

107TH CONGRESS  
1ST SESSION

# H. R. 1308

To amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2001

Mr. HULSHOF (for himself and Mr. BISHOP) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes.

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; ETC.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Education Savings and School Excellence Act of 2001”.

6       (b) AMENDMENT OF 1986 CODE.—Except as other-  
7       wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment  
2 to, or repeal of, a section or other provision, the reference  
3 shall be considered to be made to a section or other provi-  
4 sion of the Internal Revenue Code of 1986.

5 **SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RE-**  
6 **TIREMENT ACCOUNTS.**

7 (a) **MAXIMUM ANNUAL CONTRIBUTIONS.**—

8 (1) **IN GENERAL.**—Section 530(b)(1)(A)(iii)  
9 (defining education individual retirement account) is  
10 amended by striking “\$500” and inserting  
11 “\$2,000”.

12 (2) **CONFORMING AMENDMENT.**—Section  
13 4973(e)(1)(A) is amended by striking “\$500” and  
14 inserting “\$2,000”.

15 (b) **TAX-FREE EXPENDITURES FOR ELEMENTARY**  
16 **AND SECONDARY SCHOOL EXPENSES.**—

17 (1) **IN GENERAL.**—Section 530(b)(2) (defining  
18 qualified higher education expenses) is amended to  
19 read as follows:

20 “(2) **QUALIFIED EDUCATION EXPENSES.**—

21 “(A) **IN GENERAL.**—The term ‘qualified  
22 education expenses’ means—

23 “(i) qualified higher education ex-  
24 penses (as defined in section 529(e)(3)),  
25 and

1           “(ii) qualified elementary and sec-  
2           ondary education expenses (as defined in  
3           paragraph (4)).

4           “(B) QUALIFIED STATE TUITION PRO-  
5           GRAMS.—Such term shall include any contribu-  
6           tion to a qualified State tuition program (as de-  
7           fined in section 529(b)) on behalf of the des-  
8           ignated beneficiary (as defined in section  
9           529(e)(1)); but there shall be no increase in the  
10          investment in the contract for purposes of ap-  
11          plying section 72 by reason of any portion of  
12          such contribution which is not includible in  
13          gross income by reason of subsection (d)(2).”.

14          (2) QUALIFIED ELEMENTARY AND SECONDARY  
15          EDUCATION EXPENSES.—Section 530(b) (relating to  
16          definitions and special rules) is amended by adding  
17          at the end the following new paragraph:

18                 “(4) QUALIFIED ELEMENTARY AND SECONDARY  
19          EDUCATION EXPENSES.—

20                         “(A) IN GENERAL.—The term ‘qualified el-  
21                         ementary and secondary education expenses’  
22                         means—

23                                 “(i) expenses for tuition, fees, aca-  
24                                 demic tutoring, special needs services,  
25                                 books, supplies, computer equipment (in-

1 including related software and services), and  
2 other equipment which are incurred in con-  
3 nection with the enrollment or attendance  
4 of the designated beneficiary of the trust  
5 as an elementary or secondary school stu-  
6 dent at a public, private, or religious  
7 school, and

8 “(ii) expenses for room and board,  
9 uniforms, transportation, and supple-  
10 mentary items and services (including ex-  
11 tended day programs) which are required  
12 or provided by a public, private, or reli-  
13 gious school in connection with such enroll-  
14 ment or attendance.

15 “(B) SPECIAL RULE FOR  
16 HOMESCHOOLING.—Such term shall include ex-  
17 penses described in subparagraph (A)(i) in con-  
18 nection with education provided by  
19 homeschooling if the requirements of any appli-  
20 cable State or local law are met with respect to  
21 such education.

22 “(C) SCHOOL.—The term ‘school’ means  
23 any school which provides elementary education  
24 or secondary education (kindergarten through  
25 grade 12), as determined under State law.”.

1           (3) CONFORMING AMENDMENTS.—Section 530  
2       is amended—

3                   (A) by striking “higher” each place it ap-  
4                   pears in subsections (b)(1) and (d)(2), and

5                   (B) by striking “HIGHER” in the heading  
6                   for subsection (d)(2).

