

108TH CONGRESS
1ST SESSION

S. 348

To amend the Internal Revenue Code of 1986 to make higher education more affordable, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 2003

Mr. SCHUMER (for himself, Mr. BIDEN, Ms. SNOWE, Mr. BAYH, Mr. SMITH, and Mr. DURBIN) 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 make higher education 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Make College Afford-
5 able Act of 2003”.

6 **SEC. 2. EXPANSION OF DEDUCTION FOR HIGHER EDU-**
7 **CATION EXPENSES.**

8 (a) AMOUNT OF DEDUCTION.—Subsection (b) of sec-
9 tion 222 of the Internal Revenue Code of 1986 (relating

1 to deduction for qualified tuition and related expenses) is
 2 amended to read as follows:

3 “(b) LIMITATIONS.—

4 “(1) DOLLAR LIMITATIONS.—

5 “(A) IN GENERAL.—Except as provided in
 6 paragraph (2), the amount allowed as a deduc-
 7 tion under subsection (a) with respect to the
 8 taxpayer for any taxable year shall not exceed
 9 the applicable dollar limit.

10 “(B) APPLICABLE DOLLAR LIMIT.—The
 11 applicable dollar limit for any taxable year shall
 12 be determined as follows:

“Taxable year:	Applicable dollar amount:
2003	\$8,000
2004 and thereafter	\$12,000.

13 “(2) LIMITATION BASED ON MODIFIED AD-
 14 JUSTED GROSS INCOME.—

15 “(A) IN GENERAL.—The amount which
 16 would (but for this paragraph) be taken into ac-
 17 count under subsection (a) shall be reduced
 18 (but not below zero) by the amount determined
 19 under subparagraph (B).

20 “(B) AMOUNT OF REDUCTION.—The
 21 amount determined under this subparagraph
 22 equals the amount which bears the same ratio

1 to the amount which would be so taken into ac-
2 count as—

3 “(i) the excess of—

4 “(I) the taxpayer’s modified ad-
5 justed gross income for such taxable
6 year, over

7 “(II) \$65,000 (\$130,000 in the
8 case of a joint return), bears to

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

11 “(C) MODIFIED ADJUSTED GROSS IN-
12 COME.—For purposes of this paragraph, the
13 term ‘modified adjusted gross income’ means
14 the adjusted gross income of the taxpayer for
15 the taxable year determined—

16 “(i) without regard to this section and
17 sections 911, 931, and 933, and

18 “(ii) after the application of sections
19 86, 135, 137, 219, 221, and 469.

20 For purposes of the sections referred to in
21 clause (ii), adjusted gross income shall be deter-
22 mined without regard to the deduction allowed
23 under this section.

24 “(D) INFLATION ADJUSTMENTS.—

1 “(i) IN GENERAL.—In the case of any
2 taxable year beginning in a calendar year
3 after 2003, both of the dollar amounts in
4 subparagraph (B)(i)(II) shall be increased
5 by an amount equal to—

6 “(I) such dollar amount, multi-
7 plied by

8 “(II) the cost-of-living adjust-
9 ment determined under section 1(f)(3)
10 for the calendar year in which the tax-
11 able year begins, by substituting ‘cal-
12 endar year 2002’ for ‘calendar year
13 1992’ in subparagraph (B) thereof.

14 “(ii) ROUNDING.—If any amount as
15 adjusted under clause (i) is not a multiple
16 of \$50, such amount shall be rounded to
17 the nearest multiple of \$50.”.

18 (b) QUALIFIED TUITION AND RELATED EXPENSES
19 OF ELIGIBLE STUDENTS.—

20 (1) IN GENERAL.—Section 222(a) of the Inter-
21 nal Revenue Code of 1986 (relating to allowance of
22 deduction) is amended by inserting “of eligible stu-
23 dents” after “expenses”.

24 (2) DEFINITION OF ELIGIBLE STUDENT.—Sec-
25 tion 222(d) of such Code (relating to definitions and

1 special rules) is amended by redesignating para-
2 graphs (2) through (6) as paragraphs (3) through
3 (7), respectively, and by inserting after paragraph
4 (1) the following new paragraph:

5 “(2) ELIGIBLE STUDENT.—The term ‘eligible
6 student’ has the meaning given such term by section
7 25A(b)(3).”.

8 (c) DEDUCTION MADE PERMANENT.—Title IX of the
9 Economic Growth and Tax Relief Reconciliation Act of
10 2001 (relating to sunset of provisions of such Act) shall
11 not apply to the amendments made by section 431 of such
12 Act.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to payments made in taxable years
15 beginning after December 31, 2002.

