

108TH CONGRESS
1ST SESSION

H. R. 3412

To amend the Internal Revenue Code of 1986 to expand incentives for education.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2003

Mr. ENGLISH introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to expand 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 “Higher Education Af-
5 fordability and Equity Act of 2003”.

6 **SEC. 2. EXPANSION OF DEDUCTION FOR INTEREST ON EDU-**
7 **CATION LOANS.**

8 (a) **REPEAL OF DOLLAR LIMITATION; INCREASE IN**
9 **PHASEOUT BEGINNING POINT.**—Subsection (b) of section

1 221 of the Internal Revenue Code of 1986 (relating to
2 maximum deduction) is amended to read as follows:

3 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
4 GROSS INCOME.—

5 “(1) IN GENERAL.—The amount which would
6 (but for this subsection) be allowable as a deduction
7 under this section shall be reduced (but not below
8 zero) by the amount determined under paragraph
9 (2).

10 “(2) AMOUNT OF REDUCTION.—The amount
11 determined under this paragraph is the amount
12 which bears the same ratio to the amount which
13 would be so taken into account as—

14 “(A) the excess of—

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

17 “(ii) \$100,000 (\$200,000 in the case
18 of a joint return), bears to

19 “(B) \$15,000 (\$30,000 in the case of a
20 joint return).

21 “(3) MODIFIED ADJUSTED GROSS INCOME.—

22 The term ‘modified adjusted gross income’ means
23 adjusted gross income determined—

24 “(A) without regard to this section and
25 sections 222, 911, 931, and 933, and

1 “(B) after application of sections 86, 135,
2 137, 219, and 469.”.

3 (b) CONFORMING AMENDMENT.—Section 221(f)(1)
4 of such Code is amended to read as follows:

5 “(1) IN GENERAL.—In the case of a taxable
6 year beginning after 2004, the \$100,000 and
7 \$200,000 amounts in subsection (b) shall each be in-
8 creased by an amount equal to—

9 “(A) such dollar amount, multiplied by
10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for the calendar
12 year in which the taxable year begins, deter-
13 mined by substituting ‘calendar year 2003’ for
14 ‘calendar year 1992’ in subparagraph (B)
15 thereof.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2003.

19 **SEC. 3. DEDUCTION FOR QUALIFIED TUITION AND RE-**
20 **LATED EXPENSES MADE PERMANENT.**

21 (a) REPEAL OF TERMINATION.—Section 222 of the
22 Internal Revenue Code of 1986 is amended by striking
23 subsection (e).

24 (b) CONFORMING AMENDMENTS.—Subparagraph (B)
25 of section 222(b)(2) of such Code is amended—

1 (1) by striking “2004 or 2005” and inserting
2 “2004 or thereafter”, and

3 (2) in the heading by striking “AND 2005” and
4 inserting “AND THEREAFTER”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 2003.

8 **SEC. 4. EDUCATION SAVINGS ACCOUNTS.**

9 (a) INCREASE IN ALLOWABLE CONTRIBUTIONS.—

10 (1) IN GENERAL.—Clause (iii) of section
11 530(b)(1)(A) of the Internal Revenue Code of 1986
12 is amended by striking “\$2,000” and inserting
13 “\$5,000”.

14 (2) CONFORMING AMENDMENT.—Section
15 4973(e)(1)(A) of such Code is amended by striking
16 “\$2,000” and inserting “\$5,000”.

17 (b) REPORTS.—Subsection (h) of section 530 of such
18 Code is amended by striking the period at the end of the
19 last sentence and inserting “, except that reports shall be
20 so filed and furnished for any calendar year not later than
21 June 30 of the following year.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2003.