7       (c) WAIVER OF AGE LIMITATIONS FOR CHILDREN  
8 WITH SPECIAL NEEDS.—Section 530(b)(1) (defining edu-  
9 cation individual retirement account) is amended by add-  
10 ing at the end the following flush sentence:

11       “The age limitations in subparagraphs (A)(ii) and  
12       (E) and paragraphs (5) and (6) of subsection (d)  
13       shall not apply to any designated beneficiary with  
14       special needs (as determined under regulations pre-  
15       scribed by the Secretary).”.

16       (d) ENTITIES PERMITTED TO CONTRIBUTE TO AC-  
17 COUNTS.—Section 530(c)(1) (relating to reduction in per-  
18 mitted contributions based on adjusted gross income) is  
19 amended by striking “The maximum amount which a con-  
20 tributor” and inserting “In the case of a contributor who  
21 is an individual, the maximum amount the contributor”.

22       (e) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

23                   (1) IN GENERAL.—Section 530(b) (relating to  
24                   definitions and special rules), as amended by sub-

1 section (b)(2), is amended by adding at the end the  
2 following new paragraph:

3 “(5) TIME WHEN CONTRIBUTIONS DEEMED  
4 MADE.—An individual shall be deemed to have made  
5 a contribution to an education individual retirement  
6 account on the last day of the preceding taxable year  
7 if the contribution is made on account of such tax-  
8 able year and is made not later than the time pre-  
9 scribed by law for filing the return for such taxable  
10 year (not including extensions thereof).”.

11 (2) EXTENSION OF TIME TO RETURN EXCESS  
12 CONTRIBUTIONS.—Subparagraph (C) of section  
13 530(d)(4) (relating to additional tax for distribu-  
14 tions not used for educational expenses) is  
15 amended—

16 (A) by striking clause (i) and inserting the  
17 following new clause:

18 “(i) such distribution is made before  
19 the first day of the sixth month of the tax-  
20 able year following the taxable year, and”,  
21 and

22 (B) by striking “DUE DATE OF RETURN”  
23 in the heading and inserting “CERTAIN DATE”.

1 (f) COORDINATION WITH HOPE AND LIFETIME  
2 LEARNING CREDITS AND QUALIFIED TUITION PRO-  
3 GRAMS.—

4 (1) IN GENERAL.—Section 530(d)(2)(C) is  
5 amended to read as follows:

6 “(C) COORDINATION WITH HOPE AND  
7 LIFETIME LEARNING CREDITS AND QUALIFIED  
8 TUITION PROGRAMS.—For purposes of subpara-  
9 graph (A)—

10 “(i) CREDIT COORDINATION.—The  
11 total amount of qualified higher education  
12 expenses with respect to an individual for  
13 the taxable year shall be reduced—

14 “(I) as provided in section  
15 25A(g)(2), and

16 “(II) by the amount of such ex-  
17 penses which were taken into account  
18 in determining the credit allowed to  
19 the taxpayer or any other person  
20 under section 25A.

21 “(ii) COORDINATION WITH QUALIFIED  
22 TUITION PROGRAMS.—If, with respect to  
23 an individual for any taxable year—

24 “(I) the aggregate distributions  
25 during such year to which subpara-

1 graph (A) and section 529(c)(3)(B)  
2 apply, exceed

3 “(II) the total amount of quali-  
4 fied education expenses (after the ap-  
5 plication of clause (i)) for such year,  
6 the taxpayer shall allocate such expenses  
7 among such distributions for purposes of  
8 determining the amount of the exclusion  
9 under subparagraph (A) and section  
10 529(c)(3)(B).”.

11 (2) CONFORMING AMENDMENTS.—

12 (A) Subsection (e) of section 25A is  
13 amended to read as follows:

14 “(e) ELECTION NOT TO HAVE SECTION APPLY.—A  
15 taxpayer may elect not to have this section apply with re-  
16 spect to the qualified tuition and related expenses of an  
17 individual for any taxable year.”.

18 (B) Section 135(d)(2)(A) is amended by  
19 striking “allowable” and inserting “allowed”.

20 (C) Section 530(d)(2)(D) is amended—

21 (i) by striking “or credit”, and

22 (ii) by striking “CREDIT OR” in the  
23 heading.

