

114TH CONGRESS
1ST SESSION

H. R. 529

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 2015

Received

APRIL 16, 2015

Read twice and referred to the Committee on Finance

AN ACT

To amend the Internal Revenue Code of 1986 to improve
529 plans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. FINDINGS AND PURPOSE.**

2 (a) FINDINGS.—Congress finds the following:

3 (1) When the Economic Growth and Tax Relief
4 Reconciliation Act of 2001 became law, the tax
5 treatment of section 529 college savings plans was
6 changed so that qualified distributions were no
7 longer taxed as income. The favorable tax treatment
8 of college savings plans was made permanent with
9 the passage of the Pension Protection Act of 2006.

10 (2) Section 529 college savings plans empower
11 middle-class families to accumulate savings to offset
12 the rising costs of attending college.

13 (3) The latest data from the College Savings
14 Plan Network shows that there are 11.83 million
15 529 accounts open throughout all 50 states, which
16 represent \$244.5 billion in total assets. The average
17 529 account size is \$20,671.

18 (4) States that sponsor 529 college savings
19 plans have taken steps to ensure these plans are a
20 tool that all families can use to save for college, in-
21 cluding setting minimum contributions as low as \$25
22 per month to encourage participation by families of
23 all income levels.

24 (5) The President's fiscal year 2016 Budget
25 proposes raising taxes by taxing certain future dis-
26 tributions made from 529 college savings plans.

1 (6) The tax proposed by the President would
 2 discourage the use of 529 college savings plans, re-
 3 quiring families and students to take on more debt.

4 (7) Purchase of a computer represents a signifi-
 5 cant higher education expense and therefore should
 6 be eligible for qualified distributions under 529 col-
 7 lege savings plans.

8 (b) PURPOSE.—It is the purpose of this Act to—

9 (1) enact policies that strengthen 529 college
 10 savings plans; and

11 (2) make 529 plans more modern, consumer-
 12 friendly, and responsive to the realities faced by stu-
 13 dents today.

14 **SEC. 2. COMPUTER TECHNOLOGY AND EQUIPMENT PERMA-**
 15 **NENTLY ALLOWED AS A QUALIFIED HIGHER**
 16 **EDUCATION EXPENSE FOR SECTION 529 AC-**
 17 **COUNTS.**

18 (a) IN GENERAL.—Section 529(e)(3)(A)(iii) of the
 19 Internal Revenue Code of 1986 is amended to read as fol-
 20 lows:

21 “(iii) expenses for the purchase of
 22 computer or peripheral equipment (as de-
 23 fined in section 168(i)(2)(B)), computer
 24 software (as defined in section
 25 197(e)(3)(B)), or Internet access and re-

1 lated services, if such equipment, software,
 2 or services are to be used primarily by the
 3 beneficiary during any of the years the
 4 beneficiary is enrolled at an eligible edu-
 5 cational institution.”.

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

9 **SEC. 3. ELIMINATION OF DISTRIBUTION AGGREGATION RE-**
 10 **QUIREMENTS.**

11 (a) IN GENERAL.—Section 529(c)(3) of the Internal
 12 Revenue Code of 1986 is amended by striking subpara-
 13 graph (D).

14 (b) EFFECTIVE DATE.—The amendment made by
 15 this section shall apply to distributions after December 31,
 16 2014.

17 **SEC. 4. RECONTRIBUTION OF REFUNDED AMOUNTS.**

18 (a) IN GENERAL.—Section 529(c)(3) of the Internal
 19 Revenue Code of 1986, as amended by section 3, is
 20 amended by adding at the end the following new subpara-
 21 graph:

22 “(D) SPECIAL RULE FOR CONTRIBUTIONS
 23 OF REFUNDED AMOUNTS.—In the case of a
 24 beneficiary who receives a refund of any quali-
 25 fied higher education expenses from an eligible

1 educational institution, subparagraph (A) shall
2 not apply to that portion of any distribution for
3 the taxable year which is recontributed to a
4 qualified tuition program of which such indi-
5 vidual is a beneficiary, but only to the extent
6 such recontribution is made not later than 60
7 days after the date of such refund and does not
8 exceed the refunded amount.”.

9 (b) EFFECTIVE DATE.—

10 (1) IN GENERAL.—The amendment made by
11 this section shall apply with respect to refunds of
12 qualified higher education expenses after December
13 31, 2014.

14 (2) TRANSITION RULE.—In the case of a refund
15 of qualified higher education expenses received after
16 December 31, 2014, and before the date of the en-
17 actment of this Act, section 529(c)(3)(D) of the In-
18 ternal Revenue Code of 1986 (as added by this sec-
19 tion) shall be applied by substituting “not later than
20 60 days after the date of the enactment of this

- 1 subparagraph” for “not later than 60 days after the
- 2 date of such refund”.

Passed the House of Representatives February 25,
2015.

Attest:

KAREN L. HAAS,

Clerk.