

Calendar No. 493

113TH CONGRESS
2D SESSION**H. R. 3393**

 IN THE SENATE OF THE UNITED STATES

JULY 28, 2014

Received; read the first time

JULY 29, 2014

Read the second time and placed on the calendar

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,*

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

4 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.

1 **TITLE I—STUDENT AND FAMILY**
 2 **TAX SIMPLIFICATION ACT**

3 **SEC. 101. SHORT TITLE.**

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

6 **SEC. 102. 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:

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

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

16 “(1) 100 percent of so much of the qualified
 17 tuition and related expenses paid by the taxpayer
 18 during the taxable year (for education furnished to
 19 the eligible student during any academic period be-
 20 ginning in such taxable year) as does not exceed
 21 \$2,000, plus

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

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

15 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
16 GROSS INCOME.—

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

24 “(A) the excess of—

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

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

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

7 “(2) MODIFIED ADJUSTED GROSS INCOME.—

8 For purposes of this subsection, the term ‘modified
9 adjusted gross income’ means the adjusted gross in-
10 come of the taxpayer for the taxable year increased
11 by any amount excluded from gross income under
12 section 911, 931, or 933.

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

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

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

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

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

4 “(A) meets the requirements of section
5 484(a)(1) of the Higher Education Act of 1965
6 (20 U.S.C. 1091(a)(1)), as in effect on August
7 5, 1997, and

8 “(B) is carrying at least ½ the normal
9 full-time work load for the course of study the
10 student is pursuing.

11 “(2) QUALIFIED TUITION AND RELATED EX-
12 PENSES.—

13 “(A) IN GENERAL.—The term ‘qualified
14 tuition and related expenses’ means tuition,
15 fees, and course materials, required for enroll-
16 ment or attendance of—

17 “(i) the taxpayer,

18 “(ii) the taxpayer’s spouse, or

19 “(iii) any dependent of the taxpayer
20 with respect to whom the taxpayer is al-
21 lowed a deduction under section 151,
22 at an eligible educational institution for courses
23 of instruction of such individual at such institu-
24 tion.

1 “(B) EXCEPTION FOR EDUCATION INVOLV-
2 ING SPORTS, ETC.—Such term does not include
3 expenses with respect to any course or other
4 education involving sports, games, or hobbies,
5 unless such course or other education is part of
6 the individual’s degree program.

7 “(C) EXCEPTION FOR NONACADEMIC
8 FEES.—Such term does not include student ac-
9 tivity fees, athletic fees, insurance expenses, or
10 other expenses unrelated to an individual’s aca-
11 demic course of instruction.

12 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
13 The term ‘eligible educational institution’ means an
14 institution—

15 “(A) which is described in section 481 of
16 the Higher Education Act of 1965 (20 U.S.C.
17 1088), as in effect on August 5, 1997, and

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

20 “(f) SPECIAL RULES.—

21 “(1) IDENTIFICATION REQUIREMENT.—No
22 credit shall be allowed under subsection (a) to a tax-
23 payer with respect to the qualified tuition and re-
24 lated expenses of an individual unless the taxpayer
25 includes the name and taxpayer identification num-

1 ber of such individual, and the employer identifica-
2 tion number of any institution to which such ex-
3 penses were paid, on the return of tax for the tax-
4 able year.

5 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-
6 SHIPS, ETC.—

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

15 “(i) a qualified scholarship which is
16 excludable from gross income under section
17 117,

18 “(ii) an educational assistance allow-
19 ance under chapter 30, 31, 32, 34, or 35
20 of title 38, United States Code, or under
21 chapter 1606 of title 10, United States
22 Code, and

23 “(iii) a payment (other than a gift,
24 bequest, devise, or inheritance within the
25 meaning of section 102(a)) for such indi-

1 vidual’s educational expenses, or attrib-
2 utable to such individual’s enrollment at an
3 eligible educational institution, which is ex-
4 cludable from gross income under any law
5 of the United States.

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

22 “(3) TREATMENT OF EXPENSES PAID BY DE-
23 PENDENT.—If a deduction under section 151 with
24 respect to an individual is allowed to another tax-

1 payer for a taxable year beginning in the calendar
2 year in which such individual's taxable year begins—

3 “(A) no credit shall be allowed under sub-
4 section (a) to such individual for such individ-
5 ual's taxable year, and

6 “(B) qualified tuition and related expenses
7 paid by such individual during such individual's
8 taxable year shall be treated for purposes of
9 this section as paid by such other taxpayer.

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

17 “(5) DENIAL OF DOUBLE BENEFIT.—No credit
18 shall be allowed under this section for any amount
19 for which a deduction is allowed under any other
20 provision of this chapter.

21 “(6) NO CREDIT FOR MARRIED INDIVIDUALS
22 FILING SEPARATE RETURNS.—If the taxpayer is a
23 married individual (within the meaning of section
24 7703), this section shall apply only if the taxpayer

1 and the taxpayer’s spouse file a joint return for the
2 taxable year.

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

9 “(g) INFLATION ADJUSTMENT.—

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

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
18 mined under section 1(f)(3) for the calendar
19 year in which the taxable year begins, deter-
20 mined by substituting ‘calendar year 2017’ for
21 ‘calendar year 1992’ in subparagraph (B)
22 thereof.

