

105TH CONGRESS
2D SESSION

S. 2425

To amend the Internal Revenue Code of 1986 to provide additional tax incentives for education.

IN THE SENATE OF THE UNITED STATES

JULY 31, 1998

Mr. SESSIONS (for himself, Mr. GRAHAM, Mr. McCONNELL, and Mr. COVERDELL) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide additional tax incentives for education.

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 “Collegiate Learning
5 and Student Savings Act”.

6 **SEC. 2. ELIGIBLE EDUCATIONAL INSTITUTIONS PER-**
7 **MITTED TO MAINTAIN QUALIFIED TUITION**
8 **PROGRAMS.**

9 (a) IN GENERAL.—Section 529(b)(1) of the Internal
10 Revenue Code of 1986 (defining qualified State tuition

1 program) is amended by inserting “or by 1 or more eligible
2 educational institutions or any organization exempt from
3 taxation under this subtitle that consists solely of eligible
4 educational institutions” after “maintained by a State or
5 agency or instrumentality thereof”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) The text and headings of each of the sec-
8 tions 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529,
9 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) of the In-
10 ternal Revenue Code of 1986 is amended by striking
11 “qualified State tuition” each place it appears and
12 inserting “qualified tuition”.

13 (2)(A) The section heading of section 529 of
14 such Code is amended to read as follows:

15 **“SEC. 529. QUALIFIED TUITION PROGRAMS.”.**

16 (B) The item relating to section 529 in the
17 table of sections for part VIII of subchapter F of
18 chapter 1 of such Code is amended by striking
19 “State”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 1998.

1 **SEC. 3. EXCLUSION FROM GROSS INCOME OF EDUCATION**
2 **DISTRIBUTIONS FROM QUALIFIED STATE**
3 **TUITION PROGRAMS.**

4 (a) IN GENERAL.—Section 529(c)(3)(B) of the Inter-
5 nal Revenue Code of 1986 (relating to distributions) is
6 amended to read as follows:

7 “(B) DISTRIBUTIONS FOR QUALIFIED
8 HIGHER EDUCATION EXPENSES.—

9 “(i) IN GENERAL.—If a distributee
10 elects the application of this clause for any
11 taxable year—

12 “(I) no amount shall be includ-
13 ible in gross income under subpara-
14 graph (A) by reason of a distribution
15 which consists of providing a benefit
16 to the distributee which, if paid for by
17 the distributee, would constitute pay-
18 ment of a qualified higher education
19 expense, and

20 “(II) the amount which (but for
21 the election) would be includible in
22 gross income under subparagraph (A)
23 by reason of any other distribution
24 shall not be so includible in an
25 amount which bears the same ratio to
26 the amount which would be so includ-

1 ible as such expenses bear to such ag-
2 gregate distributions.

3 “(ii) IN-KIND DISTRIBUTIONS.—Any
4 benefit furnished to a designated bene-
5 ficiary under a qualified State tuition pro-
6 gram shall be treated as a distribution to
7 the beneficiary for purposes of this para-
8 graph.

9 “(iii) DISALLOWANCE OF EXCLUDED
10 AMOUNTS AS CREDIT OR DEDUCTION.—No
11 deduction or credit shall be allowed to the
12 taxpayer under any other section of this
13 chapter for any qualified higher education
14 expenses to the extent taken into account
15 in determining the amount of the exclusion
16 under this subparagraph.”.

17 (b) ADDITIONAL TAX ON AMOUNTS NOT USED FOR
18 HIGHER EDUCATION EXPENSES.—Section 529(c)(3) of
19 the Internal Revenue Code of 1986 (relating to distribu-
20 tions) is amended by adding at the end the following:

21 “(E) ADDITIONAL TAX ON AMOUNTS NOT
22 USED FOR HIGHER EDUCATION EXPENSES.—
23 The tax imposed by section 530(d)(4) shall
24 apply to payments and distributions from quali-
25 fied tuition programs in the same manner as

1 such tax applies to education individual retire-
2 ment accounts.”.

3 (c) COORDINATION WITH EDUCATION CREDITS.—
4 Section 25A(e)(2) of the Internal Revenue Code of 1986
5 (relating to coordination with exclusions) is amended—

6 (1) by inserting “a qualified tuition program
7 or” before “an education individual retirement ac-
8 count”, and

9 (2) by striking “section 530(d)(2)” and insert-
10 ing “section 529(c)(3)(B) or 530(d)(2)”.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to distributions made after Decem-
13 ber 31, 2002, for education furnished in academic periods
14 beginning after such date.

15 **SEC. 4. QUALIFIED TUITION PROGRAMS INCLUDED IN SE-**
16 **CURITIES EXEMPTION.**

17 (a) EXEMPTED SECURITIES.—Section 3(a)(4) of the
18 Securities Act of 1933 (15 U.S.C. 77c(a)(4)) is amended
19 by striking “individual;” and inserting “individual or any
20 security issued by a prepaid tuition program described in
21 section 529 of the Internal Revenue Code of 1986;”.

22 (b) QUALIFIED TUITION PROGRAMS NOT INVEST-
23 MENT COMPANIES.—Section 3(e) of the Investment Com-
24 pany Act of 1940 (15 U.S.C. 80a-3(c)) is amended by
25 adding at the end the following:

- 1 “(15) Any prepaid tuition program described in
- 2 section 529 of the Internal Revenue Code of 1986.”.

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