

107TH CONGRESS
1ST SESSION

S. 458

To amend the Internal Revenue Code of 1986 to make higher education more affordable, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 6, 2001

Mr. SCHUMER (for himself, Mr. BIDEN, 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, and for other purposes.

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”.

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-
9 lating to additional itemized deductions for individuals) is

1 amended by redesignating section 222 as section 223 and
 2 by inserting after section 221 the following:

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

4 “(a) ALLOWANCE OF DEDUCTION.—

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

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

“Taxable year:	Applicable dollar amount:
2002	\$4,000
2003	\$8,000
2004 and thereafter	\$12,000.

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

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

19 “(2) AMOUNT OF REDUCTION.—

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

1 “(i) the excess of—

2 “(I) the taxpayer’s modified ad-
3 justed gross income for such taxable
4 year, over

5 “(II) the applicable amount,
6 bears to

7 “(ii) \$15,000.

8 “(B) APPLICABLE AMOUNT.—For purposes
9 of subparagraph (A), the applicable amount
10 with respect to the taxpayer is an amount equal
11 to the maximum taxable income amount in the
12 28-percent rate bracket in the table contained
13 in section 1 applicable to the taxpayer.

14 “(3) MODIFIED ADJUSTED GROSS INCOME.—
15 For purposes of this subsection, the term ‘modified
16 adjusted gross income’ means the adjusted gross in-
17 come of the taxpayer for the taxable year
18 determined—

19 “(A) without regard to this section and
20 sections 911, 931, and 933, and

21 “(B) after the application of sections 86,
22 135, 219, 220, and 469.

23 For purposes of the sections referred to in subpara-
24 graph (B), adjusted gross income shall be deter-

1 mined without regard to the deduction allowed under
2 this section.

3 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—

4 For purposes of this section—

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

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

11 “(i) the taxpayer,

12 “(ii) the taxpayer’s spouse,

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

16 “(iv) any grandchild of the taxpayer,
17 as an eligible student at an institution of higher
18 education.

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

24 “(i) are attributable to courses of in-
25 struction for which credit is allowed toward

1 a baccalaureate degree by an institution of
2 higher education or toward a certificate of
3 required course work at a vocational
4 school, and

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

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

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

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

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

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

8 “(2) INSTITUTION OF HIGHER EDUCATION.—
 9 The term ‘institution of higher education’ has the
 10 same meaning given the term ‘eligible educational
 11 institution’ in section 529(e).

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 the Internal
18 Revenue Code of 1986 is amended by inserting after para-
19 graph (17) the following:

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

22 (c) CONFORMING AMENDMENT.—The table of sec-
23 tions for part VII of subchapter B of chapter 1 of the
24 Internal Revenue Code of 1986 is amended by striking the
25 item relating to section 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, 2001.

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-

1 able year exceeds \$50,000 (\$100,000 in the
 2 case of a joint return), the amount which would
 3 (but for this paragraph) be allowable as a credit
 4 under this section shall be reduced (but not
 5 below zero) by the amount which bears the
 6 same ratio to the amount which would be so al-
 7 lowable as such excess bears to \$20,000.

8 “(B) MODIFIED ADJUSTED GROSS IN-
 9 COME.—The term ‘modified adjusted gross in-
 10 come’ means adjusted gross income determined
 11 without regard to sections 911, 931, and 933.

12 “(C) INFLATION ADJUSTMENT.—In the
 13 case of any taxable year beginning after 2003,
 14 the \$50,000 and \$100,000 amounts referred to
 15 in subparagraph (A) shall be increased by an
 16 amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the cost-of-living adjustment de-
 19 termined under section (1)(f)(3) for the
 20 calendar year in which the taxable year be-
 21 gins, by substituting ‘2002’ for ‘1992’.

22 “(D) ROUNDING.—If any amount as ad-
 23 justed under subparagraph (C) is not a multiple
 24 of \$50, such amount shall be rounded to the
 25 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 of the Internal Revenue Code of 1986 is amended by
 12 inserting after the item relating to section 25A the fol-
 13 lowing new item:

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

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to any qualified education loan (as
 16 defined in section 25B(e)(1) of the Internal Revenue Code
 17 of 1986, as added by this section) incurred on, before, or
 18 after the date of the enactment of this Act, but only with
 19 respect to any loan interest payment due after December
 20 31, 2001.

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