revenue Code of 1986 (re-

1 relating to additional itemized deductions for individuals) is
 2 amended by redesignating section 222 as section 223 and
 3 by inserting after section 221 the following:

4 **“SEC. 222. HIGHER EDUCATION EXPENSES.**

5 “(a) ALLOWANCE OF DEDUCTION.—

6 “(1) IN GENERAL.—In the case of an indi-
 7 vidual, there shall be allowed as a deduction an
 8 amount equal to the applicable dollar amount of the
 9 qualified higher education expenses paid by the tax-
 10 payer during the taxable year.

11 “(2) APPLICABLE DOLLAR AMOUNT.—The ap-
 12 plicable dollar amount for any taxable year shall be
 13 determined as follows:

“Taxable year:	Applicable dollar amount:
2001	\$4,000
2002	\$8,000
2003 and thereafter	\$12,000.

14 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
 15 GROSS INCOME.—

16 “(1) IN GENERAL.—The amount which would
 17 (but for this subsection) be taken into account under
 18 subsection (a) shall be reduced (but not below zero)
 19 by the amount determined under paragraph (2).

20 “(2) AMOUNT OF REDUCTION.—The amount
 21 determined under this paragraph equals the amount
 22 which bears the same ratio to the amount which
 23 would be so taken into account as—

1 “(A) the excess of—

2 “(i) the taxpayer’s modified adjusted
3 gross income for such taxable year, over

4 “(ii) \$62,450 (\$104,050 in the case of
5 a joint return, \$89,150 in the case of a re-
6 turn filed by a head of household, and
7 \$52,025 in the case of a return by a mar-
8 ried individual filing separately), bears to

9 “(B) \$15,000.

10 “(3) MODIFIED ADJUSTED GROSS INCOME.—

11 For purposes of this subsection, the term ‘modified
12 adjusted gross income’ means the adjusted gross in-
13 come of the taxpayer for the taxable year
14 determined—

15 “(A) without regard to this section and
16 sections 911, 931, and 933, and

17 “(B) after the application of sections 86,
18 135, 219, 220, and 469.

19 For purposes of the sections referred to in subpara-
20 graph (B), adjusted gross income shall be deter-
21 mined without regard to the deduction allowed under
22 this section.

23 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—

24 For purposes of this section—

1 “(1) QUALIFIED HIGHER EDUCATION EX-
2 PENSES.—

3 “(A) IN GENERAL.—The term ‘qualified
4 higher education expenses’ means tuition and
5 fees charged by an educational institution and
6 required for the enrollment or attendance of—

7 “(i) the taxpayer,

8 “(ii) the taxpayer’s spouse,

9 “(iii) any dependent of the taxpayer
10 with respect to whom the taxpayer is al-
11 lowed a deduction under section 151, or

12 “(iv) any grandchild of the taxpayer,
13 as an eligible student at an institution of higher
14 education.

15 “(B) ELIGIBLE COURSES.—Amounts paid
16 for qualified higher education expenses of any
17 individual shall be taken into account under
18 subsection (a) only to the extent such
19 expenses—

20 “(i) are attributable to courses of in-
21 struction for which credit is allowed toward
22 a baccalaureate degree by an institution of
23 higher education or toward a certificate of
24 required course work at a vocational
25 school, and

1 “(ii) are not attributable to any grad-
 2 uate program of such individual.

3 “(C) EXCEPTION FOR NONACADEMIC
 4 FEES.—Such term does not include any student
 5 activity fees, athletic fees, insurance expenses,
 6 or other expenses unrelated to a student’s aca-
 7 demic course of instruction.

8 “(D) ELIGIBLE STUDENT.—For purposes
 9 of subparagraph (A), the term ‘eligible student’
 10 means a student who—

11 “(i) meets the requirements of section
 12 484(a)(1) of the Higher Education Act of
 13 1965 (20 U.S.C. 1091(a)(1)), as in effect
 14 on the date of the enactment of this sec-
 15 tion, and

16 “(ii) is carrying at least one-half the
 17 normal full-time work load for the course
 18 of study the student is pursuing, as deter-
 19 mined by the institution of higher edu-
 20 cation.

