

113TH CONGRESS
1ST SESSION

H. R. 3393

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

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 30, 2013

Mrs. BLACK (for herself and Mr. DANNY K. DAVIS of Illinois) 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 consolidate certain tax benefits for educational expenses, 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.**

4 This Act may be cited as the “Student and Family
5 Tax Simplification Act”.

6 **SEC. 2. CONSOLIDATION OF CERTAIN TAX BENEFITS FOR**
7 **EDUCATIONAL EXPENSES.**

8 (a) AMERICAN OPPORTUNITY TAX CREDIT.—Section
9 25A of the Internal Revenue Code of 1986 is amended
10 to read as follows:

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

2 “(a) IN GENERAL.—In the case of any individual for
3 any taxable year, there shall be allowed as a credit against
4 the tax imposed by this chapter for such taxable year an
5 amount equal to the sum of—

6 “(1) 100 percent of so much of the qualified
7 tuition and related expenses paid by the taxpayer
8 during the taxable year (for education furnished to
9 any eligible student for whom an election is in effect
10 under this section for such taxable year during any
11 academic period beginning in such taxable year) as
12 does not exceed \$2,000, plus

13 “(2) 25 percent of such expenses so paid as ex-
14 ceeds the dollar amount in effect under paragraph
15 (1) but does not exceed twice such dollar amount.

16 “(b) PORTION OF CREDIT REFUNDABLE.—So much
17 of the credit allowable under subsection (a) (determined
18 without regard to this subsection and section 26(a) and
19 after application of all other provisions of this section) as
20 does not exceed \$1,500 shall be treated as a credit allow-
21 able under subpart C (and not allowable under subsection
22 (a)). The preceding sentence shall not apply to any tax-
23 payer for any taxable year if such taxpayer is a child to
24 whom section 1(d) applies for such taxable year.

25 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
26 GROSS INCOME.—

1 “(1) IN GENERAL.—The amount allowable as a
2 credit under subsection (a) for any taxable year shall
3 be reduced (but not below zero) by an amount which
4 bears the same ratio to the amount so allowable (de-
5 termined without regard to this subsection and sub-
6 section (b) but after application of all other provi-
7 sions of this section) as—

8 “(A) the excess of—

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

11 “(ii) \$43,000 (twice such amount in
12 the case of a joint return), bears to

13 “(B) \$20,000 (twice such amount in the
14 case of a joint return).

15 “(2) MODIFIED ADJUSTED GROSS INCOME.—

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

21 “(d) OTHER LIMITATIONS.—

22 “(1) CREDIT ALLOWED ONLY FOR 4 TAXABLE
23 YEARS.—An election to have this section apply may
24 not be made for any taxable year if such an election
25 (by the taxpayer or any other individual) is in effect

1 with respect to such student for any 4 prior taxable
2 years.

3 “(2) CREDIT ALLOWED FOR YEAR ONLY IF IN-
4 DIVIDUAL IS AT LEAST $\frac{1}{2}$ TIME STUDENT FOR POR-
5 TION OF YEAR.—No credit shall be allowed under
6 subsection (a) for a taxable year with respect to the
7 qualified tuition and related expenses of an indi-
8 vidual unless such individual is an eligible student
9 for at least one academic period which begins during
10 such year.

11 “(3) CREDIT ALLOWED ONLY FOR FIRST 4
12 YEARS OF POSTSECONDARY EDUCATION.—No credit
13 shall be allowed under subsection (a) for a taxable
14 year with respect to the qualified tuition and related
15 expenses of an eligible student if the student has
16 completed (before the beginning of such taxable
17 year) the first 4 years of postsecondary education at
18 an eligible educational institution.

