

111TH CONGRESS
1ST SESSION

H. R. 386

To amend the Internal Revenue Code of 1986 to simplify and improve the current education tax incentives.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2009

Mr. DOGGETT 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 simplify and improve the current education tax incentives.

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 “College Learning Ac-
5 cess Simplicity and Savings Act of 2009” or the “CLASS
6 Act of 2009”.

7 **SEC. 2. CREATION OF COLLEGE AFFORDABILITY CREDIT**

8 **AND SIMPLIFICATION OF EDUCATION TAX**

9 **BENEFITS.**

10 (a) COLLEGE AFFORDABILITY CREDIT.—

1 (1) Paragraph (1) of section 25A(a) of the In-
2 ternal Revenue Code of 1986 is amended by striking
3 “the Hope Scholarship Credit” and inserting “the
4 College Affordability Credit”.

5 (2) Subsection (b) of section 25A of such Code
6 is amended to read as follows:

7 “(b) COLLEGE AFFORDABILITY CREDIT.—

8 “(1) ALLOWANCE OF CREDIT.—In the case of
9 any eligible student for whom an election is in effect
10 under this section for any taxable year, there shall
11 be allowed as a credit against the tax imposed by
12 this chapter for the taxable year an amount equal to
13 the sum of—

14 “(A) 100 percent of so much of the quali-
15 fied tuition and related expenses paid by the
16 taxpayer during the taxable year (with respect
17 to attendance of the eligible student at an eligi-
18 ble educational institution during any academic
19 period beginning in such taxable year) as does
20 not exceed \$1,200, and

21 “(B) 50 percent of so much of such ex-
22 penses as exceeds \$1,200, but does not exceed
23 \$4,800.

24 “(2) LIFETIME CREDIT LIMITATION.—The
25 amount of the credit allowed under paragraph (1)

1 for any taxable year with respect to any eligible stu-
2 dent shall not exceed the excess of—

3 “(A) \$12,000, over

4 “(B) the aggregate credit allowed under
5 subsection (a) with respect to such eligible stu-
6 dent for all prior taxable years.

7 “(3) CREDIT ALLOWED ONLY FOR FIRST 2
8 YEARS OF GRADUATE EDUCATION.—No credit shall
9 be allowed under subsection (a)(1) for a taxable year
10 with respect to the qualified tuition and related ex-
11 penses of an eligible student if the student has com-
12 pleted (before the beginning of such taxable year) 2
13 years of graduate education at one or more eligible
14 educational institutions.

15 “(4) CREDIT ALLOWED FOR YEAR ONLY IF IN-
16 DIVIDUAL IS AT LEAST $\frac{1}{2}$ TIME STUDENT FOR POR-
17 TION OF YEAR.—The College Affordability Credit
18 under subsection (a)(1) shall not be allowed for a
19 taxable year with respect to the qualified tuition and
20 related expenses of an individual unless such indi-
21 vidual is an eligible student for at least one aca-
22 demic period which begins during such year.

23 “(5) ELIGIBLE STUDENT.—The term ‘eligible
24 student’ means, with respect to any academic period,
25 any individual who—

1 “(A) meets the requirements of section
2 484(a)(1) of the Higher Education Act of 1965
3 (20 U.S.C. 1091(a)(1)), as in effect on the date
4 of the enactment of the Taxpayer Relief Act of
5 1997, and

6 “(B) is carrying at least $\frac{1}{2}$ the normal
7 full-time work load for the course of study the
8 student is pursuing.”.

9 (b) QUALIFIED TUITION AND RELATED EXPENSES
10 TO INCLUDE REQUIRED COURSE MATERIALS.—Subpara-
11 graph (A) of section 25A(f)(1) of such Code is amended
12 by striking “tuition and fees” and inserting “tuition, fees,
13 and course materials”.

14 (c) INCREASED INCOME LIMITATION.—Subsection
15 (d) of section 25A of such Code is amended to read as
16 follows:

17 “(d) LIMITATION BASED ON MODIFIED ADJUSTED
18 GROSS INCOME.—

19 “(1) IN GENERAL.—The amount which would
20 (but for this paragraph) be taken into account under
21 subsection (a) for the taxable year shall be reduced
22 (but not below zero) by the amount determined
23 under paragraph (2).

24 “(2) AMOUNT OF REDUCTION.—The amount
25 determined under this subparagraph is the amount

1 which bears the same ratio to the amount which
2 would be so taken into account as—

3 “(A) the excess of—

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

6 “(ii) the applicable amount under
7 paragraph (4), bears to

8 “(B) \$25,000 (\$50,000 in the case of a
9 joint return).

10 “(3) MODIFIED ADJUSTED GROSS INCOME.—

11 The term ‘modified adjusted gross income’ means
12 the adjusted gross income of the taxpayer for the
13 taxable year increased by any amount excluded from
14 gross income under section 911, 931, or 933.

15 “(4) APPLICABLE AMOUNT.—The applicable
16 amount under this subparagraph is—

17 “(A) in the case of a joint return, 200 per-
18 cent of the dollar amount in effect under sub-
19 paragraph (B) for the taxable year, and

20 “(B) in any other case, \$50,000.”.

