

108TH CONGRESS  
1ST SESSION

# H. R. 3412

To amend the Internal Revenue Code of 1986 to expand incentives for education.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2003

Mr. ENGLISH introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to expand 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 “Higher Education Af-  
5 fordability and Equity Act of 2003”.

6 **SEC. 2. EXPANSION OF DEDUCTION FOR INTEREST ON EDU-**  
7 **CATION LOANS.**

8 (a) REPEAL OF DOLLAR LIMITATION; INCREASE IN  
9 PHASEOUT BEGINNING POINT.—Subsection (b) of section

1 221 of the Internal Revenue Code of 1986 (relating to  
2 maximum deduction) is amended to read as follows:

3 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
4 GROSS INCOME.—

5 “(1) IN GENERAL.—The amount which would  
6 (but for this subsection) be allowable as a deduction  
7 under this section shall be reduced (but not below  
8 zero) by the amount determined under paragraph  
9 (2).

10 “(2) AMOUNT OF REDUCTION.—The amount  
11 determined under this paragraph is the amount  
12 which bears the same ratio to the amount which  
13 would be so taken into account as—

14 “(A) the excess of—

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

17 “(ii) \$100,000 (\$200,000 in the case  
18 of a joint return), bears to

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

21 “(3) MODIFIED ADJUSTED GROSS INCOME.—

22 The term ‘modified adjusted gross income’ means  
23 adjusted gross income determined—

24 “(A) without regard to this section and  
25 sections 222, 911, 931, and 933, and

1 “(B) after application of sections 86, 135,  
2 137, 219, and 469.”.

3 (b) CONFORMING AMENDMENT.—Section 221(f)(1)  
4 of such Code is amended to read as follows:

5 “(1) IN GENERAL.—In the case of a taxable  
6 year beginning after 2004, the \$100,000 and  
7 \$200,000 amounts in subsection (b) shall each be in-  
8 creased by an amount equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-  
11 mined under section 1(f)(3) for the calendar  
12 year in which the taxable year begins, deter-  
13 mined by substituting ‘calendar year 2003’ for  
14 ‘calendar year 1992’ in subparagraph (B)  
15 thereof.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 2003.

19 **SEC. 3. DEDUCTION FOR QUALIFIED TUITION AND RE-**  
20 **LATED EXPENSES MADE PERMANENT.**

21 (a) REPEAL OF TERMINATION.—Section 222 of the  
22 Internal Revenue Code of 1986 is amended by striking  
23 subsection (e).

24 (b) CONFORMING AMENDMENTS.—Subparagraph (B)  
25 of section 222(b)(2) of such Code is amended—

1 (1) by striking “2004 or 2005” and inserting  
 2 “2004 or thereafter”, and

3 (2) in the heading by striking “AND 2005” and  
 4 inserting “AND THEREAFTER”.

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to taxable years beginning after  
 7 December 31, 2003.

8 **SEC. 4. EDUCATION SAVINGS ACCOUNTS.**

9 (a) INCREASE IN ALLOWABLE CONTRIBUTIONS.—

10 (1) IN GENERAL.—Clause (iii) of section  
 11 530(b)(1)(A) of the Internal Revenue Code of 1986  
 12 is amended by striking “\$2,000” and inserting  
 13 “\$5,000”.

14 (2) CONFORMING AMENDMENT.—Section  
 15 4973(e)(1)(A) of such Code is amended by striking  
 16 “\$2,000” and inserting “\$5,000”.

17 (b) REPORTS.—Subsection (h) of section 530 of such  
 18 Code is amended by striking the period at the end of the  
 19 last sentence and inserting “, except that reports shall be  
 20 so filed and furnished for any calendar year not later than  
 21 June 30 of the following year.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
 23 this section shall apply to taxable years beginning after  
 24 December 31, 2003.

1 **SEC. 5. ALLOWANCE OF ROOM, BOARD, AND SPECIAL**  
2 **NEEDS SERVICES IN THE CASE OF SCHOLAR-**  
3 **SHIPS AND TUITION REDUCTION PROGRAMS**  
4 **WITH RESPECT TO HIGHER EDUCATION.**

5 (a) IN GENERAL.—Paragraph (1) of section 117(b)  
6 of the Internal Revenue Code of 1986 (defining qualified  
7 scholarship) is amended by inserting before the period at  
8 the end the following: “or, in the case of enrollment or  
9 attendance at an eligible educational institution, for quali-  
10 fied higher education expenses.”.

