

108TH CONGRESS
2D SESSION

S. 2087

To amend the Internal Revenue Code of 1986 to expand the Hope Scholarship and Lifetime Learning Credits.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 12, 2004

Mr. GRAHAM of Florida 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 expand the Hope Scholarship and Lifetime Learning Credits.

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. HOPE SCHOLARSHIP CREDIT.**

4 (a) EXPANSION OF CREDIT.—

5 (1) IN GENERAL.—Section 25A(b) of the Inter-
6 nal Revenue Code of 1986 (relating to Hope Schol-
7 arship Credit) is amended—

8 (A) in paragraph (1), by striking “the sum
9 of” and all that follows and inserting “100 per-
10 cent of so much of the qualified tuition and re-

lated expenses paid by the taxpayer during the taxable year (for education furnished to the eligible student during any academic period beginning in such taxable year) as does not exceed \$2,500.”,

(B) in paragraph (2)(A), by striking “2” in the text and in the heading and inserting “4”,

(C) in paragraph (2)(C), by striking “2” in the text and in the heading and inserting “4”, and

(D) by striking paragraph (4).

(2) CONFORMING AMENDMENTS.—Section 25A(h)(1)(A) of such Code (relating to inflation adjustments) is amended—

(A) by striking “2001” and inserting “2004”,

(B) by striking “each of the \$1,000 amounts” and inserting “the \$2,500 amount”, and

(C) by striking “2000” and inserting “2003”.

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

1 **SEC. 2. REFUNDABILITY OF HOPE AND LIFETIME LEARN-**
 2 **ING CREDIT.**

3 (a) REFUNDABLE CREDIT.—

4 (1) IN GENERAL.—Section 25A of the Internal
 5 Revenue Code of 1986 is hereby moved to subpart
 6 C of part IV of subchapter A of chapter 1 of such
 7 Code (relating to refundable credits) and inserted
 8 after section 35.

9 (2) TECHNICAL AMENDMENTS.—

10 (A) Section 36 of such Code is redesign-
 11 nated as section 37.

12 (B) Section 25A of such Code (as moved
 13 by subsection (a)) is redesignated as section 36.

14 (C) Paragraph (1) of section 36(a) of such
 15 Code (as redesignated by paragraph (2)) is
 16 amended by striking “this chapter” and insert-
 17 ing “this subtitle”.

18 (D) Section 36 of such Code (as so redesi-
 19 gnated) is amended by redesignating sub-
 20 section (i) as subsection (j) and by inserting
 21 after subsection (h) the following new sub-
 22 section:

23 “(i) COORDINATION WITH ADVANCE PAYMENT.—

24 With respect to any taxable year, the amount which would
 25 (but for this subsection) be allowed as a credit to the tax-
 26 payer under subsection (a) shall be reduced (but not below

1 zero) by the aggregate amount paid on behalf of such tax-
 2 payer under section 7528 for such taxable year.”.

3 (E) Subparagraph (B) of section 72(t)(7)
 4 of such Code is amended by striking “section
 5 25A(g)(2)” and inserting “section 36(g)(2)”.

6 (F) Subparagraph (A) of section 135(d)(2)
 7 of such Code is amended by striking “section
 8 25A” and inserting “section 36”.

9 (G) Section 221(d) of such Code is
 10 amended—

11 (i) by striking “section 25A(g)(2)” in
 12 paragraph (2)(B) and inserting “section
 13 36(g)(2)”,

14 (ii) by striking “section 25A(f)(2)” in
 15 paragraph (2)(B) and inserting “section
 16 36(f)(2)”, and

17 (iii) by striking “section 25A(b)(3)”
 18 in paragraph (3) and inserting “section
 19 36(b)(3)”.

20 (H) Section 222 of such Code is
 21 amended—

22 (i) by striking “section 25A” in sub-
 23 paragraph (A) of subsection (c)(2) and in-
 24 serting “section 36”,

1 (ii) by striking “section 25A(f)” in
 2 subsection (d)(1) and inserting “section
 3 36(f)”, and

4 (iii) by striking “section 25A(g)(2)”
 5 in subsection (d)(1) and inserting “section
 6 36(g)(2)”.

7 (I) Section 529 of such Code is amended—

8 (i) by striking “section 25A(g)(2)” in
 9 subclause (I) of subsection (c)(3)(B)(v)
 10 and inserting “section 36(g)(2)”,

11 (ii) by striking “section 25A” in sub-
 12 clause (II) of subsection (c)(3)(B)(v) and
 13 inserting “section 36”, and

14 (iii) by striking “section 25A(b)(3)”
 15 in clause (i) of subsection (e)(3)(B) and in-
 16 serting “section 36(b)(3)”.

