

107TH CONGRESS  
1ST SESSION

# H. R. 342

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.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2001

Mr. FORD introduced the following bill; which was referred to the Committee on Ways and Means

---

## 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 2001”.

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) LIMITATIONS.—

15 “(1) PER STUDENT.—The aggregate payments  
16 during the taxable year for the qualified higher edu-  
17 cation expenses of each individual which may be  
18 taken into account under subsection (a) shall not ex-  
19 ceed \$10,000.

20 “(2) PER TAXPAYER.—The amount allowed as  
21 a deduction under subsection (a) for the taxable year  
22 shall not exceed \$20,000.

23 “(3) LIMITATION BASED ON MODIFIED AD-  
24 JUSTED GROSS INCOME.—

25 “(A) IN GENERAL.—The amount which  
26 would (but for this paragraph) be taken into ac-

count under subsection (a) shall be reduced (but not below zero) by the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCTION.—The amount determined under this subparagraph equals the amount which bears the same ratio to the amount which would be so taken into account as—

“(i) the excess of—

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

“(II) \$55,000 (\$85,000 in the case of a joint return), bears to

“(ii) \$15,000.

“(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year determined—

“(i) without regard to this section and sections 911, 931, and 933, and

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

1 For purposes of the sections referred to in  
2 clause (ii), adjusted gross income shall be deter-  
3 mined without regard to the deduction allowed  
4 under this section.

5 “(D) INFLATION ADJUSTMENTS.—

6 “(i) IN GENERAL.—In the case of a  
7 taxable year beginning after 2002, the  
8 \$55,000 and \$85,000 amounts described in  
9 subparagraph (B) shall each be increased  
10 by an amount equal to—

11 “(I) such dollar amount, multi-  
12 plied by

13 “(II) the cost-of-living adjust-  
14 ment determined under section 1(f)(3)  
15 for the calendar year in which the tax-  
16 able year begins, determined by sub-  
17 stituting ‘calendar year 2001’ for ‘cal-  
18 endar year 1992’ in subparagraph (B)  
19 thereof.

20 “(ii) ROUNDING.—If any amount as  
21 adjusted under clause (i) is not a multiple  
22 of \$5,000, such amount shall be rounded  
23 to the next lowest multiple of \$5,000.

24 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—

25 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—

5                   “(i) tuition and fees charged by an  
6 educational institution and required for the  
7 enrollment or attendance of—

8                           “(I) the taxpayer,

9                           “(II) the taxpayer’s spouse,

10                          “(III) any dependent of the tax-  
11 payer with respect to whom the tax-  
12 payer is allowed a deduction under  
13 section 151, or

14                          “(IV) any grandchild of the tax-  
15 payer,

16 as an eligible student at an institution of  
17 higher education, and

18                          “(ii) room and board for such an indi-  
19 vidual while away from home and attend-  
20 ing such institution.

21           “(B) ELIGIBLE COURSES.—Amounts paid  
22 for qualified higher education expenses of any  
23 individual shall be taken into account under  
24 subsection (a) only to the extent such expenses  
25 are attributable to courses of instruction for

1 which credit is allowed toward a baccalaureate  
2 or graduate degree by an institution of higher  
3 education or toward a certificate of required  
4 course work at a vocational school.

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

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

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

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

23 “(E) IDENTIFICATION REQUIREMENT.—No  
24 deduction shall be allowed under subsection (a)  
25 to a taxpayer with respect to an eligible student

1           unless the taxpayer includes the name, age, and  
2           taxpayer identification number of such eligible  
3           student on the return of tax for the taxable  
4           year.

5           “(2) INSTITUTION OF HIGHER EDUCATION.—

6           The term ‘institution of higher education’ means an  
7           institution which—

8                   “(A) is described in section 481 of the  
9           Higher Education Act of 1965 (20 U.S.C.  
10          1088), as in effect on the date of the enactment  
11          of this section, and

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

14          “(d) QUALIFIED HIGHER EDUCATION LOAN.—For  
15          purposes of this section—

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

18                   “(A) made, insured, or guaranteed by the  
19          Federal Government,

20                   “(B) made by a State or a political sub-  
21          division of a State,

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

24                   “(D) made by an institution of higher edu-  
25          cation (as defined in section 1201(a) of the

1 Higher Education Act of 1965 (20 U.S.C.  
2 1141(a))).

3 “(2) LIMITATION.—The amount of interest on  
4 a qualified higher education loan which is taken into  
5 account under subsection (a)(2) shall not exceed the  
6 amount which bears the same ratio to such amount  
7 of interest as—

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

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

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

14 “(e) SPECIAL RULES.—

15 “(1) NO DOUBLE BENEFIT.—

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

23 “(B) DENIAL OF DEDUCTION IF CREDIT  
24 ELECTED.—No deduction shall be allowed  
25 under subsection (a) for a taxable year with re-



1 spect to the qualified higher education expenses  
2 of an individual if the taxpayer elects to have  
3 section 25A apply with respect to such indi-  
4 vidual for such year.

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

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

17 “(2) LIMITATION ON TAXABLE YEAR OF DE-  
18 Duction.—

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

1           “(B) CERTAIN PREPAYMENTS ALLOWED.—  
2           Subparagraph (A) shall not apply to qualified  
3           higher education expenses paid during a taxable  
4           year if such expenses are in connection with an  
5           academic term beginning during such taxable  
6           year or during the first 3 months of the next  
7           taxable year.

8           “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-  
9           SHIPS AND VETERANS BENEFITS.—The amount of  
10          qualified higher education expenses otherwise taken  
11          into account under subsection (a) or (d)(2) with re-  
12          spect to the education of an individual shall be re-  
13          duced (before the application of subsection (b)) by  
14          the sum of the amounts received with respect to  
15          such individual for the taxable year as—

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

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

21               “(C) a payment (other than a gift, be-  
22               quest, devise, or inheritance within the meaning  
23               of section 102(a)) for educational expenses, or  
24               attributable to enrollment at an eligible edu-

1           cational institution, which is exempt from in-  
2           come taxation by any law of the United States.

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

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

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

20          (b) DEDUCTION ALLOWED IN COMPUTING AD-  
21          JUSTED GROSS INCOME.—Paragraph (17) of section  
22          62(a) of such Code is amended to read as follows:

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

25          (c) CONFORMING AMENDMENTS.—

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

          “Sec. 221. Higher education expenses.”

5           (2) Section 6050S(e) of such Code is amended  
6       by striking “such term by section 221(e)(1)” and in-  
7       serting “the term ‘qualified higher education loan’  
8       by section 221(d)(1)”.

9       (d) EFFECTIVE DATE.—The amendments made by  
10   this section shall apply to payments made after December  
11   31, 2000.

○