

112TH CONGRESS
2D SESSION

H. R. 6522

To amend the Internal Revenue Code of 1986 to extend and modify the American Opportunity Tax Credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2012

Mr. ISRAEL 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 extend and modify the American Opportunity Tax Credit, 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 “Middle Class College
5 Tuition Tax Credit Expansion Act of 2012”.

6 **SEC. 2. EXTENSION AND MODIFICATION OF AMERICAN OP-**
7 **PORTUNITY TAX CREDIT.**

8 (a) IN GENERAL.—Section 25A of the Internal Rev-
9 enue Code of 1986 is amended to read as follows:

1 **“SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
3 dividual who is an eligible student for any taxable year,
4 there shall be allowed as a credit against the tax imposed
5 by this chapter for such taxable year the amount deter-
6 mined under subsection (b) with respect to such indi-
7 vidual.

8 “(b) AMOUNT OF CREDIT.—

9 “(1) STUDENT ENROLLED AT LEAST $\frac{1}{2}$ TIME.—

10 In the case of an eligible student who is carrying at
11 least $\frac{1}{2}$ the normal full-time workload for the course
12 of study the student is pursuing, the amount deter-
13 mined under this subsection with respect to such in-
14 dividual is the sum of—

15 “(A) 100 percent of so much of the quali-
16 fied tuition and related expenses paid by the
17 taxpayer during the taxable year (for education
18 furnished to the eligible student during any
19 academic period beginning in such taxable year)
20 as does not exceed \$2,500, plus

21 “(B) 50 percent of such expenses so paid
22 as exceeds \$2,500 but does not exceed \$7,500.

23 “(2) OTHER STUDENTS.—In the case of an eli-
24 gible student not described in paragraph (1), the
25 amount determined under this subsection with re-
26 spect to such individual is 50 percent of so much of

the qualified tuition and related expenses paid by the taxpayer during the taxable year (for education furnished to the eligible student during any academic period beginning in such taxable year) as does not exceed \$10,000.

“(c) DOLLAR LIMITATIONS.—

“(1) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(A) IN GENERAL.—The amount which would (but for this paragraph) be taken into account under this section for the taxable year shall be reduced (but not below zero) by the amount determined under paragraph (2).

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

“(i) the excess of—

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

“(II) \$160,000 (twice such amount in the case of a joint return), bears to

1 “(ii) \$20,000 (\$40,000 in the case of
2 a joint return).

3 “(C) MODIFIED ADJUSTED GROSS IN-
4 COME.—For purposes of this paragraph, the
5 term ‘modified adjusted gross income’ means
6 the adjusted gross income of the taxpayer for
7 the taxable year increased by any amount ex-
8 cluded from gross income under section 911,
9 931, or 933.

10 “(D) INFLATION ADJUSTMENT.—In the
11 case of any taxable year beginning after 2012,
12 the \$160,000 amount in subparagraph
13 (B)(i)(II) shall be increased by an amount
14 equal to—

15 “(i) such dollar amount, multiplied by

16 “(ii) the cost-of-living adjustment de-
17 termined under section 1(f)(3) for the cal-
18 endar year in which the taxable year be-
19 gins, determined by substituting ‘calendar
20 year 2011’ for ‘calendar year 1992’ in sub-
21 paragraph (B) thereof.

22 Any increase determined under the preceding
23 sentence shall be rounded to the nearest mul-
24 tiple of \$1,000.

1 “(2) LIMITATION BASED ON AMOUNT OF
2 TAX.—In the case of a taxable year to which section
3 26(a)(2) does not apply, the credit allowed under
4 this section shall not exceed the excess of—

5 “(A) the sum of the regular tax liability
6 (as defined in section 26(b)) plus the tax im-
7 posed by section 55, over

8 “(B) the sum of the credits allowable
9 under this subpart (other than this subsection
10 and sections 23, 25D, and 30D) and section 27
11 for the taxable year.

