

108TH CONGRESS  
2D SESSION

# H. R. 4136

To amend the Internal Revenue Code of 1986 to combine the Hope and Lifetime Learning credits and to provide a uniform definition of qualifying higher education expenses.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 2004

Mr. HOUGHTON 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 combine the Hope and Lifetime Learning credits and to provide a uniform definition of qualifying higher education expenses.

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 “Education Tax Credit Sim-  
5 plification Act of 2004”.

1 **SEC. 2. HOPE AND LIFETIME LEARNING CREDITS COM-**  
 2 **BINED.**

3 (a) IN GENERAL.—So much of section 25A of the  
 4 Internal Revenue Code of 1986 (relating to Hope and  
 5 Lifetime Learning Credits) as precedes subsection (d) is  
 6 amended to read as follows:

7 **“SEC. 25A. EDUCATION CREDIT.**

8 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 9 dividual, there shall be allowed as a credit against the tax  
 10 imposed by this chapter for the taxable year the amount  
 11 equal to 50 percent of so much of the qualified expenses  
 12 paid by the taxpayer during the taxable year (for edu-  
 13 cation furnished to an individual during any academic pe-  
 14 riod beginning in such taxable year) as does not exceed  
 15 \$3,000 for such taxable year with respect to such indi-  
 16 vidual.

17 “(b) QUALIFIED EXPENSES.—For purposes of sub-  
 18 section (a), the term ‘qualified expenses’ means the sum  
 19 of—

20 “(1) qualified higher education expenses, and

21 “(2) the expenses described in subsection (d)(1)  
 22 with respect to any course of instruction at an eligi-  
 23 ble educational institution to acquire or improve job  
 24 skills of the individual.”.

25 (b) CONFORMING AMENDMENTS TO CREDIT.—

26 (1) Section 25A of such Code is amended—

1 (A) by striking subsection (h), and

2 (B) by redesignating subsections (d), (e),  
3 (f), (g), and (i) as subsections (c), (d), (e), (f),  
4 and (g), respectively.

5 (2) Subsection (f)(2) of section 25A of such  
6 Code, as so redesignated, is amended by striking  
7 “(before the application of subsections (b), (c), and  
8 (d))”.

9 (c) OTHER CONFORMING AND CLERICAL AMEND-  
10 MENTS.—

11 (1) The following provisions of such Code are  
12 each amended by striking “section 25A(g)(2)” and  
13 inserting “section 25A(f)(2)”:

14 (A) Section 72(t)(7)(B).

15 (B) Section 221(d)(2)(B).

16 (C) Section 222(d)(1) (as amended by sec-  
17 tion 132 of this Act).

18 (D) Section 529(c)(3)(B)(v)(I).

19 (E) Section 530(b)(2)(A).

20 (F) Section 530(d)(2)(C)(i)(I).

21 (G) Section 530(d)(4)(B)(iii).

22 (2) Section 221(d) of such Code is amended—

23 (A) in paragraph (2) by striking “section  
24 25A(f)(2)” and inserting “section 25A(e)(2)”,  
25 and

1 (B) by amending paragraph (3) to read as  
2 follows:

3 “(3) ELIGIBLE STUDENT.—The term ‘eligible  
4 student’ means, with respect to any academic period,  
5 a student who—

6 “(A) meets the requirements of section  
7 484(a)(1) of the Higher Education Act of 1965  
8 (20 U.S.C. 1091(a)(1)), as in effect on the date  
9 of the enactment of this section, and

10 “(B) is carrying at least  $\frac{1}{2}$  the normal  
11 full-time work load for the course of study the  
12 student is pursuing.”.

13 (3) Section 529(e)(3)(B)(i) of such Code is  
14 amended by striking “section 25A(b)(3)” and insert-  
15 ing “section 221(d)(3)”.

16 (4) The heading of section 529(e)(3)(B)(v) of  
17 such Code is amended to read as follows: “COORDI-  
18 NATION WITH EDUCATION CREDIT.—”.