1 **SEC. 5. ALLOWANCE OF ROOM, BOARD, AND SPECIAL**
2 **NEEDS SERVICES IN THE CASE OF SCHOLAR-**
3 **SHIPS AND TUITION REDUCTION PROGRAMS**
4 **WITH RESPECT TO HIGHER EDUCATION.**

5 (a) IN GENERAL.—Paragraph (1) of section 117(b)
6 of the Internal Revenue Code of 1986 (defining qualified
7 scholarship) is amended by inserting before the period at
8 the end the following: “or, in the case of enrollment or
9 attendance at an eligible educational institution, for quali-
10 fied higher education expenses.”.

11 (b) DEFINITIONS.—Subsection (b) of section 117 of
12 such Code is amended by adding at the end the following
13 new paragraph:

14 “(3) QUALIFIED HIGHER EDUCATION EX-
15 PENSES; ELIGIBLE EDUCATIONAL INSTITUTION.—
16 The terms ‘qualified higher education expenses’ and
17 ‘eligible educational institution’ have the meanings
18 given such terms in section 529(e).”.

19 (c) TUITION REDUCTION PROGRAMS.—Paragraph
20 (5) of section 117(d) of such Code (relating to special
21 rules for teaching and research assistants) is amended by
22 striking “shall be applied as if it did not contain the
23 phrase ‘(below the graduate level)’.” and inserting “shall
24 be applied—

25 “(A) as if it did not contain the phrase
26 ‘(below the graduate level)’, and

1 “(B) by substituting ‘qualified higher edu-
2 cation expenses’ for ‘tuition’ the second place it
3 appears.”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to expenses paid after December
6 31, 2003 (in taxable years ending after such date), for
7 education furnished in academic periods beginning after
8 such date.

9 **SEC. 6. TREATMENT OF PREPAYMENT AND SAVINGS PLANS**
10 **UNDER STUDENT FINANCIAL AID NEEDS**
11 **ANALYSIS.**

12 (a) DEFINITION OF ASSETS.—Subsection (f) of sec-
13 tion 480 of the Higher Education Act of 1965 (20 U.S.C.
14 1087vv(j)) is amended—

15 (1) in paragraph (1) by inserting “qualified
16 education benefit (except as provided in paragraph
17 (3)),” after “tax shelters,”; and

18 (2) by adding at the end the following new
19 paragraphs:

20 “(3) A qualified education benefit shall not be consid-
21 ered an asset of the student under section 475 of this part.

22 “(4) For purposes of this subsection, the term ‘quali-
23 fied education benefit’ means—

24 “(A) a program which is described in clause (i)
25 of section 529(b)(1)(A) of the Internal Revenue

1 Code of 1986 and which meets the requirements of
2 section 529(b)(1)(B) of such Code;

3 “(B) a State tuition program described in
4 clause (ii) of section 529(b)(1)(A) of the Internal
5 Revenue Code of 1986 which meets the requirements
6 of section 529(b)(1)(B) of such Code; and

7 “(C) a Coverdell education savings account (as
8 defined in section 530(b)(1) of the Internal Revenue
9 Code of 1986).”.

10 (b) DEFINITION OF OTHER FINANCIAL ASSIST-
11 ANCE.—Subsection (j) of section 480 of the Higher Edu-
12 cation Act of 1965 (20 U.S.C. 1087vv(j)) is amended—

13 (1) by striking “; TUITION PREPAYMENT
14 PLANS” in the heading of such subsection;

15 (2) by striking “(1) For purposes” and insert-
16 ing “For purposes”; and

17 (3) by striking paragraph (2).

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply with respect to determinations of
20 need under part F of title IV of the Higher Education
21 Act of 1965 for academic years beginning on or after July
22 1, 2005.

1 **SEC. 7. REPEAL OF EGTRRA SUNSET APPLICABILITY TO**
2 **CERTAIN EDUCATION PROVISIONS.**

3 Title IX of the Economic Growth and Tax Relief Rec-
4 onciliation Act of 2001 (relating to sunset of provisions
5 of such Act) shall not apply to subtitles A, B, and D of
6 title IV of such Act.

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