17 (J) Section 530 of such Code is
 18 amended—

19 (i) by striking “section 25A(g)(2)” in
 20 subclause (I) of subsection (d)(2)(C)(i) and
 21 inserting “section 36(g)(2)”,

22 (ii) by striking “section 25A” in sub-
 23 clause (II) of subsection (d)(2)(C)(i) and
 24 inserting “section 36”, and

1 (iii) by striking “section 25A(g)(2)”
 2 in clause (iii) of subsection (d)(4)(B) and
 3 inserting “section 36(g)(2)”.

4 (K) Subsection (e) of section 6050S of
 5 such Code is amended by striking “section
 6 25A” and inserting “section 36”.

7 (L) Subparagraph (J) of section
 8 6213(g)(2) of such Code is amended by striking
 9 “section 25A(g)(1)” and inserting “section
 10 36(g)(1)”.

11 (M) Paragraph (2) of section 1324(b) of
 12 title 31, United States Code, is amended by in-
 13 serting before the period “or from section 36 of
 14 such Code”.

15 (N) The table of sections for subpart C of
 16 part IV of subchapter A of chapter 1 of such
 17 Code is amended by striking the item relating
 18 to section 36 and inserting the following:

“Sec. 36. Hope and Lifetime Learning credits.
 “Sec. 37. Overpayments of tax.”.

19 (O) The table of sections for subpart A of
 20 part IV of such Code is amended by striking
 21 the item relating to section 25A.

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

1 **SEC. 3. ADVANCE PAYMENT OF CREDIT FOR HOPE SCHOL-**
 2 **ARSHIP AND LIFETIME LEARNING.**

3 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 4 enue Code of 1986 (relating to miscellaneous provisions)
 5 is amended by redesignating section 7528 as section 7529
 6 and inserting after section 7527 the following new section:

7 **“SEC. 7528. ADVANCE PAYMENT OF CREDIT FOR HOPE**
 8 **SCHOLARSHIP AND LIFETIME LEARNING.**

9 “(a) GENERAL RULE.—Not later than August 1,
 10 2004, the Secretary shall establish a program for making
 11 payments on behalf of certified individuals to eligible edu-
 12 cational institutions (as defined in section 36(f)(2)) for
 13 such individuals.

14 “(b) LIMITATION ON ADVANCE PAYMENTS DURING
 15 ANY TAXABLE YEAR.—The Secretary may make pay-
 16 ments under subsection (a) only to the extent that the
 17 total amount of such payments made on behalf of any indi-
 18 vidual during the taxable year does not exceed the quali-
 19 fied tuition and related expenses (within the meaning of
 20 section 36(f)(1)) incurred by such individual at such eligi-
 21 ble educational institution during the taxable year.

22 “(c) CERTIFIED INDIVIDUAL.—For purposes of this
 23 section, the term ‘certified individual’ means any indi-
 24 vidual for whom a qualified education costs credit eligi-
 25 bility certificate is in effect.

1 “(d) QUALIFIED EDUCATION COSTS CREDIT ELIGI-
 2 BILITY CERTIFICATE.—For purposes of this section, the
 3 term ‘qualified education costs credit eligibility certificate’
 4 means any written statement that an individual has in-
 5 curred costs which are qualified tuition and related ex-
 6 penses (within the meaning of section 36(f)(1)) if such
 7 statement provides such information as the Secretary may
 8 require for purposes of this section.”.

9 (b) DISCLOSURE OF RETURN INFORMATION FOR
 10 PURPOSES OF CARRYING OUT A PROGRAM FOR ADVANCE
 11 PAYMENT OF CREDIT FOR HOPE SCHOLARSHIP AND
 12 LIFETIME LEARNING.—

13 (1) IN GENERAL.—Subsection (l) of section
 14 6103 of such Code (relating to disclosure of returns
 15 and return information for purposes other than tax
 16 administration) is amended by adding at the end the
 17 following new paragraph:

18 “(21) DISCLOSURE OF RETURN INFORMATION
 19 FOR PURPOSES OF CARRYING OUT A PROGRAM FOR
 20 ADVANCE PAYMENT OF CREDIT FOR HOPE SCHOLAR-
 21 SHIP AND LIFETIME LEARNING.—The Secretary may
 22 disclose to educational institutions for any certified
 23 individual (as defined in section 7528(c)) return in-
 24 formation with respect to such certified individual
 25 only to the extent necessary to carry out the pro-

gram established by section 7528 (relating to advance payment of credit for hope scholarship and lifetime learning).”.

