

109TH CONGRESS  
1ST SESSION

# H. R. 401

To amend the Internal Revenue Code of 1986 to make higher education more affordable by providing a full tax deduction for higher education expenses and interest on student loans.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2005

Mr. PAUL 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 make higher education more affordable by providing a full tax deduction for higher education expenses and interest on student loans.

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 “Make College Afford-  
5       able Act of 2005”.

1 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

2 (a) DEDUCTION ALLOWED.—Section 221 of the In-  
3 ternal Revenue Code of 1986 is amended to read as fol-  
4 lows:

5 **“SEC. 221. HIGHER EDUCATION EXPENSES.**

6 “(a) ALLOWANCE OF DEDUCTION.—In the case of an  
7 individual, there shall be allowed as a deduction an  
8 amount equal to the sum of—

9 “(1) the qualified higher education expenses,  
10 plus

11 “(2) interest on qualified education loans,  
12 paid by the taxpayer during the taxable year.

13 “(b) QUALIFIED HIGHER EDUCATION EXPENSES.—  
14 For purposes of this section—

15 “(1) QUALIFIED HIGHER EDUCATION EX-  
16 PENSES.—

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

19 “(i) tuition and fees charged by an  
20 educational institution and required for the  
21 enrollment or attendance of—

22 “(I) the taxpayer,

23 “(II) the taxpayer’s spouse,

24 “(III) any dependent of the tax-  
25 payer with respect to whom the tax-

1                   payer is allowed a deduction under  
2                   section 151, or

3                   “(IV) any grandchild of the tax-  
4                   payer,

5                   as an eligible student at an institution of  
6                   higher education, and

7                   “(ii) reasonable living expenses for  
8                   such an individual while away from home  
9                   and attending such institution.

10                  “(B) ELIGIBLE COURSES.—Amounts paid  
11                  for qualified higher education expenses of any  
12                  individual shall be taken into account under  
13                  subsection (a) only to the extent such ex-  
14                  penses—

15                  “(i) are attributable to courses of in-  
16                  struction for which credit is allowed toward  
17                  a baccalaureate degree by an institution of  
18                  higher education or toward a certificate of  
19                  required course work at a vocational  
20                  school, and

21                  “(ii) are not attributable to any grad-  
22                  uate program of such individual.

23                  “(C) ELIGIBLE STUDENT.—For purposes  
24                  of subparagraph (A), the term ‘eligible student’  
25                  means a student who—

1 “(i) meets the requirements of section  
2 484(a)(1) of the Higher Education Act of  
3 1965 (20 U.S.C. 1091(a)(1)), as in effect  
4 on the date of the enactment of this sec-  
5 tion, and

6 “(ii) is carrying at least one-half the  
7 normal full-time work load for the course  
8 of study the student is pursuing, as deter-  
9 mined by the institution of higher edu-  
10 cation.

11 “(2) INSTITUTION OF HIGHER EDUCATION.—  
12 The term ‘institution of higher education’ is as de-  
13 fined in section 101 of the Higher Education Act of  
14 1965 (20 U.S.C. 1001).

15 “(c) QUALIFIED EDUCATION LOAN.—For purposes  
16 of this section—

17 “(1) IN GENERAL.—The term ‘qualified edu-  
18 cation loan’ means a loan which is—

19 “(A) made, insured, or guaranteed by the  
20 Federal Government,

21 “(B) made by a State or a political sub-  
22 division of a State,

23 “(C) made from the proceeds of a qualified  
24 student loan bond under section 144(b), or

1 “(D) made by an institution of higher edu-  
 2 cation.

3 “(2) LIMITATION.—The amount of interest on  
 4 a qualified education loan which is taken into ac-  
 5 count under subsection (a)(2) shall not exceed the  
 6 amount which bears the same ratio to such amount  
 7 of interest as—

8 “(A) the proceeds from such loan used for  
 9 qualified higher education expenses, bears to

10 “(B) the total proceeds from such loan.

11 For purposes of the preceding sentence, the term  
 12 ‘qualified higher education expenses’ shall be deter-  
 13 mined without regard to subsection (c)(1)(A)(i)(IV).

14 “(d) SPECIAL RULES.—

15 “(1) NO DOUBLE BENEFIT.—

16 “(A) IN GENERAL.—No deduction shall be  
 17 allowed under subsection (a) for any expense  
 18 for which a deduction is allowable to the tax-  
 19 payer under any other provision of this chapter  
 20 unless the taxpayer irrevocably waives his right  
 21 to the deduction of such expense under such  
 22 other provision.

