I

114TH CONGRESS
2D SESSION

H. R. 4872

To amend the Internal Revenue Code of 1986 to reform the American opportunity tax credit to support college savings.

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2016

Mr. BEN RAY LUJÁN of New Mexico introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to reform the American opportunity tax credit to support college savings.

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 "Save for Success Act".

SEC. 2. AMERICAN OPPORTUNITY TAX CREDIT SAVINGS CREDIT.

(a) IN GENERAL.—Section 25A of the Internal Revenue Code of 1986 is amended by redesignating subsection

(j) as subsection (k) and by inserting after subsection (i) the following:

"(j) SPECIAL RULES RELATING TO AOTC SAVINGS CREDIT.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified tuition and related expenses' with respect to any individual includes eligible college savings contributions for such individual. Such contributions shall be taken into account for purposes of subsection (i)(1)(A) before tuition and fees.

"(2) LIMITATION.—

"(A) IN GENERAL.—The aggregate amount of contributions with respect to an individual which may be taken into account under paragraph (1) for a taxable year is $250.

"(B) PHASE OUT.—The dollar amount in subparagraph (A) shall be reduced (but not below zero) by the amount which bears the same ratio to such dollar amount as—

"(i) the number of percentage points (if any) in excess of 133 percent that the taxpayer's household income for the taxable year is of the poverty line for a family of the size involved, bears to

"(ii) 400 percentage points.

"(3) Terms relating to income and families.—The terms 'family size', 'household income', and 'poverty line' shall have the meanings given such terms by section 36B(d).

"(4) Eligible higher education contribution.—For purposes of paragraph (1), the term 'eligible college savings contribution' with respect to an individual means the excess of—

"(A) contributions by the taxpayer in the taxable year to qualified college savings accounts of which the individual is the beneficiary, over

"(B) distributions from all such qualified college savings accounts for the taxable year.

"(5) Qualified college savings accounts.—The term 'qualified college savings account' with respect to which such individual is the beneficiary means—

"(A) an account under a qualified tuition program (as defined by section 529), and

"(B) an account under a program of a State (or political jurisdiction thereof) established exclusively for the purpose of paying for college tuition and other post-secondary educational expenses.

"(6) PORTION OF CREDIT MADE REFUNDABLE.—So much of the credit allowed under subsection (a) as is attributable to this subsection (determined after the application of subsection (i) and without regard to this subsection and section 26(a)) shall be treated as a credit allowable under subpart C (and not allowed under subsection (a)). The preceding sentence shall not apply to any taxpayer for any taxable year if such taxpayer is a child to whom subsection (g) of section 1 applies for such taxable year.".

(b) AOTC LIFETIME LIMITATION.—Section 25A(i)(2) of such Code is amended to read as follows:

"(2) LIMITATION.—In lieu of subparagraphs (A) and (C) of subsection (b)(2), the amount allowed as a credit under this section for the taxable year with respect to an individual shall not exceed—

"(A) $10,000, reduced

"(B) by the amount allowed under this section with respect to such individual for all prior taxable years.".

(c) PILOT PROGRAM TO MAKE PERIODIC PAYMENTS AS COLLEGE EXPENSES INCURRED.—Section 25A(i) of such Code is amended by adding at the end the following:

"(8) PILOT PROGRAM TO MAKE PERIODIC PAYMENTS AS COLLEGE EXPENSES INCURRED.—

"(A) IN GENERAL.—The Secretary of the Treasury and the Secretary of Education shall jointly establish a program designed to make payments periodically to or on behalf of an eligible student as the student incurs qualified expenses during the taxable year. The total amount that may be so paid to or on behalf of an eligible student through this program shall not exceed the credit which would (but for subparagraph (B)) be allowable under this section if subsection (d) were applied by using the taxpayer's modified adjusted gross income for the preceding taxable year.

"(B) CREDIT REDUCED BY PILOT PROGRAM PAYMENTS.—The credit allowable under this section (without regard to this subparagraph) for any taxable year shall be reduced (but not below zero) by the payments made with respect to a student under subparagraph (A) for expenses which would otherwise be taken into account in determining the credit under this section for such year.

"(C) PROGRAM PARTICIPATION.—Participation in the program established under this paragraph shall be voluntary with respect to both students and educational institutions; except that, institutions which are taxable under this chapter (other than by reason of section 511) may not participate in such program.

"(D) PROGRAM PERIOD.—The program established under this paragraph shall apply to expenses for academic periods beginning during the 5-year period which begins on the date which is 1 year after the date of the enactment of this paragraph.

"(E) PAYMENTS NOT TREATED AS RESOURCES FOR FINANCIAL AID.—Payments made under this paragraph shall not be treated as resources for purposes of determining the amount of any financial aid which is funded in whole or part with Federal funds. Payments under the program shall not be made in a manner that would reduce the State, private, or institutional aid available to an eligible student.

"(F) NOTICE OF PROGRAM.—Educational institutions participating in the program established under this paragraph shall provide appropriate notices to parents and students of the option of payments under such program. Such notices shall not be considered tax advice for purposes of any Federal law or regulation.

"(G) REPORTING.—The Secretary of the Treasury and the Secretary of Education shall jointly submit annual reports to Congress on the program established under this subsection, together with any recommendations with respect to such program.".

(d) CONFORMING AMENDMENT.—Section 6211(b)(4)(A) of such Code is amended by inserting "or (j)(6)" after "subsection (i)(6)".

(e) INCREASED PUBLIC AWARENESS OF AMERICAN OPPORTUNITY TAX CREDIT.—

(1) IN GENERAL.—The Secretary of the Treasury, or the Secretary's delegate, in consultation with the Secretary of Education, shall establish a taxpayer awareness program to inform the taxpaying public of the availability of the American Opportunity Tax Credit allowed under section 25A of the Internal Revenue Code of 1986. Such public awareness program shall be designed to assure that individuals who may be eligible are informed of the availability of such credit and filing procedures.

(2) MEANS OF COMMUNICATIONS.—

(A) IN GENERAL.—The Secretary of the Treasury, or the Secretary's delegate, in consultation with the Secretary of Education, shall use appropriate means of communication to carry out the provisions of this section. The taxpayer awareness program shall include, but not be limited to, prominent display of information about the availability of the American Opportunity Tax Credit on information return forms specified by such Secretary for use by educational institutions to report qualified tuition and related expenses incurred.

(B) ADDITIONAL STEPS.—In addition, the Secretary of the Treasury, or the Secretary's delegate, in consultation with the Secretary of Education, should—

(i) make students aware of the American Opportunity Tax Credit through the data retrieval tool and the student aid report of the Department of Education,

(ii) include information on the financial aid shopping sheet,

(iii) include the American Opportunity Tax Credit in the volunteer income tax assistance program, and

(iv) bring awareness of the American Opportunity Tax Credit in the Federal TRIO Programs (commonly known as ''TRIO'') under chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.) and in the Gaining Early Awareness and Readiness for Undergraduate Programs (commonly known as ''GEAR UP'') under chapter 2 of subpart 2 of part A of title IV of such Act (20 U.S.C. 1070a–21 et seq.).

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2015.

○