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

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

23 “(A) meets the requirements of section
24 484(a)(1) of the Higher Education Act of 1965

1 (20 U.S.C. 1091(a)(1)), as in effect on August
2 5, 1997, and

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

6 “(2) QUALIFIED TUITION AND RELATED EX-
7 PENSES.—

8 “(A) IN GENERAL.—The term ‘qualified
9 tuition and related expenses’ means tuition,
10 fees, and course materials, required for enroll-
11 ment or attendance of—

12 “(i) the taxpayer,

13 “(ii) the taxpayer’s spouse, or

14 “(iii) any dependent of the taxpayer
15 with respect to whom the taxpayer is al-
16 lowed a deduction under section 151,

17 at an eligible educational institution for courses
18 of instruction of such individual at such institu-
19 tion.

20 “(B) EXCEPTION FOR EDUCATION INVOLV-
21 ING SPORTS, ETC.—Such term does not include
22 expenses with respect to any course or other
23 education involving sports, games, or hobbies,
24 unless such course or other education is part of
25 the individual’s degree program.

1 “(C) EXCEPTION FOR NONACADEMIC
2 FEES.—Such term does not include student ac-
3 tivity fees, athletic fees, insurance expenses, or
4 other expenses unrelated to an individual’s aca-
5 demic course of instruction.

6 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
7 The term ‘eligible educational institution’ means an
8 institution—

9 “(A) which is described in section 481 of
10 the Higher Education Act of 1965 (20 U.S.C.
11 1088), as in effect on August 5, 1997, and

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

14 “(f) SPECIAL RULES.—

15 “(1) IDENTIFICATION REQUIREMENT.—No
16 credit shall be allowed under subsection (a) to a tax-
17 payer with respect to the qualified tuition and re-
18 lated expenses of an individual unless the taxpayer
19 includes the name and taxpayer identification num-
20 ber of such individual, and the employer identifica-
21 tion number of any institution to which such ex-
22 penses were paid, on the return of tax for the tax-
23 able year.

24 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-
25 SHIPS, ETC.—

1 “(A) IN GENERAL.—The amount of quali-
2 fied tuition and related expenses otherwise
3 taken into account under subsection (a) with re-
4 spect to an individual for an academic period
5 shall be reduced (before the application of sub-
6 section (c)) by the sum of any amounts paid for
7 the benefit of such individual which are allo-
8 cable to such period as—

9 “(i) a qualified scholarship which is
10 excludable from gross income under section
11 117,

12 “(ii) an educational assistance allow-
13 ance under chapter 30, 31, 32, 34, or 35
14 of title 38, United States Code, or under
15 chapter 1606 of title 10, United States
16 Code, and

17 “(iii) a payment (other than a gift,
18 bequest, devise, or inheritance within the
19 meaning of section 102(a) for such individ-
20 ual’s educational expenses, or attributable
21 to such individual’s enrollment at an eligi-
22 ble educational institution, which is exclud-
23 able from gross income under any law of
24 the United States.

1 “(B) COORDINATION WITH PELL GRANTS
2 NOT USED FOR QUALIFIED TUITION AND RE-
3 LATED EXPENSES.—Any amount determined
4 with respect to an individual under subpara-
5 graph (A) which is attributable to a Federal
6 Pell Grant under section 401 of the Higher
7 Education Act of 1965 (20 U.S.C. 1070a) shall
8 be reduced (but not below zero) by the amount
9 of expenses (other than qualified tuition and re-
10 lated expenses) which are taken into account in
11 determining the cost of attendance (as defined
12 in section 472 of the Higher Education Act of
13 1965, as in effect on the date of the enactment
14 of this paragraph) of such individual at an eligi-
15 ble educational institution for the academic pe-
16 riod for which the credit under this section is
17 being determined.

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

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

1 “(B) qualified tuition and related expenses
2 paid by such individual during such individual’s
3 taxable year shall be treated for purposes of
4 this section as paid by such other taxpayer.

5 “(4) TREATMENT OF CERTAIN PREPAY-
6 MENTS.—If qualified tuition and related expenses
7 are paid by the taxpayer during a taxable year for
8 an academic period which begins during the first 3
9 months following such taxable year, such academic
10 period shall be treated for purposes of this section
11 as beginning during such taxable year.

12 “(5) DENIAL OF DOUBLE BENEFIT.—No credit
13 shall be allowed under this section for any amount
14 for which a deduction is allowed under any other
15 provision of this chapter.