21 “(E) IDENTIFICATION REQUIREMENT.—No
 22 deduction shall be allowed under subsection (a)
 23 to a taxpayer with respect to an eligible student
 24 unless the taxpayer includes the name, age, and
 25 taxpayer identification number of such eligible

1 student on the return of tax for the taxable
 2 year.

3 “(2) INSTITUTION OF HIGHER EDUCATION.—

4 The term ‘institution of higher education’ means an
 5 institution which—

6 “(A) is described in section 481 of the
 7 Higher Education Act of 1965 (20 U.S.C.
 8 1088), as in effect on the date of the enactment
 9 of this section, and

10 “(B) is eligible to participate in programs
 11 under title IV of such Act.

12 “(d) SPECIAL RULES.—

13 “(1) NO DOUBLE BENEFIT.—

14 “(A) IN GENERAL.—No deduction shall be
 15 allowed under subsection (a) for any expense
 16 for which a deduction is allowable to the tax-
 17 payer under any other provision of this chapter
 18 unless the taxpayer irrevocably waives his right
 19 to the deduction of such expense under such
 20 other provision.

21 “(B) DENIAL OF DEDUCTION IF CREDIT
 22 ELECTED.—No deduction shall be allowed
 23 under subsection (a) for a taxable year with re-
 24 spect to the qualified higher education expenses
 25 of an individual if the taxpayer elects to have

1 section 25A apply with respect to such indi-
 2 vidual for such year.

3 “(C) DEPENDENTS.—No deduction shall
 4 be allowed under subsection (a) to any indi-
 5 vidual with respect to whom a deduction under
 6 section 151 is allowable to another taxpayer for
 7 a taxable year beginning in the calendar year in
 8 which such individual’s taxable year begins.

9 “(D) COORDINATION WITH EXCLUSIONS.—
 10 A deduction shall be allowed under subsection
 11 (a) for qualified higher education expenses only
 12 to the extent the amount of such expenses ex-
 13 ceeds the amount excludable under section 135
 14 or 530(d)(2) for the taxable year.

15 “(2) LIMITATION ON TAXABLE YEAR OF DE-
 16 Duction.—

17 “(A) IN GENERAL.—A deduction shall be
 18 allowed under subsection (a) for qualified high-
 19 er education expenses for any taxable year only
 20 to the extent such expenses are in connection
 21 with enrollment at an institution of higher edu-
 22 cation during the taxable year.

23 “(B) CERTAIN PREPAYMENTS ALLOWED.—
 24 Subparagraph (A) shall not apply to qualified
 25 higher education expenses paid during a taxable

year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

“(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.—The amount of qualified higher education expenses otherwise taken into account under subsection (a) with respect to the education of an individual shall be reduced (before the application of subsection (b)) by the sum of the amounts received with respect to such individual for the taxable year as—

“(A) a qualified scholarship which under section 117 is not includable in gross income,

“(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or

“(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for educational expenses, or attributable to enrollment at an eligible educational institution, which is exempt from income taxation by any law of the United States.

“(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer

1 is a married individual (within the meaning of sec-
 2 tion 7703), this section shall apply only if the tax-
 3 payer and the taxpayer's spouse file a joint return
 4 for the taxable year.

5 “(5) NONRESIDENT ALIENS.—If the taxpayer is
 6 a nonresident alien individual for any portion of the
 7 taxable year, this section shall apply only if such in-
 8 dividual is treated as a resident alien of the United
 9 States for purposes of this chapter by reason of an
 10 election under subsection (g) or (h) of section 6013.

11 “(6) REGULATIONS.—The Secretary may pre-
 12 scribe such regulations as may be necessary or ap-
 13 propriate to carry out this section, including regula-
 14 tions requiring recordkeeping and information re-
 15 porting.”