24 (D) Section 4973(e)(1) is amended by add-  
25 ing “and” at the end of subparagraph (A), by



1 striking subparagraph (B), and by redesignig-  
2 nating subparagraph (C) as subparagraph (B).

3 (g) RENAMING EDUCATION INDIVIDUAL RETIRE-  
4 MENT ACCOUNTS AS PAUL COVERDELL EDUCATION SAV-  
5 INGS ACCOUNTS.—

6 (1) IN GENERAL.—

7 (A) Section 530 (as amended by the pre-  
8 ceding provisions of this section) is amended by  
9 striking “education individual retirement ac-  
10 count” each place it appears and inserting  
11 “Paul Coverdell education savings account”.

12 (B) The heading for paragraph (1) of sec-  
13 tion 530(b) is amended by striking “EDU-  
14 CATION INDIVIDUAL RETIREMENT ACCOUNT”  
15 and inserting “PAUL COVERDELL EDUCATION  
16 SAVINGS ACCOUNT”.

17 (C) The heading for section 530 is amend-  
18 ed to read as follows:

19 **“SEC. 530. PAUL COVERDELL EDUCATION SAVINGS AC-  
20 COUNTS.”.**

21 (D) The item in the table of contents for  
22 part VII of subchapter F of chapter 1 relating  
23 to section 530 is amended to read as follows:

“Sec. 530. Paul Coverdell Education savings accounts.”.

24 (2) CONFORMING AMENDMENTS.—

1 (A) The following provisions are each  
2 amended by striking “education individual re-  
3 tirement” each place it appears and inserting  
4 “Paul Coverdell education savings”:

5 (i) Section 25A(e)(2).

6 (ii) Section 26(b)(2)(E).

7 (iii) Section 72(e)(9).

8 (iv) Section 135(c)(2)(C).

9 (v) Subsections (a) and (e) of section  
10 4973.

11 (vi) Subsections (c) and (e) of section  
12 4975.

13 (vii) Section 6693(a)(2)(D).

14 (B) The headings for each of the following  
15 provisions are amended by striking “EDU-  
16 CATION INDIVIDUAL RETIREMENT ACCOUNTS”  
17 each place it appears and inserting “PAUL  
18 COVERDELL EDUCATION SAVINGS ACCOUNTS”.

19 (i) Section 72(e)(9).

20 (ii) Section 135(c)(2)(C).

21 (iii) Section 4973(e).

22 (iv) Section 4975(c)(5).

23 (h) EFFECTIVE DATES.—

24 (1) IN GENERAL.—Except as provided in para-  
25 graph (2), the amendments made by this section

1 shall apply to taxable years beginning after the date  
2 of the enactment of this Act.

3 (2) SUBSECTION (g).—The amendments made  
4 by subsection (g) shall take effect on the date of the  
5 enactment of this Act.

6 **SEC. 3. MODIFICATIONS TO QUALIFIED TUITION PRO-**  
7 **GRAMS.**

8 (a) SHORT TITLE.—This section may be cited as the  
9 “Collegiate Learning and Student Savings (CLASS) Act”.

10 (b) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-  
11 MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

12 (1) IN GENERAL.—Section 529(b)(1) (defining  
13 qualified State tuition program) is amended by in-  
14 sserting “or by one or more eligible educational insti-  
15 tutions” after “maintained by a State or agency or  
16 instrumentality thereof”.

17 (2) PRIVATE QUALIFIED TUITION PROGRAMS  
18 LIMITED TO BENEFIT PLANS.—Clause (ii) of section  
19 529(b)(1)(A) is amended by inserting “in the case of  
20 a program established and maintained by a State or  
21 agency or instrumentality thereof,” before “may  
22 make”.

23 (3) CONFORMING AMENDMENTS.—

24 (A) Sections 72(e)(9), 135(c)(2)(C),  
25 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and

1           6693(a)(2)(C) are each amended by striking  
2           “qualified State tuition” each place it appears  
3           and inserting “qualified tuition”.

