

109TH CONGRESS
1ST SESSION

S. 759

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

APRIL 11, 2005

Mr. SCHUMER (for himself, Mr. BIDEN, Ms. SNOWE, Mr. DURBIN, Mr. SMITH, and Mr. BAYH) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

JULY 1, 2005

Committee discharged 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 2005”.

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

3 (a) AMOUNT OF DEDUCTION.—Subsection (b) of sec-
 4 tion 222 of the Internal Revenue Code of 1986 (relating
 5 to deduction for qualified tuition and related expenses) is
 6 amended to read as follows:

7 “(b) LIMITATIONS.—

8 “(1) DOLLAR LIMITATIONS.—

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

14 “(B) APPLICABLE DOLLAR LIMIT.—The
 15 applicable dollar limit for any taxable year shall
 16 be determined as follows:

“Taxable year:	Applicable dollar amount:
2005	\$8,000
2006 and thereafter	\$12,000.

17 “(2) LIMITATION BASED ON MODIFIED AD-
 18 JUSTED GROSS INCOME.—

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

1 “(B) AMOUNT OF REDUCTION.—The
2 amount determined under this subparagraph
3 equals the amount which bears the same ratio
4 to the amount which would be so taken into ac-
5 count as—

6 “(i) the excess of—

7 “(I) the taxpayer’s modified ad-
8 justed gross income for such taxable
9 year, over

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

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

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

19 “(i) without regard to this section and
20 sections 199, 911, 931, and 933, and

21 “(ii) after the application of sections
22 86, 135, 137, 219, 221, and 469.

23 For purposes of the sections referred to in
24 clause (ii), adjusted gross income shall be deter-

1 mined without regard to the deduction allowed
2 under this section.

3 “(D) INFLATION ADJUSTMENTS.—

4 “(i) IN GENERAL.—In the case of any
5 taxable year beginning in a calendar year
6 after 2005, both of the dollar amounts in
7 subparagraph (B)(i)(II) shall be increased
8 by an amount equal to—

9 “(I) such dollar amount, multi-
10 plied by

11 “(II) the cost-of-living adjust-
12 ment determined under section 1(f)(3)
13 for the calendar year in which the tax-
14 able year begins, by substituting ‘cal-
15 endar year 2004’ for ‘calendar year
16 1992’ in subparagraph (B) thereof.

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

21 (b) QUALIFIED TUITION AND RELATED EXPENSES
22 OF ELIGIBLE STUDENTS.—

23 (1) IN GENERAL.—Section 222(a) of the Inter-
24 nal Revenue Code of 1986 (relating to allowance of

1 deduction) is amended by inserting “of eligible stu-
2 dents” after “expenses”.

3 (2) DEFINITION OF ELIGIBLE STUDENT.—Sec-
4 tion 222(d) of such Code (relating to definitions and
5 special rules) is amended by redesignating para-
6 graphs (2) through (6) as paragraphs (3) through
7 (7), respectively, and by inserting after paragraph
8 (1) the following new paragraph:

9 “(2) ELIGIBLE STUDENT.—The term ‘eligible
10 student’ has the meaning given such term by section
11 25A(b)(3).”.

12 (c) DEDUCTION MADE PERMANENT.—Title IX of the
13 Economic Growth and Tax Relief Reconciliation Act of
14 2001 (relating to sunset of provisions of such Act) shall
15 not apply to the amendments made by section 431 of such
16 Act.

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

20 **SEC. 3. CREDIT FOR INTEREST ON HIGHER EDUCATION**
21 **LOANS.**

22 (a) IN GENERAL.—Subpart A of part IV of sub-
23 chapter A of chapter 1 of the Internal Revenue Code of
24 1986 (relating to nonrefundable personal credits) is

1 amended by inserting after section 25B the following new
2 section:

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

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
5 dividual, there shall be allowed as a credit against the tax
6 imposed by this chapter for the taxable year an amount
7 equal to the interest paid by the taxpayer during the tax-
8 able year on any qualified education loan.

9 “(b) MAXIMUM CREDIT.—

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

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

15 “(A) IN GENERAL.—If the modified ad-
16 justed gross income of the taxpayer for the tax-
17 able year exceeds \$50,000 (\$100,000 in the
18 case of a joint return), the amount which would
19 (but for this paragraph) be allowable as a credit
20 under this section shall be reduced (but not
21 below zero) by the amount which bears the
22 same ratio to the amount which would be so al-
23 lowable as such excess bears to \$20,000
24 (\$40,000 in the case of a joint return).

1 “(B) MODIFIED ADJUSTED GROSS IN-
 2 COME.—The term ‘modified adjusted gross in-
 3 come’ means adjusted gross income determined
 4 without regard to sections 199, 222, 911, 931,
 5 and 933.

6 “(C) INFLATION ADJUSTMENT.—In the
 7 case of any taxable year beginning after 2005,
 8 the \$50,000 and \$100,000 amounts referred to
 9 in subparagraph (A) shall be increased by an
 10 amount equal to—

11 “(i) such dollar amount, multiplied by

12 “(ii) the cost-of-living adjustment de-
 13 termined under section (1)(f)(3) for the
 14 calendar year in which the taxable year be-
 15 gins, by substituting ‘2004’ for ‘1992’.

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

20 “(e) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No
 21 credit shall be allowed by this section to an individual for
 22 the taxable year if a deduction under section 151 with re-
 23 spect to such individual is allowed to another taxpayer for
 24 the taxable year beginning in the calendar year in which
 25 such individual’s taxable year begins.

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

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

9 “(1) QUALIFIED EDUCATION LOAN.—The term
10 ‘qualified education loan’ has the meaning given
11 such term by section 221(d)(1).

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

14 “(f) SPECIAL RULES.—

15 “(1) DENIAL OF DOUBLE BENEFIT.—No credit
16 shall be allowed under this section for any amount
17 taken into account for any deduction under any
18 other provision of this chapter.

19 “(2) MARRIED COUPLES MUST FILE JOINT RE-
20 TURN.—If the taxpayer is married at the close of
21 the taxable year, the credit shall be allowed under
22 subsection (a) only if the taxpayer and the tax-
23 payer’s spouse file a joint return for the taxable
24 year.

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

3 (b) CONFORMING AMENDMENT.—The table of sec-
4 tions for subpart A of part IV of subchapter A of chapter
5 1 of the Internal Revenue Code of 1986 is amended by
6 inserting after the item relating to section 25B the fol-
7 lowing new item:

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

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to any qualified education loan (as
10 defined in section 25C(e)(1) of the Internal Revenue Code
11 of 1986, as added by this section) incurred on, before, or
12 after the date of the enactment of this Act, but only with
13 respect to any loan interest payment due after December
14 31, 2004.

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