

108TH CONGRESS
1ST SESSION

H. R. 1304

To make college debt more affordable, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 2003

Mr. GEORGE MILLER of California (for himself, Mr. KILDEE, Mr. DOGGETT, Mr. PAYNE, Mr. ANDREWS, Mr. McDERMOTT, Mr. FARR, Mr. CAPUANO, Mr. NEAL of Massachusetts, Ms. LEE, Mrs. NAPOLITANO, Mr. TOWNS, Mr. STARK, Mr. NADLER, Ms. MILLENDER-McDONALD, Mr. UDALL of New Mexico, Mr. FORD, Mr. OLVER, Mr. WEINER, Mr. ABERCROMBIE, Mr. HINCHEY, Mr. BACA, Mr. RODRIGUEZ, Mr. FRANK of Massachusetts, Mr. MCGOVERN, Mr. ETHERIDGE, Ms. SOLIS, Ms. ESHOO, Mr. FROST, Ms. CARSON of Indiana, Mr. GRIJALVA, Mr. SANDERS, Ms. MCCOLLUM, Mr. OWENS, Ms. CORRINE BROWN of Florida, Mr. MARKEY, Mr. MEEHAN, Mr. CASE, Mr. ENGEL, Mr. SERRANO, Ms. MAJETTE, Mr. WEXLER, Mr. GREEN of Texas, Ms. WATSON, Ms. HOOLEY of Oregon, Mr. PETERSON of Minnesota, Mr. CUMMINGS, Mr. HOLDEN, Mr. RYAN of Ohio, Ms. SCHAKOWSKY, Ms. LOFGREN, Mr. GUTIERREZ, Mr. OBERSTAR, Mrs. JONES of Ohio, Mr. EVANS, Mr. HOEFFEL, Mr. RANGEL, Mr. KUCINICH, Mr. ALLEN, Mr. ACKERMAN, Ms. LORETTA SANCHEZ of California, Mrs. LOWEY, and Mr. HINOJOSA) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To make college debt 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “College Affordability
3 and Lifetime Savings Act”.

4 **SEC. 2. DEDUCTION FOR INTEREST ON EDUCATION LOANS**
5 **CONVERTED TO CREDIT.**

6 (a) IN GENERAL.—Section 221 of the Internal Rev-
7 enue Code of 1986 (relating to interest on education
8 loans) is hereby moved to subpart A of part IV of sub-
9 chapter B of chapter 1 of such Code, inserted after section
10 25B, and redesignated as section 25C.

11 (b) CONVERSION TO 50 PERCENT CREDIT.—Sub-
12 section (a) of section 25C of such Code, as redesignated
13 by subsection (a), is amended to read as follows:

14 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
15 dividual, there shall be allowed as a credit against the tax
16 imposed by this chapter for the taxable year an amount
17 equal to 50 percent of the interest paid by the taxpayer
18 during the taxable year on any qualified education loan.”.

19 (c) LIMITATION BASED ON MODIFIED ADJUSTED
20 GROSS INCOME.—Subsection (b) of section 25C of such
21 Code, as redesignated by subsection (a), is amended to
22 read as follows:

23 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
24 GROSS INCOME.—

25 “(1) IN GENERAL.—The amount which would
26 (but for this subsection) be allowed as a credit under

1 this section shall be reduced (but not below zero) by
 2 the amount which bears the same ratio to the
 3 amount which would be so allowed as—

4 “(A) the excess of—

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

7 “(ii) \$75,000 (\$150,000 in the case of
 8 a joint return), bears to

9 “(B) \$15,000 (\$30,000 in the case of a
 10 joint return).

11 “(2) MODIFIED ADJUSTED GROSS INCOME.—

12 For purposes of this subsection, the term ‘modified
 13 adjusted gross income’ means adjusted gross income
 14 determined without regard to sections 911, 931, and
 15 933.

16 “(3) INFLATION ADJUSTMENTS.—

17 “(A) IN GENERAL.—In the case of a tax-
 18 able year beginning after 2003, the \$75,000
 19 and \$150,000 amounts in paragraph (1)(A)(ii)
 20 shall each be increased by an amount equal
 21 to—

22 “(i) such dollar amount, multiplied by

23 “(ii) the cost-of-living adjustment de-
 24 termined under section 1(f)(3) for the cal-
 25 endar year in which the taxable year be-

1 gins, determined by substituting ‘calendar
2 year 2002’ for ‘calendar year 1992’ in sub-
3 paragraph (B) thereof.

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

8 (d) TECHNICAL AMENDMENTS.—

9 (1) Section 25C of such Code, as so redesign-
10 nated, is amended by striking subsection (f).

11 (2) Subsection (c) of section 25C of such Code,
12 as so redesignated, is amended by striking “DEDUC-
13 TION” in the heading and inserting “CREDIT” and
14 by striking “deduction” the first place it appears in
15 the text and inserting “credit”.

16 (3) Paragraphs (1) and (2) of section 25C(e) of
17 such Code, as so redesignated, are each amended by
18 striking “deduction” the first place it appears in
19 each such paragraph and inserting “credit”.

20 (4) Section 62(a) of such Code is amended by
21 striking paragraph (17).

22 (5) Sections 86(b)(2)(A), 135(c)(4)(A),
23 137(b)(3)(A), 219(g)(3)(A)(ii), and 222(b)(2)(C)(ii)
24 of such Code are each amended by striking “221,”.

1 (6) Subparagraph (F) of section 163(h)(2) of
2 such Code is amended to read as follows:

3 “(F) any interest taken into account under
4 section 25C (relating to interest on educational
5 loans).”.

6 (7) Section 469(i)(3)(F)(iii) of such Code is
7 amended by striking “, 222,”.

8 (8) Section 6050S(e) is amended by striking
9 “section 221(d)(1)” and inserting “section
10 25C(d)(1)”.

11 (9) The table of sections for part VII of sub-
12 chapter B of chapter 1 of such Code is amended by
13 striking the item relating to section 221.

14 (10) The table of sections for subpart A of part
15 IV of subchapter A of chapter 1 of such Code is
16 amended by inserting after the item relating to sec-
17 tion 25B the following new item:

 “Sec. 25C. Interest on Education Loans.”

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 the date of the enactment of this Act.

21 **SEC. 3. NO INCOME TAX BY REASON OF LOAN FORGIVE-**
22 **NESS.**

23 Subsection (f) of section 108 of the Internal Revenue
24 Code of 1986 is amended by adding at the end the fol-
25 lowing new paragraph:

1 “(4) LOAN FORGIVENESS FOR TEACHERS AND
2 OTHER PUBLIC SERVANTS.—In the case of an indi-
3 vidual, gross income does not include any amount
4 which (but for this paragraph) would be includible in
5 gross income by reason of the discharge (in whole or
6 in part) of any loan if—

7 “(A) such discharge was pursuant to sec-
8 tion 428J, 428K, 460, or 460A of the Higher
9 Education Act of 1965 (20 U.S.C. 1078–10); or

10 “(B) such loan is an applicable loan (as
11 defined in section 6103(l)(13)(C)), the repay-
12 ment amounts on such loan are based in whole
13 or in part on the taxpayer’s income, and such
14 discharge is the result of the expiration of the
15 period during which the taxpayer is obligated to
16 repay such loan.”

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