12 “(d) OTHER LIMITATIONS AND SPECIAL RULES.—
13 For purposes of this section:

14 “(1) LIFETIME DOLLAR LIMITATION.—In the
15 case of qualified tuition and related expenses with
16 respect to any individual, the aggregate amount of
17 the credits claimed under this section for all taxable
18 years shall not exceed \$25,000, determined without
19 regard to whether—

20 “(A) such credits are claimed on the re-
21 turn of tax filed by the individual or by another
22 taxpayer, or

23 “(B) such expenses are treated as paid by
24 the individual or by another taxpayer.

1 “(2) REPORTING.—No credit shall be allowed
2 under this section to a taxpayer with respect to the
3 qualified tuition and related expenses of an eligible
4 student unless the taxpayer includes the name and
5 taxpayer identification number of such eligible stu-
6 dent on the return of tax for the taxable year.

7 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-
8 SHIPS, ETC.—

9 “(A) IN GENERAL.—The amount of quali-
10 fied tuition and related expenses otherwise
11 taken into account under this section with re-
12 spect to an individual for an academic period
13 shall be reduced (before the application of sub-
14 sections (b) and (c)) by the sum of any
15 amounts paid for the benefit of such individual
16 which are allocable to such period as—

17 “(i) a qualified scholarship which is
18 excludable from gross income under section
19 117,

20 “(ii) an educational assistance allow-
21 ance under chapter 30, 31, 32, 34, or 35
22 of title 38, United States Code, or under
23 chapter 1606 of title 10, United States
24 Code, and

1 “(iii) a payment (other than a gift,
2 bequest, devise, or inheritance within the
3 meaning of section 102(a)) for such indi-
4 vidual’s educational expenses, or attrib-
5 utable to such individual’s enrollment at an
6 eligible educational institution, which is ex-
7 cludable from gross income under any law
8 of the United States.

9 “(B) COORDINATION WITH PELL GRANTS
10 NOT USED FOR QUALIFIED TUITION AND RE-
11 LATED EXPENSES.—Any amount determined
12 with respect to an individual under subpara-
13 graph (A) which is attributable to a Federal
14 Pell Grant under section 401 of the Higher
15 Education Act of 1965 shall be reduced (but
16 not below zero) by the amount of the expenses
17 (other than qualified tuition and related ex-
18 penses) which are taken into account in deter-
19 mining the cost of attendance (as defined in
20 section 472 of the Higher Education Act of
21 1965, as in effect on the date of the enactment
22 of the Middle Class College Tuition Tax Credit
23 Expansion Act of 2012) of such individual at
24 an eligible educational institution for the aca-

1 demic period for which the credit under this
2 section is being determined.

3 “(4) TREATMENT OF EXPENSES PAID BY DE-
4 PENDENT.—If a deduction under section 151 with
5 respect to an individual is allowed to another tax-
6 payer for a taxable year beginning in the calendar
7 year in which such individual’s taxable year begins—

8 “(A) no credit shall be allowed under this
9 section to such individual for such individual’s
10 taxable year, and

11 “(B) qualified tuition and related expenses
12 paid by such individual during such individual’s
13 taxable year shall be treated for purposes of
14 this section as paid by such other taxpayer.

15 “(5) TREATMENT OF CERTAIN PREPAY-
16 MENTS.—If qualified tuition and related expenses
17 are paid by the taxpayer during a taxable year for
18 an academic period which begins during the first 3
19 months following such taxable year, such academic
20 period shall be treated for purposes of this section
21 as beginning during such taxable year.

22 “(6) DENIAL OF DOUBLE BENEFIT.—No credit
23 shall be allowed under this section for any expense
24 for which a deduction is allowed under any other
25 provision of this chapter.

1 “(7) NO CREDIT FOR MARRIED INDIVIDUALS
2 FILING SEPARATE RETURNS.—If the taxpayer is a
3 married individual (within the meaning of section
4 7703), this section shall apply only if the taxpayer
5 and the taxpayer’s spouse file a joint return for the
6 taxable year.

7 “(8) NONRESIDENT ALIENS.—If the taxpayer is
8 a nonresident alien individual for any portion of the
9 taxable year, this section shall apply only if such in-
10 dividual is treated as a resident alien of the United
11 States for purposes of this chapter by reason of an
12 election under subsection (g) or (h) of section 6013.