16 “(6) NO CREDIT FOR MARRIED INDIVIDUALS
17 FILING SEPARATE RETURNS.—If the taxpayer is a
18 married individual (within the meaning of section
19 7703), this section shall apply only if the taxpayer
20 and the taxpayer’s spouse file a joint return for the
21 taxable year.

22 “(7) NONRESIDENT ALIENS.—If the taxpayer is
23 a nonresident alien individual for any portion of the
24 taxable year, this section shall apply only if such in-
25 dividual is treated as a resident alien of the United

1 States for purposes of this chapter by reason of an
2 election under subsection (g) or (h) of section 6013.

3 “(g) INFLATION ADJUSTMENT.—

4 “(1) IN GENERAL.—In the case of a taxable
5 year beginning after 2018, the \$2,000 amount in
6 subsection (a)(1), the \$1,500 amount in subsection
7 (b), and the \$43,000 amount in subsection
8 (c)(1)(A)(ii) shall each be increased by an amount
9 equal to—

10 “(A) such dollar amount, multiplied by

11 “(B) the cost-of-living adjustment deter-
12 mined under section 1(f)(3) for the calendar
13 year in which the taxable year begins, deter-
14 mined by substituting ‘calendar year 2017’ for
15 ‘calendar year 1992’ in subparagraph (B)
16 thereof.

17 “(2) ROUNDING.—If any amount as adjusted
18 under paragraph (1) is not a multiple of \$100
19 (\$1,000 in the case of the amount in subsection
20 (c)(1)(A)(ii)), such amount shall be rounded to the
21 next lowest multiple of \$100 (\$1,000 in the case of
22 the amount in subsection (c)(1)(A)(ii)).

23 “(h) REGULATIONS.—The Secretary may prescribe
24 such regulations or other guidance as may be necessary
25 or appropriate to carry out this section, including regula-

1 tions providing for a recapture of the credit allowed under
2 this section in cases where there is a refund in a subse-
3 quent taxable year of any amount which was taken into
4 account in determining the amount of such credit.”.

5 (b) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
6 TION AND RELATED EXPENSES.—Part VII of subchapter
7 B of chapter 1 of such Code is amended by striking section
8 222 (and by striking the item relating to such section in
9 the table of sections for such part).

10 (c) CONFORMING AMENDMENTS.—

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

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

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

19 (4) Section 529(e)(3)(B)(i) of such Code is
20 amended by striking “section 25A(b)(3)” and insert-
21 ing “section 25A(d)”.

22 (5) Section 530(d)(2)(C) of such Code is
23 amended—

1 (A) by striking “section 25A(g)(2)” in
2 clause (i)(I) and inserting “section 25A(f)(2)”,
3 and

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

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

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

13 (8) Section 6211(b)(4)(A) of such Code is
14 amended by striking “subsection (i)(6)” and insert-
15 ing “subsection (b)”.

16 (9) Section 6213(g)(2)(J) of such Code is
17 amended by striking “TIN required under section
18 25A(g)(1)” and inserting “TIN, and employer iden-
19 tification number, required under section
20 25A(f)(1)”.

21 (10) Section 1004(c) of division B of the Amer-
22 ican Recovery and Reinvestment Tax Act of 2009 is
23 amended—

24 (A) in paragraph (1)—

1 (i) by striking “section 25A(i)(6)”
 2 each place it appears and inserting “sec-
 3 tion 25A(b)”, and

4 (ii) by striking “with respect to tax-
 5 able years beginning after 2008 and before
 6 2018” each place it appears and inserting
 7 “with respect to each taxable year”,

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

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

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

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

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

20 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**
 21 **GROSS INCOME.**

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

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

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

4 “(A) as a scholarship”, and

5 (3) by adding at the end the following new sub-
6 paragraph:

7 “(B) as a Federal Pell Grant under section
8 401 of the Higher Education Act of 1965 (20
9 U.S.C. 1070a).”.

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

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