23 “(2) ROUNDING.—If any amount as adjusted
24 under paragraph (1) is not a multiple of \$100
25 (\$1,000 in the case of the amount in subsection

1 (c)(1)(A)(ii)), such amount shall be rounded to the
2 next lowest multiple of \$100 (\$1,000 in the case of
3 the amount in subsection (c)(1)(A)(ii)).

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

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

14 (c) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
15 TION AND RELATED EXPENSES.—Part VII of subchapter
16 B of chapter 1 of such Code is amended by striking section
17 222 (and by striking the item relating to such section in
18 the table of sections for such part).

19 (d) CONFORMING AMENDMENTS.—

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

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

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

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

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

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

14 (7) Section 530(d)(2)(C) of such Code is
15 amended—

16 (A) by striking “section 25A(g)(2)” in
17 clause (i)(I) and inserting “section 25A(f)(2)”,
18 and

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

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

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

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

7 (11) Section 6213(g)(2)(J) of such Code is
8 amended by striking “TIN required under section
9 25A(g)(1)” and inserting “TIN, and employer iden-
10 tification number, required under section
11 25A(f)(1)”.

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

15 (A) in paragraph (1)—

16 (i) by striking “section 25A(i)(6)”
17 each place it appears and inserting “sec-
18 tion 25A(b)”,

19 (ii) by striking “with respect to tax-
20 able years beginning after 2008 and before
21 2018” in subparagraph (A) and inserting
22 “with respect to each taxable year”, and

23 (iii) by striking “for taxable years be-
24 ginning after 2008 and before 2018” in

1 (3) by adding at the end the following new sub-
2 paragraph:

3 “(B) as a Federal Pell Grant under section
4 401 of the Higher Education Act of 1965 (20
5 U.S.C. 1070a).”.

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

9 **SEC. 104. BUDGETARY EFFECTS.**

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

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

18 **TITLE II—CHILD TAX CREDIT**
19 **IMPROVEMENT ACT**

20 **SEC. 201. SHORT TITLE.**

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

1 **SEC. 202. ELIMINATION OF MARRIAGE PENALTY IN CHILD**
2 **TAX CREDIT; INFLATION ADJUSTMENT OF**
3 **CREDIT AMOUNT AND PHASEOUT THRESH-**
4 **OLDS IN CHILD TAX CREDIT.**

5 (a) **ELIMINATION OF MARRIAGE PENALTY.**—Section
6 24(b)(2) of the Internal Revenue Code of 1986 is amended
7 by striking “means—” and all that follows and inserting
8 “means \$75,000 (twice such amount in the case of a joint
9 return).”.

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

14 “(g) **INFLATION ADJUSTMENT.**—

15 “(1) **IN GENERAL.**—In the case of any taxable
16 year beginning after 2014, the \$1,000 amount in
17 subsection (a) and the \$75,000 amount in sub-
18 section (b)(2) 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 2013’ for
25 ‘calendar year 1992’ in subparagraph (B)
26 thereof.

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

3 “(A) in the case of the \$1,000 amount in
4 subsection (a), to the nearest multiple of \$50,
5 and

6 “(B) in the case of the \$75,000 amount in
7 subsection (b)(2), to the nearest multiple of
8 \$1,000.”.

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

12 **SEC. 203. SOCIAL SECURITY NUMBER REQUIRED TO CLAIM**
13 **THE REFUNDABLE PORTION OF THE CHILD**
14 **TAX CREDIT.**

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

18 “(5) IDENTIFICATION REQUIREMENT WITH RE-
19 SPECT TO TAXPAYER.—

20 “(A) IN GENERAL.—Paragraph (1) shall
21 not apply to any taxpayer for any taxable year
22 unless the taxpayer includes the taxpayer’s so-
23 cial security number on the return of tax for
24 such taxable year.

1 “(B) JOINT RETURNS.—In the case of a
2 joint return, the requirement of subparagraph
3 (A) shall be treated as met if the social security
4 number of either spouse is included on such re-
5 turn.”.

6 (b) OMISSION TREATED AS MATHEMATICAL OR
7 CLERICAL ERROR.—Subparagraph (I) of section
8 6213(g)(2) of such Code is amended to read as follows:

9 “(I) an omission of a correct social secu-
10 rity number required under section 24(d)(5)
11 (relating to refundable portion of child tax cred-
12 it), or a correct TIN required under section
13 24(e) (relating to child tax credit), to be in-
14 cluded on a return,”.

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

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

22 **SEC. 204. BUDGETARY EFFECTS.**

23 (a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The
24 budgetary effects of this Act shall not be entered on either

1 PAYGO scorecard maintained pursuant to section 4(d) of
2 the Statutory Pay-As-You-Go Act of 2010.

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

Passed the House of Representatives July 24, 2014.

Attest:

KAREN L. HAAS,

Clerk.

Calendar No. 493

113TH CONGRESS
2^D SESSION

H. R. 3393

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.

JULY 29, 2014

Read the second time and placed on the calendar