

104TH CONGRESS
2D SESSION

H. R. 4334

To amend the Internal Revenue Code of 1986 to allow individual retirement accounts to be used for expenses for post-secondary education and job retraining.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1996

Mr. SMITH of Texas (for himself, Mr. ROHRABACHER, Mr. BEREUTER, Mr. BLUTE, and Mr. FLAKE) 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 individual retirement accounts to be used for expenses for post-secondary education and job retraining.

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. SHORT TITLE.**

4 This Act may be cited as the “Lifetime Education
5 and Retraining Needs Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF IRA DIS-**
2 **TRIBUTIONS USED FOR POST-SECONDARY**
3 **EDUCATION AND WORKER RETRAINING.**

4 (a) IN GENERAL.—Subsection (d) of section 408 of
5 the Internal Revenue Code of 1986 is amended by adding
6 at the end the following new paragraph:

7 “(8) DISTRIBUTIONS FROM AN INDIVIDUAL RE-
8 TIREMENT ACCOUNT USED FOR QUALIFIED HIGHER
9 EDUCATION OR WORKER RETRAINING EXPENSES.—

10 “(A) IN GENERAL.—Paragraph (1) shall
11 not apply to any amount paid or distributed out
12 of an individual retirement account which but
13 for this paragraph would be included in gross
14 income to the extent that such amount does not
15 exceed the sum of the amount of qualified high-
16 er education expenses and the qualified job re-
17 training expenses paid during the taxable year.

18 “(B) DEFINITIONS.—For the purposes of
19 subparagraph (A)—

20 “(i) QUALIFIED HIGHER EDUCATION
21 EXPENSES.—

22 “(I) IN GENERAL.—The term
23 ‘qualified higher education expenses’
24 means tuition, fees, books, supplies,
25 and equipment required for the enroll-
26 ment or attendance of an eligible indi-

1 vidual at an eligible educational insti-
2 tution (as defined in section
3 135(c)(3)).

4 “(II) COORDINATION WITH SAV-
5 INGS BOND PROVISIONS.—The
6 amount of qualified higher education
7 expenses for any taxable year shall be
8 reduced by any amount excludable
9 from gross income under section 135.

10 “(ii) JOB RETRAINING EXPENSES.—
11 The term ‘job retraining expenses’ means
12 tuition, fees, books, supplies, and equip-
13 ment required for the enrollment or at-
14 tendance of an eligible individual in a
15 State-accredited job retraining program.

16 “(iii) ELIGIBLE INDIVIDUAL.—The
17 term ‘eligible individual’ means—

18 “(I) the taxpayer,

19 “(II) the taxpayer’s spouse, and

20 “(III) the taxpayer’s child (as de-
21 fined in section 151(c)(3)).”

22 (b) EXCESS DISTRIBUTIONS TAX NOT TO APPLY.—
23 Paragraph (2) of section 4980A(e) of such Code is amend-
24 ed by inserting after subparagraph (F) the following new
25 subparagraph:

1 “(G) Any retirement distribution to the ex-
2 tent not included in gross income by reason of
3 section 408(d)(8).”

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to payments and distributions
6 made after December 31, 1996.

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