19 (5) The heading of section 530(d)(2)(C) of such  
20 Code is amended to read as follows: “COORDINATION  
21 WITH EDUCATION CREDIT AND QUALIFIED TUITION  
22 PROGRAMS.—”.

23 (6) Section 6050S(e) of such Code is amended  
24 by striking “subsection (g)(2)” and inserting “sub-  
25 section (f)(2)”.

1           (7) Section 6213(g)(2)(J) of such Code is  
 2           amended by striking “section 25A(g)(1)” and insert-  
 3           ing “section 25A(f)(1)”.

4           (8) The item relating to section 25A in the  
 5           table of sections for subpart A of part IV of sub-  
 6           chapter A of chapter 1 of such Code is amended to  
 7           read as follows:

“Sec. 25A. Education Credit.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to taxable years beginning after  
 10          December 31, 2003.

11   **SEC. 3. UNIFORM DEFINITION OF QUALIFYING HIGHER**  
 12                           **EDUCATION EXPENSES.**

13          (a) IN GENERAL.—Paragraph (3) of section 529(e)  
 14          of such Code (relating to other definitions and special  
 15          rules) is amended to read as follows:

16                   “(3) QUALIFIED HIGHER EDUCATION EX-  
 17          PENSES.—

18                   “(A) IN GENERAL.—The term ‘qualified  
 19          higher education expenses’ means—

20                           “(i) tuition, fees, books, supplies, and  
 21                           equipment required for the enrollment or  
 22                           attendance of a designated beneficiary at  
 23                           an eligible educational institution; and

24                           “(ii) expenses for special needs serv-  
 25                           ices in the case of a special needs bene-

1           ficiary which are incurred in connection  
2           with such enrollment or attendance.

3           “(B) ROOM AND BOARD INCLUDED FOR  
4           STUDENTS WHO ARE AT LEAST HALF-TIME.—

5           “(i) IN GENERAL.—In the case of an  
6           individual who is an eligible student for  
7           any academic period, such term shall also  
8           include reasonable costs for such period (as  
9           determined under the qualified tuition pro-  
10          gram) incurred by the designated bene-  
11          ficiary for room and board while attending  
12          such institution. For purposes of sub-  
13          section (b)(7), a designated beneficiary  
14          shall be treated as meeting the require-  
15          ments of this clause.

16          “(ii) LIMITATION.—The amount treat-  
17          ed as qualified higher education expenses  
18          by reason of clause (i) shall not exceed—

19               “(I) the allowance (applicable to  
20               the student) for room and board in-  
21               cluded in the cost of attendance (as  
22               defined in section 472 of the Higher  
23               Education Act of 1965 (20 U.S.C.  
24               1087*ll*), as in effect on the date of the  
25               enactment of the Economic Growth

1 and Tax Relief Reconciliation Act of  
2 2001) as determined by the eligible  
3 educational institution for such pe-  
4 riod, or

5 “(II) if greater, the actual invoice  
6 amount the student residing in hous-  
7 ing owned or operated by the eligible  
8 educational institution is charged by  
9 such institution for room and board  
10 costs for such period.

11 “(iii) ELIGIBLE STUDENT.—For pur-  
12 poses of this subparagraph, the term ‘eligi-  
13 ble student’ means, with respect to any  
14 academic period, a student who—

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

20 “(II) is carrying at least  $\frac{1}{2}$  the  
21 normal full-time work load for the  
22 course of study the student is pur-  
23 suing.

24 “(C) EXCEPTIONS.—

1 “(i) EXCEPTION FOR EDUCATION IN-  
 2 VOLVING SPORTS, ETC.—Such term does  
 3 not include expenses with respect to any  
 4 course or other education involving sports,  
 5 games, or hobbies, unless such course or  
 6 other education is part of the individual’s  
 7 degree program.

8 “(ii) EXCEPTION FOR NONACADEMIC  
 9 FEES.—Such term does not include stu-  
 10 dent activity fees, athletic fees, insurance  
 11 expenses, or other expenses unrelated to an  
 12 individual’s academic course of instruc-  
 13 tion.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Section 25A and 6050S of such Code are  
 16 each amended by striking “qualified tuition and re-  
 17 lated expenses” each place it appears and inserting  
 18 “qualified higher education expenses”.