13 “(e) ELECTION NOT TO HAVE SECTION APPLY.—A
14 taxpayer may elect not to have this section apply with re-
15 spect to the qualified tuition and related expenses of an
16 individual for any taxable year.

17 “(f) DEFINITIONS.—For purposes of this section:

18 “(1) ELIGIBLE STUDENT.—The term ‘eligible
19 student’ means, with respect to any taxable year, an
20 individual who—

21 “(A) is enrolled for at least one academic
22 period which begins during such taxable year at
23 an eligible educational institution, and

24 “(B) meets the requirements of section
25 484(a)(1) of the Higher Education Act of 1965,

as in effect on the date of the enactment of the Middle Class College Tuition Tax Credit Expansion Act of 2012.

“(2) QUALIFIED TUITION AND RELATED EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified tuition and related expenses’ means tuition, fees, and course materials required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse, or

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, at an eligible educational institution for courses of instruction of such individual at such institution.

“(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such course or other education is part of the individual’s degree program.

“(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student ac-

1 tivity fees, athletic fees, insurance expenses, or
2 other expenses unrelated to an individual's aca-
3 demic course of instruction.

4 “(D) COMPUTER TECHNOLOGY AND
5 EQUIPMENT.—Such term includes expenses for
6 the purchase of computer technology or equip-
7 ment (as defined in section 170(e)(6)(F)(i)), or
8 Internet access and related services, only to the
9 extent the purchase of such technology, equip-
10 ment, or services is specifically required by the
11 individual's academic course of instruction or
12 degree program.

13 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
14 The term ‘eligible educational institution’ means an
15 institution—

16 “(A) which is described in section 481 of
17 the Higher Education Act of 1965, as in effect
18 on the date of the enactment of the Middle
19 Class College Tuition Tax Credit Expansion Act
20 of 2012, and

21 “(B) which is eligible to participate in a
22 program under title IV of such Act.

23 “(g) PORTION OF CREDIT REFUNDABLE.—Fifty per-
24 cent of the credit allowed under this section (determined
25 after application of subsections (c)(1) and (d) and without

1 regard to this subsection and section 26(a)(2) or sub-
 2 section (c)(2), as the case may be) shall be treated as a
 3 credit allowable under subpart C (and not allowed under
 4 this section). The preceding sentence shall not apply to
 5 any taxpayer for any taxable year if such taxpayer is a
 6 child to whom subsection (g) of section 1 applies for such
 7 taxable year.

8 “(h) REGULATIONS.—The Secretary may prescribe
 9 such regulations as may be necessary or appropriate to
 10 carry out this section, including regulations providing for
 11 a recapture of the credit allowed under this section in
 12 cases where there is a refund in a subsequent taxable year
 13 of any amount which was taken into account in deter-
 14 mining the amount of such credit.”.

15 (b) CLERICAL AMENDMENT.—The item relating to
 16 section 25A in the table of sections for subpart A of part
 17 IV of subchapter A of chapter 1 of the Internal Revenue
 18 Code of 1986 is amended to read as follows:

“Sec. 25A. American Opportunity Tax Credit.”.

19 (c) CONFORMING AMENDMENTS.—

20 (1) Subparagraph (B) of section 24(b)(3) of the
 21 Internal Revenue Code of 1986 is amended by strik-
 22 ing “25A(i)” and inserting “25A”.

23 (2) Clause (ii) of section 25(e)(1)(C) of such
 24 Code is amended by striking “25A(i)” and inserting
 25 “25A”.

1 (3) Paragraph (2) of section 25B(g) of such
2 Code is amended by striking “25A(i)” and inserting
3 “25A”.

4 (4) Paragraph (1) of section 26(a) of such Code
5 is amended by striking “25A(i)” and inserting
6 “25A”.

7 (5) Subparagraph (B) of section 72(t)(7) of
8 such Code is amended by striking “25A(g)(2)” and
9 inserting “25A(d)(3)”.

