

107TH CONGRESS  
1ST SESSION

# S. 289

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

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 2001

Mr. SESSIONS (for himself and Mr. GRAHAM, Mr. BINGAMAN, Mr. FRIST, Mr. GRAMM, Mr. HUTCHINSON, Mr. MURKOWSKI, Mr. BREAUX, Mr. SHELBY, Ms. COLLINS, Mr. HELMS, Mr. INHOFE, Mr. ROBERTS, Mr. SANTORUM, Ms. LANDRIEU) 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 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”.

1 **SEC. 2. ELIGIBLE EDUCATIONAL INSTITUTIONS PER-**  
 2 **MITTED TO MAINTAIN QUALIFIED TUITION**  
 3 **PROGRAMS.**

4 (a) IN GENERAL.—Section 529(b)(1) of the Internal  
 5 Revenue Code of 1986 (defining qualified State tuition  
 6 program) is amended by inserting “or by 1 or more eligible  
 7 educational institutions or a consortium that consists sole-  
 8 ly of eligible educational institutions” after “maintained  
 9 by a State or agency or instrumentality thereof”.

10 (b) PRIVATE QUALIFIED TUITION PROGRAMS LIM-  
 11 ITED TO BENEFIT PLANS.—Clause (ii) of section  
 12 529(b)(1)(A) of the Internal Revenue Code of 1986 is  
 13 amended by inserting “in the case of a program estab-  
 14 lished and maintained by a State or agency or instrumen-  
 15 tality thereof” before “may make”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) The text and headings of each of the sec-  
 18 tions 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529,  
 19 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) of the In-  
 20 ternal Revenue Code of 1986 is amended by striking  
 21 “qualified State tuition” each place it appears and  
 22 inserting “qualified tuition”.

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

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

2 (B) The item relating to section 529 in the  
3 table of sections for part VIII of subchapter F of  
4 chapter 1 of such Code is amended by striking  
5 “State”.

6 (d) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to taxable years beginning after  
8 December 31, 2001.

9 **SEC. 3. EXCLUSION FROM GROSS INCOME OF EDUCATION**  
10 **DISTRIBUTIONS FROM QUALIFIED TUITION**  
11 **PROGRAMS.**

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

15 “(B) DISTRIBUTIONS FOR QUALIFIED  
16 HIGHER EDUCATION EXPENSES.—

17 “(i) IN GENERAL.—If a distributee  
18 elects the application of this clause for any  
19 taxable year—

20 “(I) no amount shall be includ-  
21 ible in gross income under subpara-  
22 graph (A) by reason of a distribution  
23 which consists of providing a benefit  
24 to the distributee which, if paid for by  
25 the distributee, would constitute pay-

ment of a qualified higher education expense, and

“(II) the amount which (but for the election) would be includible in gross income under subparagraph (A) by reason of any other distribution shall not be so includible in an amount which bears the same ratio to the amount which would be so includible as such expenses bear to such aggregate distributions.

“(ii) IN-KIND DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

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

1 (b) BENEFICIARY MAY CHANGE PROGRAM.—Section  
 2 529(c)(3)(C) of the Internal Revenue Code of 1986 (relat-  
 3 ing to change in beneficiaries) is amended—

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

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

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

13 “(E) ADDITIONAL TAX ON AMOUNTS NOT  
 14 USED FOR HIGHER EDUCATION EXPENSES.—

15 The tax imposed by section 530(d)(4) shall  
 16 apply to payments and distributions from quali-  
 17 fied tuition programs in the same manner as  
 18 such tax applies to education individual retire-  
 19 ment accounts.”.

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

23 (1) by inserting “a qualified tuition program  
 24 or” before “an education individual retirement ac-  
 25 count”, and

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

3           (e) EFFECTIVE DATES.—

4           (1) IN GENERAL.—Except as provided in para-  
 5           graph (2), the amendments made by this section  
 6           shall apply to distributions made after December 31,  
 7           2001, for education furnished in academic periods  
 8           beginning after such date.

9           (2) PRIVATE PROGRAMS.—In the case of a  
 10          qualified tuition program established and maintained  
 11          by an entity other than a State or agency or instru-  
 12          mentality thereof, the amendments made by sub-  
 13          sections (a), (c), and (d) shall apply to distributions  
 14          made after December 31, 2005, for education fur-  
 15          nished in academic periods beginning after such  
 16          date.

17   **SEC. 4. QUALIFIED TUITION PROGRAMS INCLUDED IN SE-**  
 18                           **CURITIES EXEMPTION.**

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

24          (b) QUALIFIED TUITION PROGRAMS NOT INVEST-  
 25          MENT COMPANIES.—Section 3(c) of the Investment Com-

1 pany Act of 1940 (15 U.S.C. 80a–3(c)) is amended by  
2 adding at the end the following:

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

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