

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3393

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## AN ACT

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, to amend the Internal Revenue Code of 1986 to make improvements to the child tax credit, 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,*

1 **SECTION 1. TABLE OF CONTENTS.**

2 The table of contents for this Act is as follows:

Sec. 1. Table of Contents.

TITLE I—STUDENT AND FAMILY TAX SIMPLIFICATION ACT

Sec. 101. Short title.

Sec. 102. Consolidation of certain tax benefits for educational expenses.

Sec. 103. Expansion of Pell Grant exclusion from gross income.

Sec. 104. Budgetary effects.

TITLE II—CHILD TAX CREDIT IMPROVEMENT ACT

Sec. 201. Short title.

Sec. 202. Elimination of marriage penalty in child tax credit; inflation adjustment of credit amount and phaseout thresholds in child tax credit.

Sec. 203. Social security number required to claim the refundable portion of the child tax credit.

Sec. 204. Budgetary effects.

3 **TITLE I—STUDENT AND FAMILY**  
4 **TAX SIMPLIFICATION ACT**

5 **SEC. 101. SHORT TITLE.**

6 This title may be cited as the “Student and Family  
7 Tax Simplification Act”.

8 **SEC. 102. CONSOLIDATION OF CERTAIN TAX BENEFITS FOR**  
9 **EDUCATIONAL EXPENSES.**

10 (a) AMERICAN OPPORTUNITY TAX CREDIT.—Section  
11 25A of the Internal Revenue Code of 1986 is amended  
12 to read as follows:

13 **“SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.**

14 “(a) IN GENERAL.—In the case of an individual,  
15 there shall be allowed as a credit against the tax imposed  
16 by this chapter for the taxable year, with respect to each  
17 eligible student, an amount equal to the sum of—

1           “(1) 100 percent of so much of the qualified  
2 tuition and related expenses paid by the taxpayer  
3 during the taxable year (for education furnished to  
4 the eligible student during any academic period be-  
5 ginning in such taxable year) as does not exceed  
6 \$2,000, plus

7           “(2) 25 percent of so much of such expenses so  
8 paid as exceeds the dollar amount in effect under  
9 paragraph (1) but does not exceed twice such dollar  
10 amount.

11       “(b) PORTION OF CREDIT REFUNDABLE.—So much  
12 of the credit allowable under subsection (a) with respect  
13 to each eligible student (determined without regard to this  
14 subsection and section 26(a) and after application of all  
15 other provisions of this section) as does not exceed \$1,500  
16 shall be treated as a credit allowable under subpart C (and  
17 not under this part). The preceding sentence shall not  
18 apply to any taxpayer for any taxable year if such tax-  
19 payer is a child to whom section 1(g) applies for such tax-  
20 able year.

21       “(c) LIMITATION BASED ON MODIFIED ADJUSTED  
22 GROSS INCOME.—

23           “(1) IN GENERAL.—The amount allowable as a  
24 credit under subsection (a) for any taxable year shall  
25 be reduced (but not below zero) by an amount which

1 bears the same ratio to the amount so allowable (de-  
2 termined without regard to this subsection and sub-  
3 section (b) but after application of all other provi-  
4 sions of this section) as—

5 “(A) the excess of—

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

8 “(ii) \$80,000 (twice such amount in  
9 the case of a joint return), bears to

10 “(B) \$10,000 (twice such amount in the  
11 case of a joint return).

12 “(2) MODIFIED ADJUSTED GROSS INCOME.—

13 For purposes of this subsection, the term ‘modified  
14 adjusted gross income’ means the adjusted gross in-  
15 come of the taxpayer for the taxable year increased  
16 by any amount excluded from gross income under  
17 section 911, 931, or 933.

18 “(d) OTHER LIMITATIONS.—No credit shall be al-  
19 lowed under this section with respect to any eligible stu-  
20 dent for any taxable year if—

21 “(1) such student was taken into account in de-  
22 termining the credit allowed under this section (by  
23 the taxpayer or any other individual) for any 4 prior  
24 taxable years, or

1           “(2) such student has completed (before the be-  
2           ginning of such taxable year) the first 4 years of  
3           postsecondary education at an eligible educational  
4           institution.