10 (6) Paragraph (2) of section 221(d) of such
11 Code is amended—

12 (A) by striking “25A(g)(2)” in subpara-
13 graph (B) and inserting “25A(d)(3)”, and

14 (B) by striking “25A(f)(2)” and inserting
15 “25A(f)(3)”.

16 (7) Paragraph (3) of section 221(d) of such
17 Code is amended by striking “25A(b)(3)” and in-
18 serting “25A(f)(1) (but only with respect to a stu-
19 dent who is carrying at least $\frac{1}{2}$ the normal full-time
20 workload for the course of study the student is pur-
21 suing)”.

22 (8) Paragraph (1) of section 222(d) of such
23 Code is amended—

24 (A) by striking “25A(f)” and inserting
25 “25A(f)(2)”, and

1 (B) by striking “25A(g)(2)” and inserting
2 “25A(d)(3)”.

3 (9) Clause (v) of section 529(c)(3)(B) of such
4 Code is amended—

5 (A) by striking “25A(g)(2)” in subclause
6 (I) and inserting “25A(d)(3)”, and

7 (B) by striking “HOPE AND LIFETIME
8 LEARNING CREDITS” in the heading and insert-
9 ing “AMERICAN OPPORTUNITY CREDIT”.

10 (10) Clause (i) of section 529(e)(3)(B) of such
11 Code is amended by striking “25A(b)(3)” and in-
12 serting “25A(f)(1) (but only with respect to a stu-
13 dent who is carrying at least ½ the normal full-time
14 workload for the course of study the student is pur-
15 suing)”.

16 (11) Subparagraph (C) of section 530(d)(2) of
17 such Code is amended—

18 (A) by striking “25A(g)(2)” in clause (i)(I)
19 and inserting “25A(d)(3)”, and

20 (B) by striking “HOPE AND LIFETIME
21 LEARNING CREDITS” in the heading and insert-
22 ing “AMERICAN OPPORTUNITY CREDIT”.

23 (12) Clause (iii) of section 530(d)(4)(B) of such
24 Code is amended by striking “25A(g)(2)” and in-
25 serting “25A(d)(3)”.

1 (13) Subsection (i) of section 904 of such Code
2 is amended by striking “25A(i)” and inserting
3 “25A”.

4 (14) Paragraph (2) of section 1400C(d) of such
5 Code is amended by striking “25A(i)” and inserting
6 “25A”.

7 (15) Section 1400O of such Code is amended—

8 (A) by striking “25A(f)(2)” and inserting
9 “25A(f)(3)”,

10 (B) by inserting “(as in effect on the date
11 of the enactment of this section)” after
12 “25A(b)(1)” in paragraph (2), and

13 (C) by inserting “(as in effect on the date
14 of the enactment of this section)” after
15 “25A(c)(1)” in paragraph (3).

16 (16) Subsection (e) of section 6050S of such
17 Code is amended by striking “subsection (g)(2)” and
18 inserting “subsection (d)(3)”.

19 (17) Subparagraph (A) of section 6211(b)(4) of
20 such Code is amended by striking “subsection
21 (i)(6)” and inserting “subsection (g)”.

22 (18) Subparagraph (J) of section 6213(g)(2) of
23 such Code is amended by striking “25A(g)(1)” and
24 inserting “25A(d)(2)”.

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

4 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**
5 **GROSS INCOME.**

6 (a) IN GENERAL.—Paragraph (1) of section 117(b)
7 of the Internal Revenue Code of 1986 is amended by strik-
8 ing “received by an individual” and all that follows and
9 inserting “received by an individual—

10 “(1) as a scholarship or fellowship grant to the
11 extent the individual establishes that, in accordance
12 with the conditions of the grant, such amount was
13 used for qualified tuition and related expenses, or

14 “(2) as a Federal Pell Grant under section 401
15 of the Higher Education Act of 1965 (as in effect
16 on the date of the enactment of the Middle Class
17 College Tuition Tax Credit Expansion Act of
18 2012).”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years beginning after
21 December 31, 2011.

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