

105TH CONGRESS
1ST SESSION

H. R. 1382

To amend the Internal Revenue Code of 1986 to provide that certain educational benefits provided by an employer to children of employees shall be excludable from gross income as a scholarship.

IN THE HOUSE OF REPRESENTATIVES

APRIL 17, 1997

Mr. LEVIN (for himself and Mr. ENGLISH of Pennsylvania) 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 provide that certain educational benefits provided by an employer to children of employees shall be excludable from gross income as a scholarship.

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. CERTAIN EDUCATIONAL BENEFITS PROVIDED**
4 **BY AN EMPLOYER TO CHILDREN OF EMPLOY-**
5 **EES EXCLUDABLE FROM GROSS INCOME AS A**
6 **SCHOLARSHIP.**

7 (a) IN GENERAL.—Section 117 of the Internal Reve-
8 nue Code of 1986 (relating to qualified scholarships) is

1 amended by adding at the end the following new sub-
2 section:

3 “(e) EMPLOYER-PROVIDED EDUCATIONAL BENEFITS
4 PROVIDED TO CHILDREN OF EMPLOYEES.—

5 “(1) IN GENERAL.—In determining whether
6 any amount is a qualified scholarship for purposes
7 of subsection (a), the fact that such amount is pro-
8 vided in connection with an employment relationship
9 shall be disregarded if—

10 “(A) such amount is provided by the em-
11 ployer to a child (as defined in section
12 151(c)(3)) of an employee of such employer,

13 “(B) such amount is provided pursuant to
14 a plan which meets the nondiscrimination re-
15 quirements of subsection (d)(3), and

16 “(C) amounts provided under such plan
17 are in addition to any other compensation pay-
18 able to employees and such plan does not pro-
19 vide employees with a choice between such
20 amounts and any other benefit.

21 For purposes of subparagraph (C), the business
22 practices of the employer (as well as such plan) shall
23 be taken into account.

24 “(2) PRINCIPAL SHAREHOLDERS AND OWN-
25 ERS.—Paragraph (1) shall not apply to any amount

1 provided to any child of any individual if such indi-
2 vidual (or such individual's spouse) owns (on any
3 day of the year) more than 5 percent of the stock
4 or of the capital or profits interest in the employer.

5 “(3) DEGREE REQUIREMENT NOT TO APPLY.—
6 In the case of an amount which is treated as a quali-
7 fied scholarship by reason of this subsection, sub-
8 section (a) shall be applied without regard to the re-
9 quirement that the recipient be a candidate for a de-
10 gree.

11 “(4) CERTAIN OTHER RULES TO APPLY.—Rules
12 similar to the rules of paragraphs (4), (5), and (7)
13 of section 127(c) shall apply for purposes of this
14 subsection.”

15 (b) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to taxable years beginning after
17 the date of the enactment of this Act.

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