4           (B) The headings for sections 72(e)(9),  
5           135(c)(2)(C), and 530(b)(2)(B) are each  
6           amended by striking “QUALIFIED STATE TUI-  
7           TION” and inserting “QUALIFIED TUITION”.

8           (C) The heading for sections 529(b) is  
9           amended by striking “QUALIFIED STATE TUI-  
10          TION” and inserting “QUALIFIED TUITION”.

11          (D) The heading for section 529 is amend-  
12          ed by striking “**STATE**”.

13          (E) The item relating to section 529 in the  
14          table of sections for part VIII of subchapter F  
15          of chapter 1 is amended by striking “State”.

16          (c) EXCLUSION FROM GROSS INCOME OF EDU-  
17          CATION DISTRIBUTIONS FROM QUALIFIED TUITION PRO-  
18          GRAMS.—

19           (1) IN GENERAL.—Section 529(c)(3)(B) (relat-  
20          ing to distributions) is amended to read as follows:

21           “(B) DISTRIBUTIONS FOR QUALIFIED  
22          HIGHER EDUCATION EXPENSES.—For purposes  
23          of this paragraph—

24           “(i) IN-KIND DISTRIBUTIONS.—No  
25          amount shall be includible in gross income

1 under subparagraph (A) by reason of a  
2 distribution which consists of providing a  
3 benefit to the distributee which, if paid for  
4 by the distributee, would constitute pay-  
5 ment of a qualified higher education ex-  
6 pense.

7 “(ii) CASH DISTRIBUTIONS.—In the  
8 case of distributions not described in  
9 clause (i), if—

10 “(I) such distributions do not ex-  
11 ceed the qualified higher education ex-  
12 penses (reduced by expenses described  
13 in clause (i)), no amount shall be in-  
14 cludible in gross income, and

15 “(II) in any other case, the  
16 amount otherwise includible in gross  
17 income shall be reduced by an amount  
18 which bears the same ratio to such  
19 amount as such expenses bear to such  
20 distributions.

21 “(iii) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a des-  
22 ignated beneficiary under a qualified tui-  
23 tion program shall be treated as a distribu-  
24

1           tion to the beneficiary for purposes of this  
2           paragraph.

3           “(iv) COORDINATION WITH HOPE AND  
4           LIFETIME LEARNING CREDITS.—The total  
5           amount of qualified higher education ex-  
6           penses with respect to an individual for the  
7           taxable year shall be reduced—

8                   “(I) as provided in section  
9                   25A(g)(2), and

10                   “(II) by the amount of such ex-  
11                   penses which were taken into account  
12                   in determining the credit allowed to  
13                   the taxpayer or any other person  
14                   under section 25A.

15           “(v) COORDINATION WITH EDUCATION  
16           INDIVIDUAL RETIREMENT ACCOUNTS.—If,  
17           with respect to an individual for any tax-  
18           able year—

19                   “(I) the aggregate distributions  
20                   to which clauses (i) and (ii) and sec-  
21                   tion 530(d)(2)(A) apply, exceed

22                   “(II) the total amount of quali-  
23                   fied higher education expenses other-  
24                   wise taken into account under clauses

1 (i) and (ii) (after the application of  
2 clause (iv)) for such year,  
3 the taxpayer shall allocate such expenses  
4 among such distributions for purposes of  
5 determining the amount of the exclusion  
6 under clauses (i) and (ii) and section  
7 530(d)(2)(A).”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Section 135(d)(2)(B) is amended by  
10 striking “the exclusion under section  
11 530(d)(2)” and inserting “the exclusions under  
12 sections 529(c)(3)(B)(i) and 530(d)(2)”.

13 (B) Section 221(e)(2)(A) is amended by  
14 inserting “529,” after “135,”.

