

111TH CONGRESS
1ST SESSION

S. 1120

To amend the Internal Revenue Code of 1986 to conform the definitions of qualifying expenses for purposes of education tax benefits.

IN THE SENATE OF THE UNITED STATES

MAY 21, 2009

Mrs. LINCOLN 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 conform the definitions of qualifying expenses for purposes of education tax benefits.

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 CREDIT.**

4 (a) IN GENERAL.—Section 25A of the Internal Rev-
5 enue Code of 1986 is amended—

6 (1) by striking “qualified tuition and related ex-
7 penses” each place it appears in subsections (b), (c),
8 (e), (g), and (i) and inserting “higher education ex-
9 penses”, and

1 (2) by striking paragraph (1) of subsection (f)
2 and inserting the following:

3 “(1) HIGHER EDUCATION EXPENSES.—The
4 term ‘higher education expenses’ means any expense
5 of a type which is taken into account in determining
6 the cost of attendance (as defined in section 472 of
7 the Higher Education Act of 1965, as in effect on
8 the date of the enactment of the Taxpayer Relief Act
9 of 1997) of—

10 “(A) the taxpayer,

11 “(B) the taxpayer’s spouse, or

12 “(C) any dependent of the taxpayer with
13 respect to whom the taxpayer is allowed a de-
14 duction under section 151,

15 at an eligible educational institution for courses of
16 instruction of such individual at such institution.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 6050S of the Internal Revenue
19 Code of 1986 is amended by striking “qualified tui-
20 tion and related expenses” each place it appears in
21 subsections (a)(2), (b)(2)(B)(i), and (e) and insert-
22 ing “higher education expenses”.

23 (2) Section 6213(g)(2)(J) of such Code is
24 amended by striking “tuition and related expenses”
25 and inserting “expenses”.

1 (3) Section 6724 of such Code is amended by
 2 striking “qualified tuition and related expenses”
 3 each place it appears in subsections (d)(1)(B)(xii)
 4 and (d)(2)(BB) and inserting “higher education ex-
 5 penses”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to expenses paid after December
 8 31, 2008.

9 **SEC. 2. DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT**
 10 **PLANS FOR HIGHER EDUCATION EXPENSES.**

11 (a) IN GENERAL.—Subparagraph (A) of section
 12 72(t)(7) of the Internal Revenue Code of 1986 is amended
 13 by striking “means qualified higher education expenses”
 14 and all that follows and inserting “means higher education
 15 expenses (as defined in section 25A(f)(1)) for education
 16 furnished to—”

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to distributions after December 31,
 19 2008.

20 **SEC. 3. QUALIFIED SCHOLARSHIPS.**

21 (a) IN GENERAL.—Subsection (b) of section 117 of
 22 the Internal Revenue Code of 1986 is amended—

23 (1) by striking “qualified tuition and related ex-
 24 penses” in paragraph (1) and inserting “higher edu-
 25 cation expenses”, and

1 (2) by striking paragraph (2) and inserting the
2 following:

3 “(2) HIGHER EDUCATION EXPENSES.—For
4 purposes of paragraph (1), the term ‘higher edu-
5 cation expenses’ means any expense of a type which
6 is taken into account in determining the cost of at-
7 tendance (as defined in section 472 of the Higher
8 Education Act of 1965, as in effect on the date of
9 the enactment of the Taxpayer Relief Act of 1997)
10 of a student at an eligible educational institution (as
11 defined in section 25A(f)(2)).”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to amounts received after Decem-
14 ber 31, 2008.

15 **SEC. 4. INCOME FROM US SAVINGS BONDS.**

16 (a) IN GENERAL.—Section 135(c)(2) of the Internal
17 Revenue Code of 1986 is amended—

18 (1) by striking subparagraphs (A) and (B) and
19 inserting the following:

20 “(A) QUALIFIED HIGHER EDUCATION EX-
21 PENSES.—The term ‘qualified higher education
22 expenses’ means higher education expenses
23 within the meaning of section 25A(f).”, and

24 (2) by redesignating subparagraph (C) as sub-
25 paragraph (B).

1 (b) CONFORMING AMENDMENTS.—

2 (1) Subsection (c) of section 135 of the Internal
3 Revenue Code of 1986 is amended by striking para-
4 graph (3) and redesignating paragraph (4) as para-
5 graph (3).

6 (2) Section 135 of the Internal Revenue Code
7 of 1986 is amended by striking “**TUITION AND**
8 **FEES**” in the heading and inserting “**EXPENSES**”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to expenses paid after December
11 31, 2008.

12 **SEC. 5. DEDUCTION FOR QUALIFIED TUITION AND RE-**
13 **LATED EXPENSES.**

14 (a) IN GENERAL.—Subsection (a) of section 222 of
15 the Internal Revenue Code of 1986 is amended by striking
16 “qualified tuition and related expenses” and inserting
17 “higher education expenses”.

18 (b) DEFINITION.—Paragraph (1) of section 222(d) of
19 the Internal Revenue Code of 1986 is amended to read
20 as follows:

21 “(1) HIGHER EDUCATION EXPENSES.—The
22 term ‘higher education expenses’ has the meaning
23 given such term by section 25A(f). Such expenses
24 shall be reduced in the same manner as under sec-
25 tion 25A(g)(2).”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Subsections (c)(2)(B), (d)(2), (d)(3)(A),
 3 and (d)(3)(B) of section 222 of the Internal Rev-
 4 enue Code of 1986 are each amended by striking
 5 “qualified tuition and related expenses” and insert-
 6 ing “higher education expenses”.

7 (2) Section 222 of such Code is amended by
 8 striking “**QUALIFIED TUITION AND RELATED**
 9 **EXPENSES**” in the heading and inserting “**HIGHER**
 10 **EDUCATION EXPENSES**”.

11 (d) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 2008.

14 **SEC. 6. QUALIFIED TUITION PROGRAMS.**

15 (a) IN GENERAL.—Paragraph (3) of section 529(e)
 16 of the Internal Revenue Code of 1986 is amended to read
 17 as follows:

18 “(3) **QUALIFIED HIGHER EDUCATION EX-**
 19 **PENSES.**—The term ‘qualified higher education ex-
 20 penses’ means any expense of a type which is taken
 21 into account in determining the cost of attendance
 22 (as defined in section 472 of the Higher Education
 23 Act of 1965, as in effect on the date of the enact-
 24 ment of the Taxpayer Relief Act of 1997) of a bene-
 25 ficiary at an eligible educational institution.”.

1 (b) CONFORMING AMENDMENT.—Section 1400O of
2 the Internal Revenue Code of 1986 is amended by striking
3 paragraph (1) and redesignating paragraphs (2) and (3)
4 as paragraphs (1) and (2), respectively.

5 (c) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to taxable years beginning after
7 December 31, 2008.

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