19 (2) Section 25A(e)(1) of such Code (as amend-  
 20 ed by this Act) is amended to read as follows:

21 “(1) QUALIFIED HIGHER EDUCATION EX-  
 22 PENSES.—The term ‘qualified higher education ex-  
 23 penses’ means the qualified higher education ex-  
 24 penses (as defined by section 529(e)(3) without re-



1       gard to subparagraph (B) thereof) required for the  
2       enrollment or attendance of—

3               “(A) the taxpayer,

4               “(B) the taxpayer’s spouse, or

5               “(C) any dependent of the taxpayer with

6       respect to whom the taxpayer is allowed a de-

7       duction under section 151,

8       at an eligible educational institution for courses of  
9       instruction of such individual at such institution.”.

10       (3) Section 135(c)(2) of such Code is amend-  
11       ed—

12               (A) by striking “tuition and fees” and in-  
13       serting “the qualified higher education expenses  
14       (as defined by section 529(e)(3) without regard  
15       to subparagraph (B) thereof)”, and

16               (B) by striking subparagraph (B) and re-  
17       designating subparagraph (C) as subparagraph  
18       (B).

19       (4) Section 221(d)(2) of such Code is amended  
20       by striking “the cost of attendance (as defined in  
21       section 472 of the Higher Education Act of 1965,  
22       20 U.S.C. 1087ll, as in effect on the day before the  
23       date of the enactment of this Act)” and inserting  
24       “the qualified higher education expenses (as defined

1 by section 529(e)(3) without regard to subparagraph  
2 (B) thereof) incurred for attendance”.

3 (5)(A) Section 222 of such Code is amended by  
4 striking “qualified tuition and related expenses”  
5 each place it appears and inserting “qualified higher  
6 education expenses”.

7 (B) Section 222(d)(1) of such Code is amended  
8 to read as follows:

9 “(1) QUALIFIED HIGHER EDUCATION EX-  
10 PENSES.—The term ‘qualified higher education ex-  
11 penses’ has the meaning given such term by section  
12 529(e)(3) (without regard to subparagraph (B)  
13 thereof). Such expenses shall be reduced in the same  
14 manner as under section 25A(f)(2).”.

15 (C) Section 222(d) of such Code is amended by  
16 redesignating paragraph (6) as paragraph (7) and  
17 by inserting after paragraph (5) the following new  
18 paragraph:

19 “(6) ROOM AND BOARD INCLUDED FOR STU-  
20 DENTS WHO ARE FULL-TIME.—No amount shall be  
21 taken into account under this section for an expense  
22 described in section 529(e)(3)(B) (relating to room  
23 and board included for students who are at least  
24 half-time) unless such individual is an eligible stu-  
25 dent (as defined in section 25A(b)(3), determined by

1 substituting ‘the normal full-time work load’ in lieu  
 2 of ‘½ the normal full-time work load’ in subpara-  
 3 graph (B) thereof.”.

4 (D) The heading for section 222 of such Code  
 5 is amended by striking “**TUITION AND RE-**  
 6 **LATED**” and inserting “**HIGHER EDU-**  
 7 **CATION**”.

8 (E) The table of sections for part VII of sub-  
 9 chapter B of chapter 1 of such Code is amended by  
 10 amending the item relating to section 222 to read as  
 11 follows:

“Sec. 222. Qualified higher education expenses.”.

12 (6)(A) Section 6724(d) of such Code is amend-  
 13 ed—

14 (i) in paragraph (1)(B)(x) by striking  
 15 “qualified tuition and related expenses” and in-  
 16 serting “qualified higher education expenses”,  
 17 and

18 (ii) in paragraph (2)(Z) by striking “quali-  
 19 fied tuition and related expenses” and inserting  
 20 “qualified higher education expenses”.

21 (c) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to amounts paid in taxable years  
 23 beginning after December 31, 2003, for education fur-  
 24 nished in periods beginning after such date.

