

109TH CONGRESS
1ST SESSION

H. R. 2666

To amend the Internal Revenue Code of 1986 to modify the determination and deduction of interest on qualified education loans.

IN THE HOUSE OF REPRESENTATIVES

MAY 26, 2005

Mr. ENGLISH of Pennsylvania 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 modify the determination and deduction of interest on qualified education 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. INTEREST DETERMINATIONS ON STUDENT**
4 **LOANS.**

5 (a) IN GENERAL.—Section 221 of the Internal Rev-
6 enue Code of 1986 (relating to interest on education
7 loans) is amended by redesignating subsection (f) as sub-
8 section (g) and by inserting after subsection (e) the fol-
9 lowing new subsection:

1 “(f) DETERMINATION OF INTEREST PAID.—In the
2 case of a qualified education loan initially disbursed after
3 December 31, 2004, for purposes of this section and not-
4 withstanding any other provision of this title—

5 “(1) IN GENERAL.—

6 “(A) TREATMENT AS INTEREST.—A loan
7 payment on such loan shall be treated as a pay-
8 ment of interest to the extent of the balance,
9 immediately before such payment, in the accu-
10 mulated interest account with respect to such
11 loan.

12 “(B) EXCEPTION.—Subparagraph (A)
13 shall not apply to any payment of collection
14 costs, late fees, and penalties.

15 “(2) ACCUMULATED INTEREST ACCOUNT.—

16 “(A) IN GENERAL.—The term ‘accumu-
17 lated interest account’ means an account which
18 is adjusted in accordance with this paragraph.

19 “(B) INCREASES.—The balance in the ac-
20 cumulated interest account shall be increased
21 for any period by the sum of—

22 “(i) the loan origination fees incurred
23 by the borrower in such period, and

24 “(ii) the amount of stated interest on
25 the loan for such period.

1 “(C) DECREASES.—The balance in the ac-
2 cumulated interest account shall be decreased
3 (but not below zero) by payments made on the
4 loan to the extent treated as interest under this
5 section.

6 “(3) LOAN ORIGINATION FEES.—

7 “(A) FEDERAL PROGRAMS.—The term
8 ‘loan origination fee’ includes any fee imposed
9 under any of the following provisions of the
10 Higher Education Act of 1965:

11 “(i) Section 438(c) (20 U.S.C. 1087–
12 1(c)).

13 “(ii) Section 428(b)(1)(H) (20 U.S.C.
14 1078(b)(1)(H)).

15 “(iii) Section 455(c) (20 U.S.C.
16 1087e(c)).

17 “(B) FEES FOR SERVICES OR PROPERTY
18 EXCLUDED.—Except as provided under sub-
19 paragraph (A), the term ‘loan origination fee’
20 does not include any fee which is a fee for serv-
21 ices or property.

22 “(4) ANTI-ABUSE RULE.—The Secretary may
23 prescribe rules to prevent the acceleration of addi-
24 tions to the accumulated interest account where the

1 loan origination fees or stated interest do not prop-
2 erly reflect the substance of the loan.”.

3 (b) INFORMATION RETURNS.—

4 (1) INTEREST AND LOAN ORIGINATION FEE DE-
5 FINED.—Subsection (e) of section 6050S of such
6 Code (relating to general rule for form and manner
7 of returns) is amended by inserting before the period
8 at the end the following: “, and the term ‘interest’
9 has the same meaning as when used in section 221”.

10 (2) PRE-2005 LOANS.—The regulations under
11 section 6050S of the Internal Revenue Code of 1986
12 which are applicable to loans made before September
13 1, 2004, shall also apply to loans made on or after
14 such date which are initially disbursed before Janu-
15 ary 1, 2005.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2004.

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