5           “(e) DEFINITIONS.—For purposes of this section—

6           “(1) ELIGIBLE STUDENT.—The term ‘eligible  
7           student’ means, with respect to any academic period,  
8           a student who—

9                   “(A) meets the requirements of section  
10                   484(a)(1) of the Higher Education Act of 1965  
11                   (20 U.S.C. 1091(a)(1)), as in effect on August  
12                   5, 1997, and

13                   “(B) is carrying at least ½ the normal  
14                   full-time work load for the course of study the  
15                   student is pursuing.

16           “(2) QUALIFIED TUITION AND RELATED EX-  
17           PENSES.—

18                   “(A) IN GENERAL.—The term ‘qualified  
19                   tuition and related expenses’ means tuition,  
20                   fees, and course materials, required for enroll-  
21                   ment or attendance of—

22                           “(i) the taxpayer,

23                           “(ii) the taxpayer’s spouse, or

1           “(iii) any dependent of the taxpayer  
2           with respect to whom the taxpayer is al-  
3           lowed a deduction under section 151,  
4           at an eligible educational institution for courses  
5           of instruction of such individual at such institu-  
6           tion.

7           “(B) EXCEPTION FOR EDUCATION INVOLV-  
8           ING SPORTS, ETC.—Such term does not include  
9           expenses with respect to any course or other  
10          education involving sports, games, or hobbies,  
11          unless such course or other education is part of  
12          the individual’s degree program.

13          “(C) EXCEPTION FOR NONACADEMIC  
14          FEES.—Such term does not include student ac-  
15          tivity fees, athletic fees, insurance expenses, or  
16          other expenses unrelated to an individual’s aca-  
17          demic course of instruction.

18          “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—  
19          The term ‘eligible educational institution’ means an  
20          institution—

21                 “(A) which is described in section 481 of  
22                 the Higher Education Act of 1965 (20 U.S.C.  
23                 1088), as in effect on August 5, 1997, and

24                 “(B) which is eligible to participate in a  
25                 program under title IV of such Act.

1 “(f) SPECIAL RULES.—

2 “(1) IDENTIFICATION REQUIREMENT.—No  
3 credit shall be allowed under subsection (a) to a tax-  
4 payer with respect to the qualified tuition and re-  
5 lated expenses of an individual unless the taxpayer  
6 includes the name and taxpayer identification num-  
7 ber of such individual, and the employer identifica-  
8 tion number of any institution to which such ex-  
9 penses were paid, on the return of tax for the tax-  
10 able year.

11 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-  
12 SHIPS, ETC.—

13 “(A) IN GENERAL.—The amount of quali-  
14 fied tuition and related expenses otherwise  
15 taken into account under subsection (a) with re-  
16 spect to an individual for an academic period  
17 shall be reduced (before the application of sub-  
18 section (c)) by the sum of any amounts paid for  
19 the benefit of such individual which are allo-  
20 cable to such period as—

21 “(i) a qualified scholarship which is  
22 excludable from gross income under section  
23 117,

24 “(ii) an educational assistance allow-  
25 ance under chapter 30, 31, 32, 34, or 35

1 of title 38, United States Code, or under  
2 chapter 1606 of title 10, United States  
3 Code, and

4 “(iii) a payment (other than a gift,  
5 bequest, devise, or inheritance within the  
6 meaning of section 102(a)) for such indi-  
7 vidual’s educational expenses, or attrib-  
8 utable to such individual’s enrollment at an  
9 eligible educational institution, which is ex-  
10 cludable from gross income under any law  
11 of the United States.

12 “(B) COORDINATION WITH PELL GRANTS  
13 NOT USED FOR QUALIFIED TUITION AND RE-  
14 LATED EXPENSES.—For purposes of subpara-  
15 graph (A), the amount of any Federal Pell  
16 Grant under section 401 of the Higher Edu-  
17 cation Act of 1965 (20 U.S.C. 1070a) shall be  
18 reduced (but not below zero) by the amount of  
19 expenses (other than qualified tuition and re-  
20 lated expenses) which are taken into account in  
21 determining the cost of attendance (as defined  
22 in section 472 of the Higher Education Act of  
23 1965, as in effect on the date of the enactment  
24 of this paragraph) of such individual at an eligi-  
25 ble educational institution for the academic pe-

1           riod for which the credit under this section is  
2           being determined.