15 (d) ROLLOVER TO DIFFERENT PROGRAM FOR BEN-  
16 EFIT OF SAME DESIGNATED BENEFICIARY.—Section  
17 529(c)(3)(C) (relating to change in beneficiaries) is  
18 amended—

19 (1) by striking “transferred to the credit” in  
20 clause (i) and inserting “transferred—

21 “(I) to another qualified tuition  
22 program for the benefit of the des-  
23 ignated beneficiary, or

24 “(II) to the credit”,

1           (2) by adding at the end the following new  
2 clause:

3                   “(iii) LIMITATION ON CERTAIN ROLL-  
4                   OVERS.—Clause (i)(I) shall not apply to  
5                   any amount transferred with respect to a  
6                   designated beneficiary if, at any time dur-  
7                   ing the 1-year period ending on the day of  
8                   such transfer, any other amount was  
9                   transferred with respect to such beneficiary  
10                  which was not includible in gross income  
11                  by reason of clause (i)(I).”, and

12           (3) by inserting “OR PROGRAMS” after “BENE-  
13           FICIARIES” in the heading.

14           (e) MEMBER OF FAMILY INCLUDES FIRST COUS-  
15 IN.—Section 529(e)(2) (defining member of family) is  
16 amended by striking “and” at the end of subparagraph  
17 (B), by striking the period at the end of subparagraph  
18 (C) and inserting “; and”, and by adding at the end the  
19 following new subparagraph:

20                   “(D) any first cousin of such beneficiary.”.

21           (f) DEFINITION OF QUALIFIED HIGHER EDUCATION  
22 EXPENSES.—

23           (1) IN GENERAL.—Subparagraph (A) of section  
24           529(e)(3) (relating to definition of qualified higher  
25           education expenses) is amended to read as follows:



1           “(A) IN GENERAL.—The term ‘qualified  
2 higher education expenses’ means—

3           “(i) tuition and fees required for the  
4 enrollment or attendance of a designated  
5 beneficiary at an eligible educational insti-  
6 tution for courses of instruction of such  
7 beneficiary at such institution, and

8           “(ii) expenses for books, supplies, and  
9 equipment which are incurred in connec-  
10 tion with such enrollment or attendance,  
11 but not to exceed the allowance for books  
12 and supplies included in the cost of attend-  
13 ance (as defined in section 472 of the  
14 Higher Education Act of 1965 (20 U.S.C.  
15 10871l), as in effect on the date of the en-  
16 actment of the Education Savings and  
17 School Excellence Act of 2001, as deter-  
18 mined by the eligible educational institu-  
19 tion.”.

20           (2) EXCEPTION FOR EDUCATION INVOLVING  
21 SPORTS, ETC.—Paragraph (3) of section 529(e) (re-  
22 lating to qualified higher education expenses) is  
23 amended by adding at the end the following new  
24 subparagraph:

1           “(C) EXCEPTION FOR EDUCATION INVOLV-  
2           ING SPORTS, ETC.—The term ‘qualified higher  
3           education expenses’ shall not include expenses  
4           with respect to any course or other education  
5           involving sports, games, or hobbies unless such  
6           course or other education is part of the bene-  
7           ficiary’s degree program or is taken to acquire  
8           or improve job skills of the beneficiary.”.

9           (g) EFFECTIVE DATES.—

10           (1) IN GENERAL.—The amendments made by  
11           this section shall apply to taxable years beginning  
12           after the date of the enactment of this Act.

13           (2) QUALIFIED HIGHER EDUCATION EX-  
14           PENSES.—The amendments made by subsection (f)  
15           shall apply to amounts paid for courses beginning in  
16           taxable years beginning after the date of the enact-  
17           ment of this Act.

18       **SEC. 4. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE**

19                       **MADE PERMANENT.**

20           (a) PERMANENT EXTENSION.—Section 127 (relating  
21           to exclusion for educational assistance programs) is  
22           amended by striking subsection (d) and by redesignating  
23           subsection (e) as subsection (d).

24           (b) RESTORATION OF EXCLUSION FOR GRADUATE  
25           EDUCATION.—The last sentence of paragraph (1) of sec-

1 tion 127(c) (defining educational assistance) is amended  
 2 by striking “, and such term also does not include any  
 3 payment for, or the provision of any benefits with respect  
 4 to, any graduate level course of a kind normally taken by  
 5 an individual pursuing a program leading to a law, busi-  
 6 ness, medical, or other advanced academic or professional  
 7 degree”.

8 (c) EFFECTIVE DATES.—

9 (1) PERMANENT EXTENSION.—The amend-  
 10 ments made by subsection (a) shall apply to taxable  
 11 years beginning after December 31, 2001.