21 (d) MODIFIED INFLATION ADJUSTMENT.—Para-
22 graph (2) of section 25A(h) of such Code is amended to
23 read as follows:

24 “(2) INCOME LIMITS.—

1 “(A) IN GENERAL.—In the case of a tax-
2 able year beginning after 2009, the \$50,000
3 amount in subsection (d)(4)(B) shall each be
4 increased by an amount equal to—

5 “(i) such dollar amount, multiplied by

6 “(ii) the cost-of-living adjustment de-
7 termined under section 1(f)(3) for the cal-
8 endar year in which the taxable year be-
9 gins, determined by substituting ‘calendar
10 year 2008’ for ‘calendar year 1992’ in sub-
11 paragraph (B) thereof.

12 “(B) ROUNDING.—If any amount as ad-
13 justed under subparagraph (A) is not a multiple
14 of \$1,000, such amount shall be rounded to the
15 next lowest multiple of \$1,000.”.

16 (e) PORTION OF CREDIT REFUNDABLE.—Section
17 25A of such Code is amended by redesignating subsection
18 (i) as subsection (j) and by inserting after subsection (h)
19 the following new subsection:

20 “(i) PORTION OF CREDIT REFUNDABLE.—

21 “(1) IN GENERAL.—The aggregate credits al-
22 lowed to a taxpayer under subpart C shall be in-
23 creased by an amount equal to 50 percent of the
24 portion of the amount of the credit which would
25 have been allowed to the taxpayer under this section

1 by reason of subsection (b) (without regard to this
2 subsection and the limitation under section
3 26(a)(2)). The amount of the credit allowed under
4 this subsection shall not be treated as a credit al-
5 lowed under this subpart and shall reduce the
6 amount of credit otherwise allowable under sub-
7 section (a) (without regard to section 26(a)(2)).

8 “(2) REDUCTION OF CREDIT.—In the case of a
9 taxable year to which 26(a)(2) does not apply, the
10 credit determined under paragraph (1) for the tax-
11 able year shall be reduced by the amount of tax im-
12 posed by section 55 (relating to alternative minimum
13 tax) with respect to such taxpayer for such taxable
14 year.”.

15 (f) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
16 TION AND RELATED EXPENSES.—

17 (1) IN GENERAL.—Part VII of subchapter B of
18 chapter 1 of such Code (relating to additional
19 itemized deductions for individuals) is amended by
20 striking section 222.

21 (2) CLERICAL AMENDMENT.—The table of sec-
22 tions for part VII of subchapter B of chapter 1 of
23 such Code is amended by striking the item relating
24 to section 222.

25 (g) CONFORMING AMENDMENTS.—

1 (1) The heading for Section 25A of such Code
2 is amended by striking “**HOPE**” and inserting
3 “**COLLEGE AFFORDABILITY**”.

4 (2) Section 25A(c)(2)(A) of such Code is
5 amended—

6 (A) by striking “Hope Scholarship Credit”
7 and inserting “College Affordability Credit”,
8 and

9 (B) by striking “HOPE” in the heading
10 thereof and inserting “COLLEGE AFFORD-
11 ABILITY”.

12 (3) Section 62(a) of such Code is amended by
13 striking paragraph (18).

14 (4) Subparagraph (A) of section 86(b)(2) of
15 such Code is amended by striking “, 222”.

16 (5) Subparagraph (A) of section 135(c)(4) of
17 such Code is amended by striking “, 222”.

18 (6) Subparagraph (A) of section 137(b)(3) of
19 such Code is amended by striking “, 222”.

20 (7) Subparagraph (A) of section 199(d)(2) of
21 such Code is amended by striking “, 222”.

22 (8) Clause (ii) of section 219(g)(3)(A) of such
23 Code is amended by striking “, 222”.

24 (9) Clause (i) of section 221(b)(2)(C) of such
25 Code is amended by striking “, 222”.

1 (10) Clause (iii) of section 469(i)(3)(F) of such
2 Code is amended by striking “221, and 222” and in-
3 sserting “and 221”.

4 (11) Paragraph (3) of section 221(d) of such
5 Code is amended by striking “25A(b)(3)” and in-
6 sserting “25A(b)(5)”.

7 (12) Clause (i) of section 529(e)(3)(B) of such
8 Code is amended by striking “section 25A(b)(3)”
9 and inserting “section 221(d)(3)”.

10 (13) The heading for clause (v) of section
11 529(e)(3)(B) of such Code is amended by striking
12 “HOPE” and inserting “COLLEGE AFFORDABILITY”.

13 (14) The heading for Subparagraph (C) of sec-
14 tion 530(d)(2) of such Code is amended by striking
15 “HOPE” and inserting “COLLEGE AFFORDABILITY”.

16 (15) Section 14000 of such Code is amended
17 by adding at the end the following flush sentence:

18 “For purposes of this section, any reference to section 25A
19 shall be treated as a reference to such section as in effect
20 on the day before the date of the enactment of this sen-
21 tence.”.

22 (16) Paragraph (2) of section 1324(b) of title
23 31, United States Code, is amended by inserting “,
24 25A,” after “section 35”.

1 (h) CLERICAL AMENDMENT.—The table of sections
2 for subpart A of part IV of subchapter A of chapter 1
3 of such Code is amended by striking the item relating to
4 section 25A and inserting the following new item:

“Sec. 25A. College Affordability and Lifetime Learning credits.”.

5 (i) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to expenses paid after December
7 31, 2008, for education furnished in academic periods be-
8 ginning after such date.

○