16 **SEC. 3. CREDIT FOR INTEREST ON HIGHER EDUCATION**
17 **LOANS.**

18 (a) IN GENERAL.—Subpart A of part IV of sub-
19 chapter A of chapter 1 of the Internal Revenue Code of
20 1986 (relating to nonrefundable personal credits) is
21 amended by inserting after section 25B the following new
22 section:

23 **“SEC. 25C. INTEREST ON HIGHER EDUCATION LOANS.**

24 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
25 dividual, there shall be allowed as a credit against the tax

1 imposed by this chapter for the taxable year an amount
2 equal to the interest paid by the taxpayer during the tax-
3 able year on any qualified education loan.

4 “(b) MAXIMUM CREDIT.—

5 “(1) IN GENERAL.—Except as provided in para-
6 graph (2), the credit allowed by subsection (a) for
7 the taxable year shall not exceed \$1,500.

8 “(2) LIMITATION BASED ON MODIFIED AD-
9 JUSTED GROSS INCOME.—

10 “(A) IN GENERAL.—If the modified ad-
11 justed gross income of the taxpayer for the tax-
12 able year exceeds \$50,000 (\$100,000 in the
13 case of a joint return), the amount which would
14 (but for this paragraph) be allowable as a credit
15 under this section shall be reduced (but not
16 below zero) by the amount which bears the
17 same ratio to the amount which would be so al-
18 lowable as such excess bears to \$20,000
19 (\$40,000 in the case of a joint return).

20 “(B) MODIFIED ADJUSTED GROSS IN-
21 COME.—The term ‘modified adjusted gross in-
22 come’ means adjusted gross income determined
23 without regard to sections 911, 931, and 933.

24 “(C) INFLATION ADJUSTMENT.—In the
25 case of any taxable year beginning after 2003,

1 the \$50,000 and \$100,000 amounts referred to
2 in subparagraph (A) shall be increased by an
3 amount equal to—

4 “(i) such dollar amount, multiplied by

5 “(ii) the cost-of-living adjustment de-
6 termined under section (1)(f)(3) for the
7 calendar year in which the taxable year be-
8 gins, by substituting ‘2002’ for ‘1992’.

9 “(D) ROUNDING.—If any amount as ad-
10 justed under subparagraph (C) is not a multiple
11 of \$50, such amount shall be rounded to the
12 nearest multiple of \$50.

13 “(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No
14 credit shall be allowed by this section to an individual for
15 the taxable year if a deduction under section 151 with re-
16 spect to such individual is allowed to another taxpayer for
17 the taxable year beginning in the calendar year in which
18 such individual’s taxable year begins.

19 “(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit
20 shall be allowed under this section only with respect to
21 interest paid on any qualified education loan during the
22 first 60 months (whether or not consecutive) in which in-
23 terest payments are required. For purposes of this para-
24 graph, any loan and all refinancings of such loan shall be
25 treated as 1 loan.

1 “(e) DEFINITIONS.—For purposes of this section—

2 “(1) QUALIFIED EDUCATION LOAN.—The term
3 ‘qualified education loan’ has the meaning given
4 such term by section 221(e)(1).

5 “(2) DEPENDENT.—The term ‘dependent’ has
6 the meaning given such term by section 152.

7 “(f) SPECIAL RULES.—

8 “(1) DENIAL OF DOUBLE BENEFIT.—No credit
9 shall be allowed under this section for any amount
10 taken into account for any deduction under any
11 other provision of this chapter.

12 “(2) MARRIED COUPLES MUST FILE JOINT RE-
13 TURN.—If the taxpayer is married at the close of
14 the taxable year, the credit shall be allowed under
15 subsection (a) only if the taxpayer and the tax-
16 payer’s spouse file a joint return for the taxable
17 year.

18 “(3) MARITAL STATUS.—Marital status shall be
19 determined in accordance with section 7703.”.

20 (b) CONFORMING AMENDMENT.—The table of sec-
21 tions for subpart A of part IV of subchapter A of chapter
22 1 of the Internal Revenue Code of 1986 is amended by
23 inserting after the item relating to section 25B the fol-
24 lowing new item:

“Sec. 25C. Interest on higher education loans.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to any qualified education loan (as
3 defined in section 25C(e)(1) of the Internal Revenue Code
4 of 1986, as added by this section) incurred on, before, or
5 after the date of the enactment of this Act, but only with
6 respect to any loan interest payment due after December
7 31, 2002.

○