3           “(3) TREATMENT OF EXPENSES PAID BY DE-  
4           PENDENT.—If a deduction under section 151 with  
5           respect to an individual is allowed to another tax-  
6           payer for a taxable year beginning in the calendar  
7           year in which such individual’s taxable year begins—

8                   “(A) no credit shall be allowed under sub-  
9                   section (a) to such individual for such individ-  
10                  ual’s taxable year, and

11                   “(B) qualified tuition and related expenses  
12                  paid by such individual during such individual’s  
13                  taxable year shall be treated for purposes of  
14                  this section as paid by such other taxpayer.

15           “(4) TREATMENT OF CERTAIN PREPAY-  
16           MENTS.—If qualified tuition and related expenses  
17           are paid by the taxpayer during a taxable year for  
18           an academic period which begins during the first 3  
19           months following such taxable year, such academic  
20           period shall be treated for purposes of this section  
21           as beginning during such taxable year.

22           “(5) DENIAL OF DOUBLE BENEFIT.—No credit  
23           shall be allowed under this section for any amount  
24           for which a deduction is allowed under any other  
25           provision of this chapter.

1           “(6) NO CREDIT FOR MARRIED INDIVIDUALS  
2           FILING SEPARATE RETURNS.—If the taxpayer is a  
3           married individual (within the meaning of section  
4           7703), this section shall apply only if the taxpayer  
5           and the taxpayer’s spouse file a joint return for the  
6           taxable year.

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

13          “(g) INFLATION ADJUSTMENT.—

14          “(1) IN GENERAL.—In the case of a taxable  
15          year beginning after 2018, the \$2,000 amount in  
16          subsection (a)(1), the \$1,500 amount in subsection  
17          (b), and the \$80,000 amount in subsection  
18          (c)(1)(A)(ii) shall each be increased by an amount  
19          equal to—

20                  “(A) such dollar amount, multiplied by

21                  “(B) the cost-of-living adjustment deter-  
22                  mined under section 1(f)(3) for the calendar  
23                  year in which the taxable year begins, deter-  
24                  mined by substituting ‘calendar year 2017’ for

1           ‘calendar year 1992’ in subparagraph (B)  
2           thereof.

3           “(2) ROUNDING.—If any amount as adjusted  
4           under paragraph (1) is not a multiple of \$100  
5           (\$1,000 in the case of the amount in subsection  
6           (c)(1)(A)(ii)), such amount shall be rounded to the  
7           next lowest multiple of \$100 (\$1,000 in the case of  
8           the amount in subsection (c)(1)(A)(ii)).

9           “(h) REGULATIONS.—The Secretary may prescribe  
10          such regulations or other guidance as may be necessary  
11          or appropriate to carry out this section, including regula-  
12          tions providing for a recapture of the credit allowed under  
13          this section in cases where there is a refund in a subse-  
14          quent taxable year of any amount which was taken into  
15          account in determining the amount of such credit.”.

16          (b) REQUIREMENT TO REPORT TUITION PAID RATH-  
17          ER THAN TUITION BILLED.—Section 6050S(b)(2)(B)(i)  
18          is amended by striking “or the aggregate amount billed”.

19          (c) REPEAL OF DEDUCTION FOR QUALIFIED TUI-  
20          TION AND RELATED EXPENSES.—Part VII of subchapter  
21          B of chapter 1 of such Code is amended by striking section  
22          222 (and by striking the item relating to such section in  
23          the table of sections for such part).

24          (d) CONFORMING AMENDMENTS.—

1           (1) Section 62(a) of such Code is amended by  
2 striking paragraph (18).

3           (2) Section 72(t)(7)(B) of such Code is amend-  
4 ed by striking “section 25A(g)(2)” and inserting  
5 “section 25A(f)(2)”.

6           (3) Sections 86(b)(2)(A), 135(c)(4)(A),  
7 137(b)(3)(A), 199(d)(2)(A), 219(g)(3)(A)(ii), and  
8 221(b)(2)(C)(i) of such Code are each amended by  
9 striking “222,”.

10           (4) Section 469(i)(3)(F)(iii) of such Code is  
11 amended by striking “221, and 222” and inserting  
12 “and 221”.

13           (5) Section 529(c)(3)(B)(v)(I) of such Code is  
14 amended by striking “section 25A(g)(2)” and insert-  
15 ing “section 25A(f)(2)”.

