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112TH CONGRESS
2D SESSION

H. R. 5878

To amend the Internal Revenue Code of 1986 to expand deductions allowed for education-related expenses and to extend the American Opportunity Tax Credit.

IN THE HOUSE OF REPRESENTATIVES

MAY 31, 2012

Mrs. LOWEY introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to expand deductions allowed for education-related expenses and to extend the American Opportunity Tax Credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Deductibility and Incentives to Promote Learning Opportunities and Maximize Assistance Act of 2012" or as the "DIPLOMA Act of 2012".

SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) ELIMINATION OF DOLLAR LIMITATION FOR QUALIFIED TUITION AND RELATED EXPENSES DEDUCTION.—Subsection (b) of section 222 of the Internal Revenue Code of 1986 (relating to qualified tuition and related expenses) is amended to read as follows:

"(b) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—In the case of a taxpayer whose adjusted gross income for a taxable year exceeds $80,000 ($160,000 in the case of a joint return), the amount of the deduction allowed under subsection (a) for the taxable year shall be zero.

"(2) ADJUSTED GROSS INCOME.—For purposes of this subsection, adjusted gross income shall be determined—

"(A) without regard to this section and sections 199, 911, 931, and 933, and

"(B) after application of sections 86, 135, 137, 219, 221, and 469.".

(b) TERMINATION.—Subsection (e) of section 222 of such Code is amended by striking "December 31, 2011" and inserting "December 31, 2017".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 3. INTEREST AND PRINCIPAL ON EDUCATION LOANS.

(a) EXPANSION OF DEDUCTION FOR INTEREST ON EDUCATION LOANS TO INCLUDE PRINCIPAL PAYMENTS.—Section 221 of the Internal Revenue Code of 1986 (relating to interest on education loans) is amended—

(1) in subsection (a), by striking ''interest paid'' and inserting ''interest and principal paid'',

(2) by redesignating subsections (d), (e), and (f) as subsections (e), (f), and (g), respectively,

(3) by inserting after subsection (c) the following new subsection:

''(d) LIMIT ON PERIOD DEDUCTION ALLOWED.—With respect to principal paid on any qualified education loan after the first 60 months (whether or not consecutive) in which principal payments are required, a deduction shall not be allowed under this section. For purposes of this paragraph, any loan and all refinancings of such loan shall be treated as 1 loan. Such 60 months shall be determined in the manner prescribed by the Secretary in the case of multiple loans which are refinanced by, or serviced as, a single loan and in the case of loans incurred before the date of the enactment of this section.'', and

(4) in the heading, by striking ''**INTEREST**'' and inserting ''**INTEREST AND PRINCIPAL**''.

(b) CLERICAL AMENDMENTS.—The item relating to section 221 in the table of sections for part VII of subchapter B of chapter 1 of such Code is amended to read as follows:

"Sec. 221. Interest and principal on education loans.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 4. EXTENSION OF AMERICAN OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Subsection (i) of section 25A of the Internal Revenue Code of 1986 is amended by striking "in 2009, 2010, 2011, or 2012" in the matter preceding paragraph (1) and inserting "after 2008 and before 2018".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2012.

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