23 “(B) DENIAL OF DEDUCTION IF CREDIT  
 24 ELECTED.—No deduction shall be allowed  
 25 under subsection (a) for a taxable year with re-

1 spect to the qualified higher education expenses  
2 of an individual if the taxpayer elects to have  
3 section 25A apply with respect to such indi-  
4 vidual for such year.

5 “(C) DEPENDENTS.—No deduction shall  
6 be allowed under subsection (a) to any indi-  
7 vidual with respect to whom a deduction under  
8 section 151 is allowable to another taxpayer for  
9 a taxable year beginning in the calendar year in  
10 which such individual’s taxable year begins.

11 “(D) COORDINATION WITH EXCLUSIONS.—  
12 A deduction shall be allowed under subsection  
13 (a) for qualified higher education expenses only  
14 to the extent the amount of such expenses ex-  
15 ceeds the amount excludable under section 135  
16 or 530(d)(2) for the taxable year.

17 “(2) LIMITATION ON TAXABLE YEAR OF DE-  
18 Duction.—

19 “(A) IN GENERAL.—A deduction shall be  
20 allowed under subsection (a) for qualified high-  
21 er education expenses for any taxable year only  
22 to the extent such expenses are in connection  
23 with enrollment at an institution of higher edu-  
24 cation during the taxable year.

1           “(B) CERTAIN PREPAYMENTS ALLOWED.—  
2           Subparagraph (A) shall not apply to qualified  
3           higher education expenses paid during a taxable  
4           year if such expenses are in connection with an  
5           academic term beginning during such taxable  
6           year or during the first 3 months of the next  
7           taxable year.

8           “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-  
9           SHIPS AND VETERANS BENEFITS.—The amount of  
10          qualified higher education expenses otherwise taken  
11          into account under subsection (a) or (d)(2) with re-  
12          spect to the education of an individual shall be re-  
13          duced (before the application of subsection (b)) by  
14          the sum of the amounts received with respect to  
15          such individual for the taxable year as—

16               “(A) a qualified scholarship which under  
17               section 117 is not includable in gross income,

18               “(B) an educational assistance allowance  
19               under chapter 30, 31, 32, 34, or 35 of title 38,  
20               United States Code, or

21               “(C) a payment (other than a gift, be-  
22               quest, devise, or inheritance within the meaning  
23               of section 102(a)) for educational expenses, or  
24               attributable to enrollment at an eligible edu-

1           cational institution, which is exempt from in-  
2           come taxation by any law of the United States.

3           “(4) NO DEDUCTION FOR MARRIED INDIVID-  
4           UALS FILING SEPARATE RETURNS.—If the taxpayer  
5           is a married individual (within the meaning of sec-  
6           tion 7703), this section shall apply only if the tax-  
7           payer and the taxpayer’s spouse file a joint return  
8           for the taxable year.

9           “(5) NONRESIDENT ALIENS.—If the taxpayer is  
10          a nonresident alien individual for any portion of the  
11          taxable year, this section shall apply only if such in-  
12          dividual is treated as a resident alien of the United  
13          States for purposes of this chapter by reason of an  
14          election under subsection (g) or (h) of section 6013.

15          “(6) REGULATIONS.—The Secretary may pre-  
16          scribe such regulations as may be necessary or ap-  
17          propriate to carry out this section, including regula-  
18          tions requiring recordkeeping and information re-  
19          porting.”.

20          (b) DEDUCTION ALLOWED IN COMPUTING AD-  
21          JUSTED GROSS INCOME.—Paragraph (17) of section  
22          62(a) of such Code is amended to read as follows:

23                 “(17) HIGHER EDUCATION EXPENSES.—The  
24                 deduction allowed by section 221.”.

25          (c) CONFORMING AMENDMENTS.—



1           (1) The table of sections for part VII of sub-  
2           chapter B of chapter 1 of such Code is amended by  
3           striking the item relating to section 221 and insert-  
4           ing the following new item:

“Sec. 221. Higher education expenses.”.

5           (2) Section 6050S(e) of such Code is amended  
6           by striking “section 221(d)(1)” and inserting “sec-  
7           tion 221(e)(1)”.

8           (d) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to payments made after December  
10          31, 2004.

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