

## Union Calendar No. 392

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

# H. R. 3393

[Report No. 113-526]

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

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### 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

JULY 17, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on October 30, 2013]

# **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 to*  
10 *read as follows:*

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

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

16            *“(1) 100 percent of so much of the qualified tui-*  
17 *tion and related expenses paid by the taxpayer dur-*  
18 *ing the taxable year (for education furnished to the el-*  
19 *igible student during any academic period beginning*  
20 *in such taxable year) as does not exceed \$2,000, plus*

21            *“(2) 25 percent of so much of such expenses so*  
22 *paid as exceeds the dollar amount in effect under*  
23 *paragraph (1) but does not exceed twice such dollar*  
24 *amount.*

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

10       “(c) *LIMITATION BASED ON MODIFIED ADJUSTED*  
11 *GROSS INCOME.*—

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

19                       “(A) *the excess of—*

20                               “(i) *the taxpayer’s modified adjusted*  
21 *gross income for such taxable year, over*

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

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

1           “(2) *MODIFIED ADJUSTED GROSS INCOME.*—For  
2           purposes of this subsection, the term ‘modified ad-  
3           justed gross income’ means the adjusted gross income  
4           of the taxpayer for the taxable year increased by any  
5           amount excluded from gross income under section  
6           911, 931, or 933.

7           “(d) *OTHER LIMITATIONS.*—No credit shall be allowed  
8           under this section with respect to any eligible student for  
9           any taxable year if—

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

14           “(2) such student has completed (before the be-  
15           ginning of such taxable year) the first 4 years of post-  
16           secondary education at an eligible educational insti-  
17           tution.

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

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

22           “(A) meets the requirements of section  
23           484(a)(1) of the Higher Education Act of 1965  
24           (20 U.S.C. 1091(a)(1)), as in effect on August 5,  
25           1997, and

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

4           “(2) *QUALIFIED TUITION AND RELATED EX-*  
5           *PENSES.*—

6           “(A) *IN GENERAL.*—The term ‘qualified tui-  
7           tion and related expenses’ means tuition, fees,  
8           and course materials, required for enrollment or  
9           attendance of—

10                   “(i) the taxpayer,

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

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

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

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

24           “(C) *EXCEPTION FOR NONACADEMIC*  
25           *FEEES.*—Such term does not include student ac-

1           *tivity fees, athletic fees, insurance expenses, or*  
2           *other expenses unrelated to an individual's aca-*  
3           *demically course of instruction.*

4           “(3) *ELIGIBLE EDUCATIONAL INSTITUTION.*—*The*  
5           *term ‘eligible educational institution’ means an insti-*  
6           *tution—*

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

10                    “(B) *which is eligible to participate in a*  
11                    *program under title IV of such Act.*

12           “(f) *SPECIAL RULES.*—

13                    “(1) *IDENTIFICATION REQUIREMENT.*—*No credit*  
14                    *shall be allowed under subsection (a) to a taxpayer*  
15                    *with respect to the qualified tuition and related ex-*  
16                    *penditures of an individual unless the taxpayer includes*  
17                    *the name and taxpayer identification number of such*  
18                    *individual, and the employer identification number of*  
19                    *any institution to which such expenses were paid, on*  
20                    *the return of tax for the taxable year.*

21                    “(2) *ADJUSTMENT FOR CERTAIN SCHOLARSHIPS,*  
22                    *ETC.*—

23                    “(A) *IN GENERAL.*—*The amount of quali-*  
24                    *fied tuition and related expenses otherwise taken*  
25                    *into account under subsection (a) with respect to*

1           *an individual for an academic period shall be*  
2           *reduced (before the application of subsection (c))*  
3           *by the sum of any amounts paid for the benefit*  
4           *of such individual which are allocable to such*  
5           *period as—*

6                     “(i) *a qualified scholarship which is*  
7                     *excludable from gross income under section*  
8                     *117,*

9                     “(ii) *an educational assistance allow-*  
10                    *ance under chapter 30, 31, 32, 34, or 35 of*  
11                    *title 38, United States Code, or under chap-*  
12                    *ter 1606 of title 10, United States Code,*  
13                    *and*

14                    “(iii) *a payment (other than a gift, be-*  
15                    *quest, devise, or inheritance within the*  
16                    *meaning of section 102(a)) for such individ-*  
17                    *ual’s educational expenses, or attributable to*  
18                    *such individual’s enrollment at an eligible*  
19                    *educational institution, which is excludable*  
20                    *from gross income under any law of the*  
21                    *United States.*