12 (2) GRADUATE EDUCATION.—The amendment  
 13 made by subsection (b) shall apply to expenses relat-  
 14 ing to courses beginning after the date of the enact-  
 15 ment of this Act.

16 **SEC. 5. EXPANSION OF DEDUCTION FOR INTEREST ON EDU-**  
 17 **CATION LOANS.**

18 (a) REPEAL OF DOLLAR LIMITATION ON, AND IN-  
 19 CREASE IN INCOME THRESHOLD FOR PHASE OUT OF, DE-  
 20 Duction FOR INTEREST ON EDUCATION LOANS.—

21 (1) IN GENERAL.—Subsection (b) of section  
 22 221 (relating to maximum deduction) is amended to  
 23 read as follows:

24 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
 25 GROSS INCOME.—

1           “(1) IN GENERAL.—The amount which would  
2           (but for this subsection) be allowable as a deduction  
3           under this section shall be reduced (but not below  
4           zero) by the amount determined under paragraph  
5           (2).

6           “(2) AMOUNT OF REDUCTION.—The amount  
7           determined under this paragraph is the amount  
8           which bears the same ratio to the amount which  
9           would be so taken into account as—

10                   “(A) the excess of—

11                           “(i) the taxpayer’s modified adjusted  
12                           gross income for such taxable year, over

13                                   “(ii) \$100,000 (\$150,000 in the case  
14                                   of a joint return), bears to

15                           “(B) \$15,000.

16           “(3) MODIFIED ADJUSTED GROSS INCOME.—  
17           The term ‘modified adjusted gross income’ means  
18           adjusted gross income determined—

19                   “(A) without regard to this section and  
20                   sections 911, 931, and 933, and

21                   “(B) after application of sections 86, 135,  
22                   137, 219, and 469.”.

23           “(2) EFFECTIVE DATE.—The amendment made  
24           by paragraph (1) shall apply to taxable years begin-  
25           ning after the date of the enactment of this Act.

1 (b) REPEAL OF 60-MONTH LIMITATION ON DEDUC-  
 2 TION FOR INTEREST ON EDUCATION LOANS.—

3 (1) IN GENERAL.—Section 221 (relating to in-  
 4 terest on education loans) is amended by striking  
 5 subsection (d) and by redesignating subsections (e),  
 6 (f), and (g) as subsections (d), (e), and (f), respec-  
 7 tively.

8 (2) CONFORMING AMENDMENT.—Subsection (e)  
 9 of section 6050S of such Code is amended by strik-  
 10 ing “section 221(e)(1)” and inserting “section  
 11 221(d)(1)”.

12 (3) EFFECTIVE DATE.—The amendments made  
 13 by this subsection shall apply to loan interest pay-  
 14 ments due and paid after the date of the enactment  
 15 of this Act in taxable years ending after such date.

16 **SEC. 6. 2-PERCENT FLOOR ON MISCELLANEOUS ITEMIZED**  
 17 **DEDUCTIONS NOT TO APPLY TO QUALIFIED**  
 18 **PROFESSIONAL DEVELOPMENT EXPENSES OF**  
 19 **ELEMENTARY AND SECONDARY SCHOOL**  
 20 **TEACHERS.**

21 (a) IN GENERAL.—Section 67(b) (defining miscella-  
 22 neous itemized deductions) is amended by striking “and”  
 23 at the end of paragraph (11), by striking the period at  
 24 the end of paragraph (12) and inserting “, and”, and by  
 25 adding at the end the following new paragraph:

1           “(13) any deduction allowable for the qualified  
2           professional development expenses of an eligible  
3           teacher.”.

4           (b) DEFINITIONS.—Section 67 (relating to 2-percent  
5           floor on miscellaneous itemized deductions) is amended by  
6           adding at the end the following new subsection:

7           “(g) QUALIFIED PROFESSIONAL DEVELOPMENT EX-  
8           PENSES OF ELIGIBLE TEACHERS.—For purposes of sub-  
9           section (b)(13)—

10           “(1) QUALIFIED PROFESSIONAL DEVELOPMENT  
11           EXPENSES.—

12           “(A) IN GENERAL.—The term ‘qualified  
13           professional development expenses’ means ex-  
14           penses in an amount not to exceed \$1,000 for  
15           any taxable year—

16           “(i) for tuition, fees, books, supplies,  
17           equipment, and transportation required for  
18           the enrollment or attendance of an indi-  
19           vidual in a qualified course of instruction,  
20           and

21           “(ii) with respect to which a deduction  
22           is allowable under section 162 (determined  
23           without regard to this section).

