

110TH CONGRESS
1ST SESSION

H. R. 1407

To amend the Internal Revenue Code of 1986 to expand incentives for education.

IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 2007

Mr. ENGLISH of Pennsylvania (for himself, Mrs. MYRICK, Mr. JORDAN of Ohio, Mr. POE, and Mr. PICKERING) 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 expand incentives for education.

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 “Higher Education Af-
5 fordability and Equity Act of 2007”.

6 **SEC. 2. EXPANSION OF DEDUCTION FOR INTEREST ON EDU-**
7 **CATION LOANS.**

8 (a) REPEAL OF DOLLAR LIMITATION; INCREASE IN
9 PHASEOUT BEGINNING POINT.—Subsection (b) of section

1 221 of the Internal Revenue Code of 1986 (relating to
2 maximum deduction) is amended to read as follows:

3 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
4 GROSS INCOME.—

5 “(1) IN GENERAL.—The amount which would
6 (but for this subsection) be allowable as a deduction
7 under this section shall be reduced (but not below
8 zero) by the amount determined under paragraph
9 (2).

10 “(2) AMOUNT OF REDUCTION.—The amount
11 determined under this paragraph is the amount
12 which bears the same ratio to the amount which
13 would be so taken into account as—

14 “(A) the excess of—

15 “(i) the taxpayer’s modified adjusted
16 gross income for such taxable year, over

17 “(ii) \$100,000 (\$200,000 in the case
18 of a joint return), bears to

19 “(B) \$15,000 (\$30,000 in the case of a
20 joint return).

21 “(3) MODIFIED ADJUSTED GROSS INCOME.—

22 The term ‘modified adjusted gross income’ means
23 adjusted gross income determined—

24 “(A) without regard to this section and
25 sections 199, 222, 911, 931, and 933, and

1 “(B) after application of sections 86, 135,
2 137, 219, and 469.”.

3 (b) CONFORMING AMENDMENT.—Section 221(f)(1)
4 of such Code is amended to read as follows:

5 “(1) IN GENERAL.—In the case of a taxable
6 year beginning after 2008, the \$100,000 and
7 \$200,000 amounts in subsection (b) shall each be in-
8 creased by an amount equal to—

9 “(A) such dollar amount, multiplied by
10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for the calendar
12 year in which the taxable year begins, deter-
13 mined by substituting ‘calendar year 2007’ for
14 ‘calendar year 1992’ in subparagraph (B)
15 thereof.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2007.

19 **SEC. 3. DEDUCTION FOR QUALIFIED TUITION AND RE-**
20 **LATED EXPENSES MADE PERMANENT.**

21 (a) REPEAL OF TERMINATION.—Section 222 of the
22 Internal Revenue Code of 1986 is amended by striking
23 subsection (e).

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2007.

4 **SEC. 4. EDUCATION SAVINGS ACCOUNTS.**

5 (a) INCREASE IN ALLOWABLE CONTRIBUTIONS.—

6 (1) IN GENERAL.—Clause (iii) of section
7 530(b)(1)(A) of the Internal Revenue Code of 1986
8 is amended by striking “\$2,000” and inserting
9 “\$5,000”.

10 (2) CONFORMING AMENDMENT.—Section
11 4973(e)(1)(A) of such Code is amended by striking
12 “\$2,000” and inserting “\$5,000”.

13 (b) REPORTS.—Subsection (h) of section 530 of such
14 Code is amended by striking the period at the end of the
15 last sentence and inserting “, except that reports shall be
16 so filed and furnished for any calendar year not later than
17 June 30 of the following year.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2007.

1 **SEC. 5. ALLOWANCE OF ROOM, BOARD, AND SPECIAL**
2 **NEEDS SERVICES IN THE CASE OF SCHOLAR-**
3 **SHIPS AND TUITION REDUCTION PROGRAMS**
4 **WITH RESPECT TO HIGHER EDUCATION.**

5 (a) IN GENERAL.—Paragraph (1) of section 117(b)
6 of the Internal Revenue Code of 1986 (defining qualified
7 scholarship) is amended by inserting before the period at
8 the end the following: “or, in the case of enrollment or
9 attendance at an eligible educational institution, for quali-
10 fied higher education expenses.”.

11 (b) DEFINITIONS.—Subsection (b) of section 117 of
12 such Code is amended by adding at the end the following
13 new paragraph:

14 “(3) QUALIFIED HIGHER EDUCATION EX-
15 PENSES; ELIGIBLE EDUCATIONAL INSTITUTION.—
16 The terms ‘qualified higher education expenses’ and
17 ‘eligible educational institution’ have the meanings
18 given such terms in section 529(e).”.

19 (c) TUITION REDUCTION PROGRAMS.—Paragraph
20 (5) of section 117(d) of such Code (relating to special
21 rules for teaching and research assistants) is amended by
22 striking “shall be applied as if it did not contain the
23 phrase ‘(below the graduate level)’.” and inserting “shall
24 be applied—

25 “(A) as if it did not contain the phrase
26 ‘(below the graduate level)’, and

1 tion 25A of such Code (relating to special rules) is amend-
2 ed by adding at the end the following new paragraph:

3 “(8) PELL AND SEOG GRANTS.—For purposes
4 of the Hope Scholarship Credit, paragraph (2) shall
5 not apply to amounts paid for an individual as a
6 Federal Pell Grant or a Federal supplemental edu-
7 cational opportunity grant under subparts 1 and 3,
8 respectively, of part A of title IV of the Higher Edu-
9 cation Act of 1965 (20 U.S.C. 1070a and 1070b et
10 seq., respectively).”.

11 (c) EXPANDED HOPE EXPENSES NOT SUBJECT TO
12 INFORMATION REPORTING REQUIREMENTS.—Subsection
13 (e) of section 6050S of such Code (relating to definitions)
14 is amended by striking “subsection (g)(2)” and inserting
15 “subsections (f)(1)(D) and (g)(2)”.

16 (d) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to expenses paid after December
18 31, 2007 (in tax years ending after such date), for edu-
19 cation furnished in academic periods beginning after such
20 date.

21 **SEC. 7. REPEAL OF EGTRRA SUNSET APPLICABILITY TO**
22 **CERTAIN EDUCATION PROVISIONS.**

23 Title IX of the Economic Growth and Tax Relief Rec-
24 onciliation Act of 2001 (relating to sunset of provisions

1 of such Act) shall not apply to subtitles A, B, and D of
2 title IV of such Act.

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