11 (b) DEFINITIONS.—Subsection (b) of section 117 of  
12 such Code is amended by adding at the end the following  
13 new paragraph:

14 “(3) QUALIFIED HIGHER EDUCATION EX-  
15 PENSES; ELIGIBLE EDUCATIONAL INSTITUTION.—  
16 The terms ‘qualified higher education expenses’ and  
17 ‘eligible educational institution’ have the meanings  
18 given such terms in section 529(e).”.

19 (c) TUITION REDUCTION PROGRAMS.—Paragraph  
20 (5) of section 117(d) of such Code (relating to special  
21 rules for teaching and research assistants) is amended by  
22 striking “shall be applied as if it did not contain the  
23 phrase ‘(below the graduate level)’.” and inserting “shall  
24 be applied—

25 “(A) as if it did not contain the phrase  
26 ‘(below the graduate level)’, and

1           “(B) by substituting ‘qualified higher edu-  
 2           cation expenses’ for ‘tuition’ the second place it  
 3           appears.”.

4           (d) **EFFECTIVE DATE.**—The amendments made by  
 5 this section shall apply to expenses paid after December  
 6 31, 2003 (in taxable years ending after such date), for  
 7 education furnished in academic periods beginning after  
 8 such date.

9   **SEC. 6. TREATMENT OF PREPAYMENT AND SAVINGS PLANS**  
 10                           **UNDER STUDENT FINANCIAL AID NEEDS**  
 11                           **ANALYSIS.**

12           (a) **DEFINITION OF ASSETS.**—Subsection (f) of sec-  
 13 tion 480 of the Higher Education Act of 1965 (20 U.S.C.  
 14 1087vv(j)) is amended—

15           (1) in paragraph (1) by inserting “qualified  
 16           education benefit (except as provided in paragraph  
 17           (3)),” after “tax shelters,”; and

18           (2) by adding at the end the following new  
 19           paragraphs:

20           “(3) A qualified education benefit shall not be consid-  
 21           ered an asset of the student under section 475 of this part.

22           “(4) For purposes of this subsection, the term ‘quali-  
 23           fied education benefit’ means—

24           “(A) a program which is described in clause (i)  
 25           of section 529(b)(1)(A) of the Internal Revenue

1 Code of 1986 and which meets the requirements of  
 2 section 529(b)(1)(B) of such Code;

3 “(B) a State tuition program described in  
 4 clause (ii) of section 529(b)(1)(A) of the Internal  
 5 Revenue Code of 1986 which meets the requirements  
 6 of section 529(b)(1)(B) of such Code; and

7 “(C) a Coverdell education savings account (as  
 8 defined in section 530(b)(1) of the Internal Revenue  
 9 Code of 1986).”.

10 (b) DEFINITION OF OTHER FINANCIAL ASSIST-  
 11 ANCE.—Subsection (j) of section 480 of the Higher Edu-  
 12 cation Act of 1965 (20 U.S.C. 1087vv(j)) is amended—

13 (1) by striking “; TUITION PREPAYMENT  
 14 PLANS” in the heading of such subsection;

15 (2) by striking “(1) For purposes” and insert-  
 16 ing “For purposes”; and

17 (3) by striking paragraph (2).

18 (c) EFFECTIVE DATE.—The amendments made by  
 19 this section shall apply with respect to determinations of  
 20 need under part F of title IV of the Higher Education  
 21 Act of 1965 for academic years beginning on or after July  
 22 1, 2005.

1 **SEC. 7. REPEAL OF EGTRRA SUNSET APPLICABILITY TO**  
2 **CERTAIN EDUCATION PROVISIONS.**

3 Title IX of the Economic Growth and Tax Relief Rec-  
4 onciliation Act of 2001 (relating to sunset of provisions  
5 of such Act) shall not apply to subtitles A, B, and D of  
6 title IV of such Act.

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