1           “(B) QUALIFIED COURSE OF INSTRU-  
2           TION.—The term ‘qualified course of instruc-  
3           tion’ means a course of instruction which—

4                   “(i) is—

5                           “(I) at an institution of higher  
6                           education (as defined in section 481  
7                           of the Higher Education Act of 1965  
8                           (20 U.S.C. 1088), as in effect on the  
9                           date of the enactment of this sub-  
10                          section), or

11                           “(II) a professional conference,  
12                          and

13                           “(ii) is part of a program of profes-  
14                           sional development which is approved and  
15                           certified by the appropriate local edu-  
16                           cational agency as furthering the individ-  
17                           ual’s teaching skills.

18           “(C) LOCAL EDUCATIONAL AGENCY.—The term  
19           ‘local educational agency’ has the meaning given  
20           such term by section 14101 of the Elementary and  
21           Secondary Education Act of 1965, as so in effect.

22           “(2) ELIGIBLE TEACHER.—

23                   “(A) IN GENERAL.—The term ‘eligible  
24                   teacher’ means an individual who is a kinder-  
25                   garten through grade 12 classroom teacher, in-

1           structor, counselor, aide, or principal in an ele-  
2           mentary or secondary school.

3           “(B)   ELEMENTARY   OR   SECONDARY  
4           SCHOOL.—The terms ‘elementary school’ and  
5           ‘secondary school’ have the meanings given  
6           such terms by section 14101 of the Elementary  
7           and Secondary Education Act of 1965 (20  
8           U.S.C. 8801), as so in effect.”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10          this section shall apply to taxable years beginning after  
11          the date of the enactment of this Act.

12   **SEC. 7. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**  
13                   **UNDER THE NATIONAL HEALTH SERVICE**  
14                   **CORPS SCHOLARSHIP PROGRAM, THE F. ED-**  
15                   **WARD HEBERT ARMED FORCES HEALTH PRO-**  
16                   **FESIONS SCHOLARSHIP AND FINANCIAL AS-**  
17                   **SISTANCE PROGRAM, AND CERTAIN OTHER**  
18                   **PROGRAMS.**

19          (a) IN GENERAL.—Section 117(c) (relating to the ex-  
20          clusion from gross income amounts received as a qualified  
21          scholarship) is amended—

22               (1) by striking “Subsections (a)” and inserting  
23          the following:

24               “(1) IN GENERAL.—Except as provided in para-  
25          graph (2), subsections (a)”, and



1           (2) by adding at the end the following new  
2 paragraph:

3           “(2) EXCEPTIONS.—Paragraph (1) shall not  
4 apply to any amount received by an individual  
5 under—

6           “(A) the National Health Service Corps  
7 Scholarship program under section  
8 338A(g)(1)(A) of the Public Health Service  
9 Act,

10           “(B) the Armed Forces Health Professions  
11 Scholarship and Financial Assistance program  
12 under subchapter I of chapter 105 of title 10,  
13 United States Code,

14           “(C) the National Institutes of Health Un-  
15 dergraduate Scholarship program under section  
16 487D of the Public Health Service Act, or

17           “(D) any State program determined by the  
18 Secretary to have substantially similar objec-  
19 tives as such programs.”.

20 (b) EFFECTIVE DATES.—

21           (1) IN GENERAL.—Except as provided in para-  
22 graph (2), the amendments made by subsection (a)  
23 shall apply to amounts received in taxable years be-  
24 ginning after December 31, 1993.

1           (2) STATE PROGRAMS.—Section 117(c)(2)(D)  
2           of the Internal Revenue Code of 1986 (as added by  
3           the amendments made by subsection (a)) shall apply  
4           to amounts received in taxable years beginning after  
5           the date of the enactment of this Act.

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