16           (6) Section 529(e)(3)(B)(i) of such Code is  
17 amended by striking “section 25A(b)(3)” and insert-  
18 ing “section 25A(d)”.

19           (7) Section 530(d)(2)(C) of such Code is  
20 amended—

21                 (A) by striking “section 25A(g)(2)” in  
22 clause (i)(I) and inserting “section 25A(f)(2)”,  
23 and

1 (B) by striking “HOPE AND LIFETIME  
2 LEARNING CREDITS” in the heading and insert-  
3 ing “AMERICAN OPPORTUNITY TAX CREDIT”.

4 (8) Section 530(d)(4)(B)(iii) of such Code is  
5 amended by striking “section 25A(g)(2)” and insert-  
6 ing “section 25A(d)(4)(B)”.

7 (9) Section 6050S(e) of such Code is amended  
8 by striking “subsection (g)(2)” and inserting “sub-  
9 section (f)(2)”.

10 (10) Section 6211(b)(4)(A) of such Code is  
11 amended by striking “subsection (i)(6)” and insert-  
12 ing “subsection (b)”.

13 (11) Section 6213(g)(2)(J) of such Code is  
14 amended by striking “TIN required under section  
15 25A(g)(1)” and inserting “TIN, and employer iden-  
16 tification number, required under section  
17 25A(f)(1)”.

18 (12) Section 1004(c) of division B of the Amer-  
19 ican Recovery and Reinvestment Tax Act of 2009 is  
20 amended—

21 (A) in paragraph (1)—

22 (i) by striking “section 25A(i)(6)”  
23 each place it appears and inserting “sec-  
24 tion 25A(b)”.

1 (ii) by striking “with respect to tax-  
2 able years beginning after 2008 and before  
3 2018” in subparagraph (A) and inserting  
4 “with respect to each taxable year”, and

5 (iii) by striking “for taxable years be-  
6 ginning after 2008 and before 2018” in  
7 subparagraph (B) and inserting “for each  
8 taxable year”,

9 (B) in paragraph (2), by striking “Section  
10 25A(i)(6)” and inserting “Section 25A(b)”, and

11 (C) in paragraph (3)(C), by striking “sub-  
12 section (i)(6)” and inserting “subsection (b)”.

13 (13) The table of sections for subpart A of part  
14 IV of subchapter A of chapter 1 of the Internal Rev-  
15 enue Code of 1986 is amended by striking the item  
16 relating to section 25A and inserting the following  
17 new item:

“Sec. 25A. American opportunity tax credit.”.

18 (e) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2014.

21 **SEC. 103. EXPANSION OF PELL GRANT EXCLUSION FROM**  
22 **GROSS INCOME.**

23 (a) IN GENERAL.—Paragraph (1) of section 117(b)  
24 of the Internal Revenue Code of 1986 is amended—

1 (1) by striking the period at the end and insert-  
2 ing “, or”,

3 (2) by striking “received by an individual as a  
4 scholarship” and inserting the following: “received  
5 by an individual—

6 “(A) as a scholarship”, and

7 (3) by adding at the end the following new sub-  
8 paragraph:

9 “(B) as a Federal Pell Grant under section  
10 401 of the Higher Education Act of 1965 (20  
11 U.S.C. 1070a).”.

12 (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2014.

15 **SEC. 104. BUDGETARY EFFECTS.**

16 (a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The  
17 budgetary effects of this Act shall not be entered on either  
18 PAYGO scorecard maintained pursuant to section 4(d) of  
19 the Statutory Pay-As-You-Go Act of 2010.

20 (b) SENATE PAYGO SCORECARDS.—The budgetary  
21 effects of this Act shall not be entered on any PAYGO  
22 scorecard maintained for purposes of section 201 of S.  
23 Con. Res. 21 (110th Congress).

1       **TITLE II—CHILD TAX CREDIT**  
2                   **IMPROVEMENT ACT**

3       **SEC. 201. SHORT TITLE.**

4           This title may be cited as the “Child Tax Credit Im-  
5       provement Act of 2014”.

6       **SEC. 202. ELIMINATION OF MARRIAGE PENALTY IN CHILD**  
7                   **TAX CREDIT; INFLATION ADJUSTMENT OF**  
8                   **CREDIT AMOUNT AND PHASEOUT THRESH-**  
9                   **OLDS IN CHILD TAX CREDIT.**

10       (a) **ELIMINATION OF MARRIAGE PENALTY.**—Section  
11       24(b)(2) of the Internal Revenue Code of 1986 is amended  
12       by striking “means—” and all that follows and inserting  
13       “means \$75,000 (twice such amount in the case of a joint  
14       return).”.

