

106TH CONGRESS  
1ST SESSION

# S. 473

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 interest on student loans.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 25, 1999

Mr. SCHUMER (for himself and Mr. MOYNIHAN) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## 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 interest on student 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”.

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

2 (a) DEDUCTION ALLOWED.—Section 221 of the In-  
3 ternal Revenue Code of 1986 is amended to read as fol-  
4 lows:

5 **“SEC. 221. HIGHER EDUCATION EXPENSES.**

6 “(a) ALLOWANCE OF DEDUCTION.—In the case of an  
7 individual, there shall be allowed as a deduction an  
8 amount equal to—

9 “(1) the qualified higher education expenses,  
10 and

11 “(2) interest on qualified higher education  
12 loans,

13 paid by the taxpayer during the taxable year.

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—

24 “(A) the excess of—

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

1 “(ii) \$100,000 (\$140,000 in the case  
2 of a joint return), bears to

3 “(B) \$20,000.

4 “(3) MODIFIED ADJUSTED GROSS INCOME.—

5 For purposes of this subsection, the term ‘modified  
6 adjusted gross income’ means the adjusted gross in-  
7 come of the taxpayer for the taxable year  
8 determined—

9 “(A) without regard to this section and  
10 sections 911, 931, and 933, and

11 “(B) after the application of sections 86,  
12 135, 219, 220, and 469.

13 For purposes of the sections referred to in subpara-  
14 graph (B), adjusted gross income shall be deter-  
15 mined without regard to the deduction allowed under  
16 this section.

17 “(4) INFLATION ADJUSTMENTS.—

18 “(A) IN GENERAL.—In the case of a tax-  
19 able year beginning after 2000, the \$100,000  
20 and \$140,000 amounts described in paragraph  
21 (2) shall each be increased by an amount equal  
22 to—

23 “(i) such dollar amount, multiplied by

24 “(ii) the cost-of-living adjustment de-  
25 termined under section 1(f)(3) for the cal-

1           endar year in which the taxable year be-  
 2           gins, determined by substituting ‘calendar  
 3           year 1999’ for ‘calendar year 1992’ in sub-  
 4           paragraph (B) thereof.

5           “(B) ROUNDING.—If any amount as ad-  
 6           justed under subparagraph (A) is not a multiple  
 7           of \$5,000, such amount shall be rounded to the  
 8           next lowest multiple of \$5,000.

9           “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—  
 10          For purposes of this section—

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

13           “(A) IN GENERAL.—The term ‘qualified  
 14          higher education expenses’ means—

15           “(i) tuition and fees charged by an  
 16           educational institution and required for the  
 17           enrollment or attendance of—

18                   “(I) the taxpayer,

19                   “(II) the taxpayer’s spouse,

20                   “(III) any dependent of the tax-  
 21           payer with respect to whom the tax-  
 22           payer is allowed a deduction under  
 23           section 151, or

24                   “(IV) any grandchild of the tax-  
 25           payer,

1 as an eligible student at an institution of  
2 higher education, and

3 “(ii) reasonable living expenses for  
4 such an individual while away from home  
5 and attending such institution.

6 “(B) ELIGIBLE COURSES.—Amounts paid  
7 for qualified higher education expenses of any  
8 individual shall be taken into account under  
9 subsection (a) only to the extent such  
10 expenses—

11 “(i) are attributable to courses of in-  
12 struction for which credit is allowed toward  
13 a baccalaureate degree by an institution of  
14 higher education or toward a certificate of  
15 required course work at a vocational  
16 school, and

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

19 “(C) EXCEPTION FOR NONACADEMIC  
20 FEES.—Such term does not include any student  
21 activity fees, athletic fees, insurance expenses,  
22 or other expenses unrelated to a student’s aca-  
23 demic course of instruction.

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

“(i) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

“(ii) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education.

“(E) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to an eligible student unless the taxpayer includes the name, age, and taxpayer identification number of such eligible student on the return of tax for the taxable year.

“(2) INSTITUTION OF HIGHER EDUCATION.—The term ‘institution of higher education’ means an institution which—

“(A) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C.

1           1088), as in effect on the date of the enactment  
2           of this section, and

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

5           “(d) QUALIFIED HIGHER EDUCATION LOAN.—For  
6           purposes of this section—

7           “(1) IN GENERAL.—The term ‘qualified higher  
8           education loan’ means a loan which is—

9           “(A) made, insured, or guaranteed by the  
10          Federal Government,

11          “(B) made by a State or a political sub-  
12          division of a State,

13          “(C) made from the proceeds of a qualified  
14          student loan bond under section 144(b), or

15          “(D) made by an institution of higher edu-  
16          cation (as defined in section 1201(a) of the  
17          Higher Education Act of 1965 (20 U.S.C.  
18          1141(a))).

