

104TH CONGRESS
1ST SESSION

H. R. 1793

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

IN THE HOUSE OF REPRESENTATIVES

JUNE 8, 1995

Mr. CARDIN (for himself, Mr. BUNNING of Kentucky, and Mr. MFUME) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit or deduction 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 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 refinancings of such
23 loans shall be treated as one 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 a deduction under section 151 with respect to
4 such individual is allowed to the taxpayer for such
5 taxable year.

6 “(e) PHASEOUT OF BENEFIT.—

7 “(1) IN GENERAL.—The amount of interest
8 which would (but for this subparagraph) be taken
9 into account under paragraph (a) for the taxable
10 year shall be reduced (but not below zero) by the
11 amount which bears the same ratio to such interest
12 as the excess of the taxpayer’s adjusted gross in-
13 come for such taxable year over the applicable dollar
14 amount bears to phaseout range.

15 “(2) APPLICABLE DOLLAR AMOUNT; PHASEOUT
16 RANGE.—For purposes of subparagraph (1)—

17 “(A) in the case of a return of an unmar-
18 ried individual, the applicable dollar amount is
19 \$40,000 and the phaseout range is \$15,000,

20 “(B) in the case of joint return, the appli-
21 cable dollar amount is \$60,000 and the phase-
22 out range is \$30,000, and

23 “(C) in the case of a married individual fil-
24 ing a separate return, the applicable dollar

1 amount is \$30,000 and the phaseout range is
2 \$15,000.

3 “(f) DEFINITIONS.—For purposes of this section—

4 “(1) QUALIFIED EDUCATION LOAN.—The term
5 ‘qualified education loan’ means any indebtedness
6 incurred to pay qualified higher education ex-
7 penses—

8 “(A) which are incurred on behalf of the
9 taxpayer, the taxpayer’s spouse, or a dependent
10 of the taxpayer,

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

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

17 Such term includes indebtedness used to refinance
18 indebtedness which qualifies as a qualified education
19 loan. The term ‘qualified education loan’ shall not
20 include any indebtedness owed to a person who is re-
21 lated (within the meaning of section 267(b) or
22 707(b)(1)) to the taxpayer.

23 “(2) QUALIFIED HIGHER EDUCATION EX-
24 PENSES.—The term ‘qualified higher education ex-
25 penses’ means the cost of attendance (as defined in

1 section 472 of the Higher Education Act of 1965
2 (20 U.S.C. 1087ll), as in effect on the day before
3 the date of enactment of this section) of the tax-
4 payer, the taxpayer's spouse, or a dependent of the
5 taxpayer at an eligible educational institution. For
6 purposes of the preceding sentence, the term 'eligible
7 educational institution' has the same meaning given
8 such term by section 135(c)(3), except that such
9 term shall also include an institution conducting an
10 internship or residency program leading to a degree
11 or certificate awarded by an institution of higher
12 education, a hospital, or a health care facility which
13 offers postgraduate training.

14 “(3) HALF-TIME STUDENT.—The term 'half-
15 time student' means any individual who would be a
16 student as defined in section 151(c)(4) if 'half-time'
17 were substituted for 'full-time' each place it appears
18 in such section.

19 “(4) DEPENDENT.—The term 'dependent' has
20 the meaning given such term by section 152.

21 “(g) SPECIAL RULES.—

22 “(1) DENIAL OF DOUBLE BENEFIT.—No credit
23 shall be allowed under this section for any amount
24 for which a deduction is allowable under any other
25 provision of this chapter.

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

3 (b) OPTIONAL DEDUCTION FOR INTEREST ON EDU-
4 CATION LOANS.—Paragraph (2) of section 163(h) of the
5 Internal Revenue Code of 1986 (defining personal inter-
6 est) is amended by striking “and” at the end of subpara-
7 graph (D), by redesignating subparagraph (E) as subpara-
8 graph (F), and by inserting after subparagraph (D) the
9 following new subparagraph:

10 “(E) any interest paid on a qualified edu-
11 cation loan (as defined in section 23(f)) during
12 the period described in section 23(d) and sub-
13 ject to the income limitations described in sec-
14 tion 23(e), unless a credit or deduction is taken
15 with respect to such interest under any other
16 provisions of this chapter, and”.

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

 “Sec. 23. Interest on education loans.”

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1995, but only with respect to loans the
23 first required payment on which is after such date.

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