

103D CONGRESS  
1ST SESSION

# S. 271

To amend the Internal Revenue Code of 1986 to allow a credit for interest paid on education loans.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 2 (legislative day, JANUARY 5), 1993

Mr. GRASSLEY (for himself, Mr. BOREN, Mr. DANFORTH, Mr. DASCHLE, and Mr. SIMON) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for interest paid on education loans.

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. CREDIT FOR INTEREST ON EDUCATION LOANS.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to nonrefundable personal credits) is  
7 amended by inserting after section 22 the following new  
8 section:

1 **“SEC. 23. INTEREST ON EDUCATION LOANS.**

2       “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
3 dividual, there shall be allowed as a credit against the tax  
4 imposed by this chapter for the taxable year an amount  
5 equal to 15 percent of the interest paid by the taxpayer  
6 during the taxable year on any qualified education loan.

7       “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
8 section (a) for the taxable year shall not exceed \$300.

9       “(c) LIMITATION ON TAXPAYERS ELIGIBLE FOR  
10 CREDIT.—No credit shall be allowed by this section to an  
11 individual for the taxable year if a deduction under section  
12 151 with respect to such individual is allowed to another  
13 taxpayer for the taxable year beginning in the calendar  
14 year in which such individual’s taxable year begins.

15       “(d) LIMIT ON PERIOD CREDIT ALLOWED.—

16               “(1) TAXPAYER AND TAXPAYER’S SPOUSE.—  
17 Except as provided in paragraph (2), a credit shall  
18 be allowed under this section only with respect to in-  
19 terest paid on any qualified education loan during  
20 the first 48 months (whether or not consecutive) in  
21 which interest payments are required. For purposes  
22 of this paragraph, any loan and all refinancings of  
23 such loan shall be treated as 1 loan.

24               “(2) DEPENDENT.—If the qualified education  
25 loan was used to pay education expenses of an indi-  
26 vidual other than the taxpayer or the taxpayer’s

1 spouse, a credit shall be allowed under this section  
2 for any taxable year with respect to such loan only  
3 if—

4 “(A) a deduction under section 151 with  
5 respect to such individual is allowed to the tax-  
6 payer for such taxable year, and

7 “(B) such individual is at least a half-time  
8 student with respect to such taxable year.

9 “(e) DEFINITIONS.—For purposes of this section—

10 “(1) QUALIFIED EDUCATION LOAN.—The term  
11 ‘qualified education loan’ means any indebtedness  
12 incurred to pay qualified higher education ex-  
13 penses—

14 “(A) which are incurred on behalf of the  
15 taxpayer, the taxpayer’s spouse, or a dependent  
16 of the taxpayer,

17 “(B) which are paid or incurred within a  
18 reasonable period of time before or after the in-  
19 debtedness is incurred, and

20 “(C) which are attributable to education  
21 furnished during a period during which the re-  
22 cipient was at least a half-time student.

23 Such term includes indebtedness used to refinance  
24 indebtedness which qualifies as a qualified education  
25 loan. The term ‘qualified education loan’ shall not

1 include any indebtedness owed to a person who is re-  
2 lated (within the meaning of section 267(b) or  
3 707(b)(1)) to the taxpayer.

4 “(2) QUALIFIED HIGHER EDUCATION EX-  
5 PENSES.—The term ‘qualified higher education ex-  
6 penses’ means the cost of attendance (as defined in  
7 section 472 of the Higher Education Act of 1965,  
8 20 U.S.C. 1087ll, as in effect on the day before the  
9 date of the enactment of this Act) of the taxpayer,  
10 the taxpayer’s spouse, or a dependent of the tax-  
11 payer at an eligible educational institution. For pur-  
12 poses of the preceding sentence, the term ‘eligible  
13 educational institution’ has the same meaning given  
14 such term by section 135(c)(3), except that such  
15 term shall also include an institution conducting an  
16 internship or residency program leading to a degree  
17 or certificate awarded by an institution of higher  
18 education, a hospital, or a health care facility which  
19 offers postgraduate training.

20 “(3) HALF-TIME STUDENT.—The term ‘half-  
21 time student’ means any individual who would be a  
22 student as defined in section 151(c)(4) if ‘half-time’  
23 were substituted for ‘full-time’ each place it appears  
24 in such section.

1           “(4) DEPENDENT.—The term ‘dependent’ has  
2 the meaning given such term by section 152.

3           “(f) SPECIAL RULES.—

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

8           “(2) MARITAL STATUS.—Marital status shall be  
9 determined in accordance with section 7703.”

10          (b) OPTIONAL DEDUCTION FOR INTEREST ON EDU-  
11 CATION LOANS.—Paragraph (2) of section 163(h) of the  
12 Internal Revenue Code of 1986 (defining personal inter-  
13 est) is amended by striking “and” at the end of subpara-  
14 graph (D), by redesignating subparagraph (E) as subpara-  
15 graph (F), and by inserting after subparagraph (D) the  
16 following new subparagraph:

17           “(E) any interest paid on a qualified edu-  
18 cation loan (as defined in section 23(e)) during  
19 the period described in section 23(d), unless a  
20 credit or deduction is taken with respect to  
21 such interest under any other provisions of this  
22 chapter, and”.

23          (c) CLERICAL AMENDMENT.—The table of sections  
24 for such subpart A is amended by inserting after the item  
25 relating to section 22 the following new item:

“Sec. 23. Interest on education loans.”

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to any qualified education loan (as  
3 defined in section 23(e) of the Internal Revenue Code of  
4 1986, as added by this section) incurred on, before, or  
5 after July 1, 1993, but only with respect to any loan inter-  
6 est payment due after June 30, 1993, and before the ter-  
7 mination of the period described in section 23(d)(1) of  
8 such Code.

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