19          “(2) LIMITATION.—The amount of interest on  
20          a qualified higher education loan which is taken into  
21          account under subsection (a)(2) shall not exceed the  
22          amount which bears the same ratio to such amount  
23          of interest as—

24          “(A) the proceeds from such loan used for  
25          qualified higher education expenses, bears to

1 “(B) the total proceeds from such loan.

2 For purposes of the preceding sentence, the term  
3 ‘qualified higher education expenses’ shall be deter-  
4 mined without regard to subsection (c)(1)(A)(i)(IV).

5 “(e) SPECIAL RULES.—

6 “(1) NO DOUBLE BENEFIT.—

7 “(A) IN GENERAL.—No deduction shall be  
8 allowed under subsection (a) for any expense  
9 for which a deduction is allowable to the tax-  
10 payer under any other provision of this chapter  
11 unless the taxpayer irrevocably waives his right  
12 to the deduction of such expense under such  
13 other provision.

14 “(B) DENIAL OF DEDUCTION IF CREDIT  
15 ELECTED.—No deduction shall be allowed  
16 under subsection (a) for a taxable year with re-  
17 spect to the qualified higher education expenses  
18 of an individual if the taxpayer elects to have  
19 section 25A apply with respect to such individ-  
20 ual for such year.

21 “(C) DEPENDENTS.—No deduction shall  
22 be allowed under subsection (a) to any individ-  
23 ual with respect to whom a deduction under  
24 section 151 is allowable to another taxpayer for



1 a taxable year beginning in the calendar year in  
2 which such individual's taxable year begins.

3 “(D) COORDINATION WITH EXCLUSIONS.—

4 A deduction shall be allowed under subsection  
5 (a) for qualified higher education expenses only  
6 to the extent the amount of such expenses ex-  
7 ceeds the amount excludable under section 135  
8 or 530(d)(2) for the taxable year.

9 “(2) LIMITATION ON TAXABLE YEAR OF DE-  
10 Duction.—

11 “(A) IN GENERAL.—A deduction shall be  
12 allowed under subsection (a) for qualified high-  
13 er education expenses for any taxable year only  
14 to the extent such expenses are in connection  
15 with enrollment at an institution of higher edu-  
16 cation during the taxable year.

17 “(B) CERTAIN PREPAYMENTS ALLOWED.—

18 Subparagraph (A) shall not apply to qualified  
19 higher education expenses paid during a taxable  
20 year if such expenses are in connection with an  
21 academic term beginning during such taxable  
22 year or during the first 3 months of the next  
23 taxable year.

24 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-  
25 SHIPS AND VETERANS BENEFITS.—The amount of

1 qualified higher education expenses otherwise taken  
2 into account under subsection (a) or (d)(2) with re-  
3 spect to the education of an individual shall be re-  
4 duced (before the application of subsection (b)) by  
5 the sum of the amounts received with respect to  
6 such individual for the taxable year as—

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

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

12 “(C) a payment (other than a gift, be-  
13 quest, devise, or inheritance within the meaning  
14 of section 102(a)) for educational expenses, or  
15 attributable to enrollment at an eligible edu-  
16 cational institution, which is exempt from in-  
17 come taxation by any law of the United States.

18 “(4) NO DEDUCTION FOR MARRIED INDIVID-  
19 UALS FILING SEPARATE RETURNS.—If the taxpayer  
20 is a married individual (within the meaning of sec-  
21 tion 7703), this section shall apply only if the tax-  
22 payer and the taxpayer’s spouse file a joint return  
23 for the taxable year.

24 “(5) NONRESIDENT ALIENS.—If the taxpayer is  
25 a nonresident alien individual for any portion of the

1 taxable year, this section shall apply only if such in-  
 2 dividual is treated as a resident alien of the United  
 3 States for purposes of this chapter by reason of an  
 4 election under subsection (g) or (h) of section 6013.

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

10 (b) DEDUCTION ALLOWED IN COMPUTING AD-  
 11 JUSTED GROSS INCOME.—Paragraph (17) of section  
 12 62(a) of such Code is amended to read as follows:

13 “(17) HIGHER EDUCATION EXPENSES.—The  
 14 deduction allowed by section 221.”

15 (c) CONFORMING AMENDMENTS.—

16 (1) The table of sections for part VII of sub-  
 17 chapter B of chapter 1 of such Code is amended by  
 18 striking the item relating to section 221 and insert-  
 19 ing the following new item:

“Sec. 221. Higher education expenses.”

20 (2) Section 6050S(e) of such Code is amended  
 21 by striking “section 221(e)(1)” and inserting “sec-  
 22 tion 221(d)(1)”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to payments made after December  
3 31, 1998.

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