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115TH CONGRESS
1ST SESSION

H. R. 675

To amend the Internal Revenue Code of 1986 to expand the coverage of qualified tuition programs and increase the limitation on contributions to Coverdell education savings accounts.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 2017

Mr. MCHENRY 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 the coverage of qualified tuition programs and increase the limitation on contributions to Coverdell education savings accounts.

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 ‘‘Empowering Parents to Invest in Choice Act of 2017’’.

SEC. 2. QUALIFIED TUITION PROGRAMS EXTENDED TO COVER ELEMENTARY AND SECONDARY EDUCATION EXPENSES.

(a) IN GENERAL.—Section 529(e)(3) of the Internal Revenue Code of 1986 is amended to read as follows:

"(3) QUALIFIED EDUCATION EXPENSES.—

"(A) IN GENERAL.—The term 'qualified education expenses' means—

"(i) qualified elementary and secondary education expenses (as defined in subparagraph (B)), and

"(ii) qualified higher education expenses (as defined in subparagraph (C)).

"(B) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

"(i) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

"(I) expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs beneficiary, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, or religious school,

"(II) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private, or religious school in connection with such enrollment or attendance, and

"(III) expenses for the purchase of any computer technology or equipment (as defined in section 170(e)(6)(F)(i)) or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is in school.

Subclause (III) shall not include expenses for computer software designed for sports, games, or hobbies unless the software is predominantly educational in nature.

"(ii) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

"(C) QUALIFIED HIGHER EDUCATION EXPENSES.—

"(i) IN GENERAL.—The term 'qualified higher education expenses' means—

"(I) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution, and

"(II) expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance.

"(ii) ROOM AND BOARD INCLUDED FOR STUDENTS WHO ARE AT LEAST HALF-TIME.—In the case of an individual who is an eligible student (as defined in section 25A(b)(3)) for any academic period, such term shall also include reasonable costs for such period (as determined under the qualified tuition program) incurred by the designated beneficiary for room and board while attending such institution. For purposes of subsection (b)(6), a designated beneficiary shall be treated as meeting the requirements of this clause.

"(iii) LIMITATION ON ROOM AND BOARD INCLUDED FOR STUDENTS WHO ARE AT LEAST HALF-TIME.—The amount treated as qualified higher education expenses by reason of clause (ii) shall not exceed—

"(I) the allowance (applicable to the student) for room and board included in the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001) as determined by the eligible educational institution for such period, or

"(II) if greater, the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 72(t)(7)(A) of such Code is amended by striking ''529(e)(3)'' and inserting ''529(e)(3)(C)''.

(2) Section 529(c)(3)(B) of such Code is amended by striking ''QUALIFIED HIGHER EDUCATION EXPENSES'' in the heading thereof and inserting ''QUALIFIED EDUCATION EXPENSES''.

(3) Section 529(c)(3)(B)(i) of such Code is amended by striking ''qualified higher education expense'' and inserting ''qualified education expense''.

(4) Section 529 of such Code is amended by striking ''qualified higher education expenses'' each place it appears and inserting ''qualified education expenses'' in each of the following:

(A) Subsection (b)(1)(A)(i).

(B) Subsection (b)(1)(A)(ii).

(C) Subsection (b)(6).

(D) Subsection (c)(3)(B)(ii)(I).

(E) Subsection (c)(3)(B)(v).

(F) Subsection (c)(3)(B)(vi)(II).

(G) Subsection (c)(6).

(5) Section 530(b) of such Code is amended by striking paragraphs (2) and (3) and redesignating paragraph (4) as paragraph (2).

(6) Section 1400O(1) of such Code is amended by striking "529(e)(3)" and inserting "529(e)(3)(C)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 3. INCREASED LIMITATION ON CONTRIBUTIONS TO COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking "$2,000" and inserting "$12,000".

(b) INFLATION ADJUSTMENT.—Section 530 of such Code is amended by adding at the end the following new subsection:

"(i) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any taxable year beginning after 2014, the $12,000 amount contained in subsection (b)(1)(A)(iii) shall 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 2014' for 'calender year 1992' in subparagraph (B) thereof.

"(2) ROUNDING RULE.—Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $100.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

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