AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

Calendar No. 493

113TH CONGRESS
2D SESSION

H. R. 3393

IN THE SENATE OF THE UNITED STATES

JULY 28, 2014
Received; read the first time

JULY 29, 2014
Read the second time and placed on the calendar

AN ACT

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, to amend the Internal Revenue Code of 1986 to make improvements to the child tax credit, and for other purposes.

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

SECTION 1. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

Sec. 1. Table of Contents.

TITLE I—STUDENT AND FAMILY TAX SIMPLIFICATION ACT

Sec. 101. Short title.
Sec. 102. Consolidation of certain tax benefits for educational expenses.
Sec. 103. Expansion of Pell Grant exclusion from gross income.
Sec. 104. Budgetary effects.

TITLE II—CHILD TAX CREDIT IMPROVEMENT ACT

Sec. 201. Short title.
Sec. 202. Elimination of marriage penalty in child tax credit; inflation adjustment of credit amount and phaseout thresholds in child tax credit.
Sec. 203. Social security number required to claim the refundable portion of the child tax credit.
Sec. 204. Budgetary effects.

TITLE I—STUDENT AND FAMILY TAX SIMPLIFICATION ACT

SEC. 101. SHORT TITLE.

This title may be cited as the ''Student and Family Tax Simplification Act''.

SEC. 102. CONSOLIDATION OF CERTAIN TAX BENEFITS FOR EDUCATIONAL EXPENSES.

(a) AMERICAN OPPORTUNITY TAX CREDIT.—Section 25A of the Internal Revenue Code of 1986 is amended to read as follows:

''SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.

''(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year, with respect to each eligible student, an amount equal to the sum of—

''(1) 100 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 $2,000, plus

''(2) 25 percent of so much of such expenses so paid as exceeds the dollar amount in effect under paragraph (1) but does not exceed twice such dollar amount.

''(b) PORTION OF CREDIT REFUNDABLE.—So much of the credit allowable under subsection (a) with respect to each eligible student (determined without regard to this subsection and section 26(a) and after application of all other provisions of this section) as does not exceed $1,500 shall be treated as a credit allowable under subpart C (and not under this part). The preceding sentence shall not apply to any taxpayer for any taxable year if such taxpayer is a child to whom section 1(g) applies for such taxable year.

''(c) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount allowable as a credit under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this subsection and subsection (b) but after application of all other provisions of this section) as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $80,000 (twice such amount in the case of a joint return), bears to

''(B) $10,000 (twice such amount in the case of a joint return).

''(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

''(d) OTHER LIMITATIONS.—No credit shall be allowed under this section with respect to any eligible student for any taxable year if—

''(1) such student was taken into account in determining the credit allowed under this section (by the taxpayer or any other individual) for any 4 prior taxable years, or

''(2) such student has completed (before the beginning of such taxable year) the first 4 years of postsecondary education at an eligible educational institution.

''(e) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE STUDENT.—The term 'eligible student' means, with respect to any academic period, a student who—

''(A) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on August 5, 1997, and

''(B) is carrying at least ½ the normal full-time work load for the course of study the student is pursuing.

''(2) QUALIFIED TUITION AND RELATED EXPENSES.—

''(A) IN GENERAL.—The term 'qualified tuition and related expenses' means tuition, fees, and course materials, required for 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 activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual's academic course of instruction.

''(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' means an institution—

''(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on August 5, 1997, and

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

''(f) SPECIAL RULES.—

''(1) IDENTIFICATION REQUIREMENT.—No credit shall be allowed under subsection (a) to a taxpayer with respect to the qualified tuition and related expenses of an individual unless the taxpayer includes the name and taxpayer identification num-

ber of such individual, and the employer identification number of any institution to which such expenses were paid, on the return of tax for the taxable year.

''(2) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS, ETC.—

''(A) IN GENERAL.—The amount of qualified tuition and related expenses otherwise taken into account under subsection (a) with respect to an individual for an academic period shall be reduced (before the application of subsection (c)) by the sum of any amounts paid for the benefit of such individual which are allocable to such period as—

''(i) a qualified scholarship which is excludable from gross income under section 117,

''(ii) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or under chapter 1606 of title 10, United States Code, and

''(iii) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for such indi-

vidual's educational expenses, or attributable to such individual's enrollment at an eligible educational institution, which is excludable from gross income under any law of the United States.