16 (b) DEDUCTION ALLOWED IN COMPUTING AD-
 17 JUSTED GROSS INCOME.—Section 62(a) of such Code is
 18 amended by inserting after paragraph (17) the following:

19 “(18) HIGHER EDUCATION EXPENSES.—The
 20 deduction allowed by section 222.”

21 (c) CONFORMING AMENDMENT.—The table of sec-
 22 tions for part VII of subchapter B of chapter 1 of such
 23 Code is amended by striking the item relating to section
 24 222 and inserting the following:

“Sec. 222. Higher education expenses.
 “Sec. 223. Cross reference.”

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

4 **SEC. 3. CREDIT FOR INTEREST ON HIGHER EDUCATION**
 5 **LOANS.**

6 (a) IN GENERAL.—Subpart A of part IV of sub-
 7 chapter A of chapter 1 of the Internal Revenue Code of
 8 1986 (relating to nonrefundable personal credits) is
 9 amended by inserting after section 25A the following new
 10 section:

11 **“SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.**

12 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 13 dividual, there shall be allowed as a credit against the tax
 14 imposed by this chapter for the taxable year an amount
 15 equal to the interest paid by the taxpayer during the tax-
 16 able year on any qualified education loan.

17 “(b) MAXIMUM CREDIT.—

18 “(1) IN GENERAL.—Except as provided in para-
 19 graph (2), the credit allowed by subsection (a) for
 20 the taxable year shall not exceed \$1,500.

21 “(2) LIMITATION BASED ON MODIFIED AD-
 22 JUSTED GROSS INCOME.—

23 “(A) IN GENERAL.—If the modified ad-
 24 justed gross income of the taxpayer for the tax-
 25 able year exceeds \$50,000 (\$80,000 in the case

of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to \$20,000.

“(B) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means adjusted gross income determined without regard to sections 911, 931, and 933.

“(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2002, the \$50,000 and \$80,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting ‘2001’ for ‘1992’.

“(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of \$50, such amount shall be rounded to the nearest multiple of \$50.

1 “(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No
 2 credit shall be allowed by this section to an individual for
 3 the taxable year if a deduction under section 151 with re-
 4 spect to such individual is allowed to another taxpayer for
 5 the taxable year beginning in the calendar year in which
 6 such individual’s taxable year begins.

7 “(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit
 8 shall be allowed under this section only with respect to
 9 interest paid on any qualified education loan during the
 10 first 60 months (whether or not consecutive) in which in-
 11 terest payments are required. For purposes of this para-
 12 graph, any loan and all refinancings of such loan shall be
 13 treated as 1 loan.

14 “(e) DEFINITIONS.—For purposes of this section—

15 “(1) QUALIFIED EDUCATION LOAN.—The term
 16 ‘qualified education loan’ has the meaning given
 17 such term by section 221(e)(1).

18 “(2) DEPENDENT.—The term ‘dependent’ has
 19 the meaning given such term by section 152.

20 “(f) SPECIAL RULES.—

21 “(1) DENIAL OF DOUBLE BENEFIT.—No credit
 22 shall be allowed under this section for any amount
 23 taken into account for any deduction under any
 24 other provision of this chapter.

1 “(2) MARRIED COUPLES MUST FILE JOINT RE-
 2 TURN.—If the taxpayer is married at the close of
 3 the taxable year, the credit shall be allowed under
 4 subsection (a) only if the taxpayer and the tax-
 5 payer’s spouse file a joint return for the taxable
 6 year.

7 “(3) MARITAL STATUS.—Marital status shall be
 8 determined in accordance with section 7703.”

9 (b) CONFORMING AMENDMENT.—The table of sec-
 10 tions for subpart A of part IV of subchapter A of chapter
 11 1 is amended by inserting after the item relating to section
 12 25A the following new item:

 “Sec. 25B. Interest on higher education loans.”

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to any qualified education loan (as
 15 defined in section 25B(e)(1) of the Internal Revenue Code
 16 of 1986, as added by this section) incurred on, before, or
 17 after the date of the enactment of this Act, but only with
 18 respect to any loan interest payment due after December
 19 31, 2000.

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