15       (b) **INFLATION ADJUSTMENT OF CREDIT AMOUNT**  
16       **AND PHASEOUT THRESHOLDS.**—Section 24 of such Code  
17       is amended by adding at the end the following new sub-  
18       section:

19           “(g) **INFLATION ADJUSTMENT.**—

20           “(1) **IN GENERAL.**—In the case of any taxable  
21       year beginning after 2014, the \$1,000 amount in  
22       subsection (a) and the \$75,000 amount in sub-  
23       section (b)(2) shall each be increased by an amount  
24       equal to—

25           “(A) such dollar amount, multiplied by

1           “(B) the cost-of-living adjustment deter-  
2           mined under section 1(f)(3) for the calendar  
3           year in which the taxable year begins, deter-  
4           mined by substituting ‘calendar year 2013’ for  
5           ‘calendar year 1992’ in subparagraph (B)  
6           thereof.

7           “(2) ROUNDING.—Any increase determined  
8           under paragraph (1) shall be rounded—

9           “(A) in the case of the \$1,000 amount in  
10           subsection (a), to the nearest multiple of \$50,  
11           and

12           “(B) in the case of the \$75,000 amount in  
13           subsection (b)(2), to the nearest multiple of  
14           \$1,000.”.

15           (c) EFFECTIVE DATE.—The amendments made by  
16           this section shall apply to taxable years beginning after  
17           December 31, 2014.

18           **SEC. 203. SOCIAL SECURITY NUMBER REQUIRED TO CLAIM**  
19                           **THE REFUNDABLE PORTION OF THE CHILD**  
20                           **TAX CREDIT.**

21           (a) IN GENERAL.—Subsection (d) of section 24 of the  
22           Internal Revenue Code of 1986 is amended by inserting  
23           after paragraph (4) the following new paragraph:

24           “(5) IDENTIFICATION REQUIREMENT WITH RE-  
25           SPECT TO TAXPAYER.—

1           “(A) IN GENERAL.—Paragraph (1) shall  
2           not apply to any taxpayer for any taxable year  
3           unless the taxpayer includes the taxpayer’s so-  
4           cial security number on the return of tax for  
5           such taxable year.

6           “(B) JOINT RETURNS.—In the case of a  
7           joint return, the requirement of subparagraph  
8           (A) shall be treated as met if the social security  
9           number of either spouse is included on such re-  
10          turn.”.

11          (b) OMISSION TREATED AS MATHEMATICAL OR  
12          CLERICAL ERROR.—Subparagraph (I) of section  
13          6213(g)(2) of such Code is amended to read as follows:

14                 “(I) an omission of a correct social secu-  
15                 rity number required under section 24(d)(5)  
16                 (relating to refundable portion of child tax cred-  
17                 it), or a correct TIN required under section  
18                 24(e) (relating to child tax credit), to be in-  
19                 cluded on a return,”.

20          (c) CONFORMING AMENDMENT.—Subsection (e) of  
21          section 24 of such Code is amended by inserting “WITH  
22          RESPECT TO QUALIFYING CHILDREN” after “IDENTI-  
23          FICATION REQUIREMENT” in the heading thereof.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 the date of the enactment of this Act.

4 **SEC. 204. BUDGETARY EFFECTS.**

5 (a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The  
6 budgetary effects of this Act shall not be entered on either  
7 PAYGO scorecard maintained pursuant to section 4(d) of  
8 the Statutory Pay-As-You-Go Act of 2010.

9 (b) SENATE PAYGO SCORECARDS.—The budgetary  
10 effects of this Act shall not be entered on any PAYGO  
11 scorecard maintained for purposes of section 201 of S.  
12 Con. Res. 21 (110th Congress).

Passed the House of Representatives July 24, 2014.

Attest:

*Clerk.*

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# **H. R. 3393**

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## **AN ACT**

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, to amend the Internal Revenue Code of 1986 to make improvements to the child tax credit, and for other purposes.