

107TH CONGRESS
1ST SESSION

S. 289

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

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

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 national 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-

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 qual-
5 ified 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 qual-
17 ified 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

3 (e) EFFECTIVE DATES.—

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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