"(B) COORDINATION WITH PELL GRANTS NOT USED FOR QUALIFIED TUITION AND RELATED EXPENSES.—For purposes of subparagraph (A), the amount of any Federal Pell Grant under section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a) shall be reduced (but not below zero) by the amount of expenses (other than qualified tuition and related expenses) which are taken into account in determining the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, as in effect on the date of the enactment of this paragraph) of such individual at an eligible educational institution for the academic period for which the credit under this section is being determined.

"(3) TREATMENT OF EXPENSES PAID BY DEPENDENT.—If a deduction under section 151 with respect to an individual is allowed to another tax-

payer for a taxable year beginning in the calendar year in which such individual's taxable year begins—

"(A) no credit shall be allowed under subsection (a) to such individual for such individual's taxable year, and

"(B) qualified tuition and related expenses paid by such individual during such individual's taxable year shall be treated for purposes of this section as paid by such other taxpayer.

"(4) TREATMENT OF CERTAIN PREPAYMENTS.—If qualified tuition and related expenses are paid by the taxpayer during a taxable year for an academic period which begins during the first 3 months following such taxable year, such academic period shall be treated for purposes of this section as beginning during such taxable year.

"(5) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any amount for which a deduction is allowed under any other provision of this chapter.

"(6) NO CREDIT FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer

and the taxpayer's spouse file a joint return for the taxable year.

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

''(g) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of a taxable year beginning after 2018, the $2,000 amount in subsection (a)(1), the $1,500 amount in subsection (b), and the $80,000 amount in subsection (c)(1)(A)(ii) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $100 ($1,000 in the case of the amount in subsection

(c)(1)(A)(ii)), such amount shall be rounded to the next lowest multiple of $100 ($1,000 in the case of the amount in subsection (c)(1)(A)(ii)).

''(h) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of the credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.''.

(b) REQUIREMENT TO REPORT TUITION PAID RATHER THAN TUITION BILLED.—Section 6050S(b)(2)(B)(i) is amended by striking ''or the aggregate amount billed''.

(c) REPEAL OF DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.—Part VII of subchapter B of chapter 1 of such Code is amended by striking section 222 (and by striking the item relating to such section in the table of sections for such part).

(d) CONFORMING AMENDMENTS.—

(1) Section 62(a) of such Code is amended by striking paragraph (18).

(2) Section 72(t)(7)(B) of such Code is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(f)(2)''.

(3) Sections 86(b)(2)(A), 135(c)(4)(A), 137(b)(3)(A), 199(d)(2)(A), 219(g)(3)(A)(ii), and 221(b)(2)(C)(i) of such Code are each amended by striking ''222,''.

(4) Section 469(i)(3)(F)(iii) of such Code is amended by striking ''221, and 222'' and inserting ''and 221''.

(5) Section 529(c)(3)(B)(v)(I) of such Code is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(f)(2)''.

(6) Section 529(e)(3)(B)(i) of such Code is amended by striking ''section 25A(b)(3)'' and inserting ''section 25A(d)''.

(7) Section 530(d)(2)(C) of such Code is amended—

(A) by striking ''section 25A(g)(2)'' in clause (i)(I) and inserting ''section 25A(f)(2)'', and

(B) by striking ''HOPE AND LIFETIME LEARNING CREDITS'' in the heading and inserting ''AMERICAN OPPORTUNITY TAX CREDIT''.

(8) Section 530(d)(4)(B)(iii) of such Code is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(d)(4)(B)''.

(9) Section 6050S(e) of such Code is amended by striking ''subsection (g)(2)'' and inserting ''subsection (f)(2)''.

(10) Section 6211(b)(4)(A) of such Code is amended by striking ''subsection (i)(6)'' and inserting ''subsection (b)''.

(11) Section 6213(g)(2)(J) of such Code is amended by striking ''TIN required under section 25A(g)(1)'' and inserting ''TIN, and employer identification number, required under section 25A(f)(1)''.

