

108TH CONGRESS  
1ST SESSION

# H. R. 3318

To amend the Internal Revenue Code of 1986 to exclude from gross income employer contributions to college tuition plans and education savings accounts.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2003

Mr. PORTER (for himself, Mr. GERLACH, Mr. COLE, Mr. CARTER, Mr. WILSON of South Carolina, Mr. PAUL, Mr. BARRETT of South Carolina, Mr. NUNES, Mr. ROGERS of Michigan, Mr. PLATTS, Mr. BURNS, Mr. KING of Iowa, Mr. GARRETT of New Jersey, and Mrs. MUSGRAVE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income employer contributions to college tuition plans and education savings accounts.

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 “Education Savings Act  
5       of 2003”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME FOR CONTRIBU-**  
2 **TIONS TO EDUCATION SAVINGS ENTITIES.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-  
4 ter 1 of the Internal Revenue Code of 1986 (relating to  
5 items specifically excluded from gross income) is amended  
6 by inserting after section 127 the following new section:  
7 **“SEC. 127A. CONTRIBUTIONS TO EDUCATION SAVINGS EN-**  
8 **TITIES.**

9 “(a) IN GENERAL.—Gross income of an employee  
10 does not include amounts paid by the employer as con-  
11 tributions to an education savings entity held by the em-  
12 ployee or spouse of the employee if the contributions are  
13 made pursuant to a program which is described in sub-  
14 section (b).

15 “(b) EDUCATIONAL ASSISTANCE PROGRAM.—For  
16 purposes of this section, an educational assistance pro-  
17 gram is a separate written plan of an employer for the  
18 benefit of such employer’s employees—

19 “(1) under which the employer makes contribu-  
20 tions to education savings entities of such employees  
21 or spouses of employees, and

22 “(2) which meets requirements similar to the  
23 requirements of paragraphs (2), (3), (4), (5), and  
24 (6) of section 127(b).

25 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-  
26 poses of this section—

1           “(1) EDUCATION SAVINGS ENTITY.—The term  
2       ‘education savings entity’ means—

3               “(A) a qualified tuition program (as de-  
4       fined in section 529(b)), and

5               “(B) a Coverdell education savings account  
6       (as defined in section 530(b)).

7           “(2) EMPLOYEE AND EMPLOYER.—The terms  
8       ‘employee’ and ‘employer’ shall have the meaning  
9       given such terms by paragraphs (2) and (3), respec-  
10       tively, of section 127(c).

11           “(3) APPLICABLE RULES.—Rules similar to the  
12       rules of paragraphs (4), (5), (6), and (7) of section  
13       127(c) shall apply.

14           “(d) CROSS REFERENCE.—For reporting and record-  
15       keeping requirements, see section 6039D.”.

16           (b) EXCLUSION FROM EMPLOYMENT TAXES.—

17               (1) Section 3121(a)(18) of such Code is amend-  
18       ed by striking “or 129” and inserting “, 127A, or  
19       129”.

20               (2) Section 3231(e)(6) of such Code is amended  
21       by striking “section 127” and inserting “section 127  
22       or 127A”.

23               (3) Section 3306(b)(13) of such Code is amend-  
24       ed by striking “or 129” and inserting “, 127A, or  
25       129”.

4 (c) REPORTING AND RECORDKEEPING REQUIRE-  
5 MENTS.—Section 6039D(d)(1) of such Code is amended  
6 by inserting “127A,” after “127.”.

7 (d) OTHER CONFORMING AMENDMENTS.—

10 (7) Section 209(15) of the Social Security Act  
11 (42 U.S.C. 409(15)) is amended by striking “or  
12 129” and inserting “, 127A, or 129”.

13 (e) CLERICAL AMENDMENT.—The table of sections  
14 for part III of subchapter B of chapter 1 of such Code  
15 is amended by inserting after the item relating to section  
16 127 the following new item:

“Sec. 127A. Contributions to education savings entities.”.

17 (f) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to remuneration paid after Decem-  
19 ber 31, 2003.

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