(2) PROCEDURES AND RECORDKEEPING RELATED TO DISCLOSURES.—Subsection (p) of such section is amended—

(A) in paragraph (3)(A) by striking “or (18)” and inserting “(18), or (21)”, and

(B) in paragraph (4) by striking “or (20)” and inserting “(20), or (21)” each place it appears.

(3) UNAUTHORIZED INSPECTION OF RETURNS OR RETURN INFORMATION.—Section 7213A(a)(1)(B) of such Code is amended by striking “(l)(18) or (n)” and inserting “(l)(18), (l)(19), or (n)”.

(c) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to information concerning transactions with other persons) is amended by inserting after section 6050S the following new section:

1 **“SEC. 6050U. RETURNS RELATING TO CREDIT FOR HOPE**
2 **SCHOLARSHIP AND LIFETIME LEARNING.**

3 “(a) REQUIREMENT OF REPORTING.—Every person
4 who is entitled to receive payments for any month of any
5 calendar year under section 7528 (relating to advance pay-
6 ment of credit for hope scholarship and lifetime learning)
7 with respect to any certified individual (as defined in sec-
8 tion 7528(c)) shall, at such time as the Secretary may pre-
9 scribe, make the return described in subsection (b) with
10 respect to each such individual.

11 “(b) FORM AND MANNER OF RETURNS.—A return
12 is described in this subsection if such return—

13 “(1) is in such form as the Secretary may pre-
14 scribe, and

15 “(2) contains—

16 “(A) the name, address, and TIN of each
17 individual referred to in subsection (a),

18 “(B) the number of months for which
19 amounts were entitled to be received with re-
20 spect to such individual under section 7528 (re-
21 lating to advance payment of credit for hope
22 scholarship and lifetime learning),

23 “(C) the amount entitled to be received for
24 each such year, and

25 “(D) such other information as the Sec-
26 retary may prescribe.

1 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
 2 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
 3 QUIRED.—Every person required to make a return under
 4 subsection (a) shall furnish to each individual whose name
 5 is required to be set forth in such return a written state-
 6 ment showing—

7 “(1) the name and address of the person re-
 8 quired to make such return and the phone number
 9 of the information contact for such person, and

10 “(2) the information required to be shown on
 11 the return with respect to such individual.

12 The written statement required under the preceding sen-
 13 tence shall be furnished on or before January 31 of the
 14 year following the calendar year for which the return
 15 under subsection (a) is required to be made.”.

16 (2) ASSESSABLE PENALTIES.—

17 (A) Subparagraph (B) of section
 18 6724(d)(1) of such Code (relating to defini-
 19 tions) is amended by redesignating clauses (xii)
 20 through (xviii) as clauses (xiii) through (xiv),
 21 respectively, and by inserting after clause (xi)
 22 the following new clause:

23 “(xii) section 6050U (relating to re-
 24 turns relating to credit for hope scholar-
 25 ship and lifetime learning),”.

1 (B) Paragraph (2) of section 6724(d) of
 2 such Code is amended by striking “or” at the
 3 end of subparagraph (AA), by striking the pe-
 4 riod at the end of subparagraph (BB) and in-
 5 serting “, or”, and by adding after subpara-
 6 graph (BB) the following new subparagraph:

7 “(CC) section 6050U (relating to returns
 8 relating to credit for hope scholarship and life-
 9 time learning).”.

10 (d) CLERICAL AMENDMENTS.—

11 (1) ADVANCE PAYMENT.—The table of sections
 12 for chapter 77 of the Internal Revenue Code of 1986
 13 is amended by adding at the end the following new
 14 item:

“Sec. 7528. Advance payment of credit for hope scholarship and
 lifetime learning.”.

15 (2) INFORMATION REPORTING.—The table of
 16 sections for subpart B of part III of subchapter A
 17 of chapter 61 of such Code is amended by inserting
 18 after the item relating to section 6050S the fol-
 19 lowing new item:

“Sec. 6050U. Returns relating to credit for hope scholarship and
 lifetime learning.”.

20 (e) EFFECTIVE DATE.—The amendments made by
 21 this section shall take effect on the date of the enactment
 22 of this Act.