(12) Section 1004(c) of division B of the American Recovery and Reinvestment Tax Act of 2009 is amended—

(A) in paragraph (1)—

(i) by striking ''section 25A(i)(6)'' each place it appears and inserting ''section 25A(b)'',

(ii) by striking ''with respect to taxable years beginning after 2008 and before 2018'' in subparagraph (A) and inserting ''with respect to each taxable year'', and

(iii) by striking ''for taxable years beginning after 2008 and before 2018'' in

subparagraph (B) and inserting ''for each taxable year'',

(B) in paragraph (2), by striking ''Section 25A(i)(6)'' and inserting ''Section 25A(b)'', and

(C) in paragraph (3)(C), by striking ''subsection (i)(6)'' and inserting ''subsection (b)''.

(13) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the item relating to section 25A and inserting the following new item:

''Sec. 25A. American opportunity tax credit.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

SEC. 103. EXPANSION OF PELL GRANT EXCLUSION FROM GROSS INCOME.

(a) IN GENERAL.—Paragraph (1) of section 117(b) of the Internal Revenue Code of 1986 is amended—

(1) by striking the period at the end and inserting '', or'',

(2) by striking ''received by an individual as a scholarship'' and inserting the following: ''received by an individual—

''(A) as a scholarship'', and

(3) by adding at the end the following new subparagraph:

''(B) as a Federal Pell Grant under section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

SEC. 104. BUDGETARY EFFECTS.

(a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARDS.—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

TITLE II—CHILD TAX CREDIT IMPROVEMENT ACT

SEC. 201. SHORT TITLE.

This title may be cited as the ''Child Tax Credit Improvement Act of 2014''.

SEC. 202. ELIMINATION OF MARRIAGE PENALTY IN CHILD TAX CREDIT; INFLATION ADJUSTMENT OF CREDIT AMOUNT AND PHASEOUT THRESHOLDS IN CHILD TAX CREDIT.

(a) ELIMINATION OF MARRIAGE PENALTY.—Section 24(b)(2) of the Internal Revenue Code of 1986 is amended by striking ''means—'' and all that follows and inserting ''means $75,000 (twice such amount in the case of a joint return).''.

(b) INFLATION ADJUSTMENT OF CREDIT AMOUNT AND PHASEOUT THRESHOLDS.—Section 24 of such Code is amended by adding at the end the following new subsection:

''(g) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any taxable year beginning after 2014, the $1,000 amount in subsection (a) and the $75,000 amount in subsection (b)(2) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) ROUNDING.—Any increase determined under paragraph (1) shall be rounded—

''(A) in the case of the $1,000 amount in subsection (a), to the nearest multiple of $50, and

''(B) in the case of the $75,000 amount in subsection (b)(2), to the nearest multiple of $1,000.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2014.

SEC. 203. SOCIAL SECURITY NUMBER REQUIRED TO CLAIM THE REFUNDABLE PORTION OF THE CHILD TAX CREDIT.

(a) IN GENERAL.—Subsection (d) of section 24 of the Internal Revenue Code of 1986 is amended by inserting after paragraph (4) the following new paragraph:

''(5) IDENTIFICATION REQUIREMENT WITH RESPECT TO TAXPAYER.—

''(A) IN GENERAL.—Paragraph (1) shall not apply to any taxpayer for any taxable year unless the taxpayer includes the taxpayer's social security number on the return of tax for such taxable year.

''(B) JOINT RETURNS.—In the case of a joint return, the requirement of subparagraph (A) shall be treated as met if the social security number of either spouse is included on such return.''.

(b) OMISSION TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Subparagraph (I) of section 6213(g)(2) of such Code is amended to read as follows:

''(I) an omission of a correct social security number required under section 24(d)(5) (relating to refundable portion of child tax credit), or a correct TIN required under section 24(e) (relating to child tax credit), to be included on a return,''.

(c) CONFORMING AMENDMENT.—Subsection (e) of section 24 of such Code is amended by inserting ''WITH RESPECT TO QUALIFYING CHILDREN'' after ''IDENTIFICATION REQUIREMENT'' in the heading thereof.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 204. BUDGETARY EFFECTS.

(a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The budgetary effects of this Act shall not be entered on either

PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARDS.—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

Passed the House of Representatives July 24, 2014.

Attest: KAREN L. HAAS,

Clerk.

Calendar No. 493

113TH CONGRESS
2D SESSION

H. R. 3393

AN ACT

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, to amend the Internal Revenue Code of 1986 to make improvements to the child tax credit, and for other purposes.

JULY 29, 2014

Read the second time and placed on the calendar