

109TH CONGRESS  
1ST SESSION

# H. R. 1756

To amend the Internal Revenue Code of 1986 to make the Hope and Lifetime Learning Credits refundable, and to allow taxpayers to obtain short-term student loans by using the future refund of such credits as collateral for the loans.

---

## IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2005

Mr. ANDREWS introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to make the Hope and Lifetime Learning Credits refundable, and to allow taxpayers to obtain short-term student loans by using the future refund of such credits as collateral for the loans.

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 AND LIFETIME LEARNING CREDITS TO**  
4 **BE REFUNDABLE.**

5 (a) CREDIT TO BE REFUNDABLE.—Section 25A of  
6 the Internal Revenue Code of 1986 (relating to Hope and  
7 Lifetime Learning credits) is hereby moved to subpart C

1 of part IV of subchapter A of chapter 1 of such Code (re-  
2 lating to refundable credits) and inserted after section 35.

3 (b) TECHNICAL AMENDMENTS.—

4 (1) Section 36 of such Code is redesignated as  
5 section 37.

6 (2) Section 25A of such Code (as moved by  
7 subsection (a)) is redesignated as section 36.

8 (3) Paragraph (1) of section 36(a) of such Code  
9 (as redesignated by paragraph (2)) is amended by  
10 striking “this chapter” and inserting “this subtitle”.

11 (4) Subparagraph (B) of section 72(t)(7) of  
12 such Code is amended by striking “section  
13 25A(g)(2)” and inserting “section 36(g)(2)”.

14 (5) Subparagraph (A) of section 135(d)(2) of  
15 such Code is amended by striking “section 25A” and  
16 inserting “section 36”.

17 (6) Section 221(e) of such Code is amended—

18 (A) in paragraph (2)(B), by striking “sec-  
19 tion 25A(g)(2)” and inserting “section  
20 36(g)(2)” and by striking “section 25A(f)(2)”  
21 and inserting “section 36(f)(2)”, and

22 (B) in paragraph (3), by striking “section  
23 25A(b)(3)” and inserting “section 36(b)(3)”.

1           (7) Clause (i) of section 529(e)(3)(B) of such  
2 Code is amended by striking “section 25A(b)(3)”  
3 and inserting “section 36(b)(3)”.

4           (8) Subparagraph (A) of section 530(b)(2) of  
5 such Code is amended by striking “section  
6 25A(g)(2)” and inserting “section 36(g)(2)”.

7           (9) Clause (iii) of section 530(d)(4)(B) of such  
8 Code is amended by striking “section 25A(g)(2)”  
9 and inserting “section 36(g)(2)”.

10          (10) Subsection (e) of section 6050S of such  
11 Code is amended by striking “section 25A” and in-  
12 serting “section 36”.

13          (11) Subparagraph (J) of section 6213(g)(2) of  
14 such Code is amended by striking “section  
15 25A(g)(1)” and inserting “section 36(g)(1)”.

16          (12) Paragraph (2) of section 1324(b) of title  
17 31, United States Code, is amended by inserting “or  
18 36” after “section 35”.

19          (13) The table of sections for subpart C of part  
20 IV of subchapter A of chapter 1 of such Code is  
21 amended by redesignating the item relating to sec-  
22 tion 36 as an item relating to section 37 and by in-  
23 serting before such item the following new item:

“Sec. 36. Hope and Lifetime Learning credits.”.

1           (14) The table of sections for subpart A of such  
2           part IV is amended by striking the item relating to  
3           section 25A.

4           (c) EFFECTIVE DATE.—The amendments made by  
5           this subsection shall apply to taxable years beginning after  
6           December 31, 2005.

7   **SEC. 2. USE OF REFUNDS OF HOPE AND LIFETIME LEARN-**  
8                           **ING CREDITS AS COLLATERAL FOR SHORT-**  
9                           **TERM STUDENT LOANS.**

10          (a) IN GENERAL.—Section 36 of the Internal Rev-  
11          enue Code of 1986 (as redesignated by section 1) is  
12          amended by redesignating subsection (i) as subsection (j)  
13          and by inserting after subsection (h) the following new  
14          section:

15          “(i) TUITION TAX CREDIT ASSIGNMENT LOANS.—

16                  “(1) IN GENERAL.—Any eligible educational in-  
17                  stitution may provide to a taxpayer described in  
18                  paragraph (3) a tuition tax credit assignment loan.

19                  “(2) TUITION TAX CREDIT ASSIGNMENT  
20                  LOAN.—For purposes of this subsection, the term  
21                  ‘tuition tax credit assignment loan’ means a loan  
22                  provided to the taxpayer by the eligible educational  
23                  institution in return for which the taxpayer agrees  
24                  to authorize the Internal Revenue Service to dis-  
25                  burse the loan amount directly to the lender out of

1 the next refund due to the taxpayer that is attrib-  
2 utable to a credit under this section.

3 “(3) TAXPAYERS ELIGIBLE FOR LOAN.—A tax-  
4 payer is eligible for a loan under this subsection if  
5 the taxpayer is either—

6 “(A) an eligible student for whom a Hope  
7 Scholarship Credit under subsection (a)(1) is  
8 allowed, or

9 “(B) a taxpayer for whom a Lifetime  
10 Learning Credit is allowed.

11 “(4) MAXIMUM AMOUNT OF LOAN.—The  
12 amount of a loan provided under this subsection  
13 may not exceed—

14 “(A) \$1,000, or

15 “(B) in the case of a first-year or second-  
16 year student, \$1,500.

17 “(5) LOAN ORIGINATION FEE MAY BE  
18 CHARGED.—An eligible educational institution pro-  
19 viding a tuition tax credit assignment loan may  
20 charge the taxpayer a loan origination fee of up to  
21 5 percent of the loan amount, but may not charge  
22 interest on the loan amount.

23 “(6) 3-YEAR TIME LIMIT ON USE OF CREDIT  
24 REFUND AS COLLATERAL.—If a taxpayer who has  
25 obtained a tuition tax credit assignment loan has not

1 received a refund attributable to a credit under this  
2 section within three years after receiving the loan,  
3 then the loan will become due and payable in accord-  
4 ance with the terms of the loan agreement.”.

5 (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply with respect to credits claimed in  
7 taxable years beginning after December 31, 2005.

○