22                    “(B) *COORDINATION WITH PELL GRANTS*  
23                    *NOT USED FOR QUALIFIED TUITION AND RE-*  
24                    *LATED EXPENSES.—For purposes of subpara-*  
25                    *graph (A), the amount of any Federal Pell Grant*



1           *under section 401 of the Higher Education Act*  
2           *of 1965 (20 U.S.C. 1070a) shall be reduced (but*  
3           *not below zero) by the amount of expenses (other*  
4           *than qualified tuition and related expenses)*  
5           *which are taken into account in determining the*  
6           *cost of attendance (as defined in section 472 of*  
7           *the Higher Education Act of 1965, as in effect on*  
8           *the date of the enactment of this paragraph) of*  
9           *such individual at an eligible educational insti-*  
10          *tution for the academic period for which the*  
11          *credit under this section is being determined.*

12           “(3) *TREATMENT OF EXPENSES PAID BY DE-*  
13          *PENDENT.—If a deduction under section 151 with re-*  
14          *spect to an individual is allowed to another taxpayer*  
15          *for a taxable year beginning in the calendar year in*  
16          *which such individual’s taxable year begins—*

17                   “(A) *no credit shall be allowed under sub-*  
18                   *section (a) to such individual for such individ-*  
19                   *ual’s taxable year, and*

20                   “(B) *qualified tuition and related expenses*  
21                   *paid by such individual during such individ-*  
22                   *ual’s taxable year shall be treated for purposes of*  
23                   *this section as paid by such other taxpayer.*

24           “(4) *TREATMENT OF CERTAIN PREPAYMENTS.—If*  
25          *qualified tuition and related expenses are paid by the*

1 taxpayer during a taxable year for an academic pe-  
2 riod which begins during the first 3 months following  
3 such taxable year, such academic period shall be  
4 treated for purposes of this section as beginning dur-  
5 ing such taxable year.

6 “(5) DENIAL OF DOUBLE BENEFIT.—No credit  
7 shall be allowed under this section for any amount for  
8 which a deduction is allowed under any other provi-  
9 sion of this chapter.

10 “(6) NO CREDIT FOR MARRIED INDIVIDUALS FIL-  
11 ING SEPARATE RETURNS.—If the taxpayer is a mar-  
12 ried individual (within the meaning of section 7703),  
13 this section shall apply only if the taxpayer and the  
14 taxpayer’s spouse file a joint return for the taxable  
15 year.

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

22 “(g) INFLATION ADJUSTMENT.—

23 “(1) IN GENERAL.—In the case of a taxable year  
24 beginning after 2018, the \$2,000 amount in sub-  
25 section (a)(1), the \$1,500 amount in subsection (b),

1       and the \$80,000 amount in subsection (c)(1)(A)(ii)  
2       shall each be increased by an amount equal to—

3               “(A) such dollar amount, multiplied by

4               “(B) the cost-of-living adjustment deter-  
5               mined under section 1(f)(3) for the calendar year  
6               in which the taxable year begins, determined by  
7               substituting ‘calendar year 2017’ for ‘calendar  
8               year 1992’ in subparagraph (B) thereof.

9               “(2) *ROUNDING.*—If any amount as adjusted  
10              under paragraph (1) is not a multiple of \$100  
11              (\$1,000 in the case of the amount in subsection  
12              (c)(1)(A)(ii)), such amount shall be rounded to the  
13              next lowest multiple of \$100 (\$1,000 in the case of the  
14              amount in subsection (c)(1)(A)(ii)).

15             “(h) *REGULATIONS.*—The Secretary may prescribe  
16             such regulations or other guidance as may be necessary or  
17             appropriate to carry out this section, including regulations  
18             providing for a recapture of the credit allowed under this  
19             section in cases where there is a refund in a subsequent  
20             taxable year of any amount which was taken into account  
21             in determining the amount of such credit.”.

22             (b) *REQUIREMENT TO REPORT TUITION PAID RATHER*  
23             *THAN TUITION BILLED.*—Section 6050S(b)(2)(B)(i) is  
24             amended by striking “or the aggregate amount billed”.

1           (c) *REPEAL OF DEDUCTION FOR QUALIFIED TUITION*  
2 *AND RELATED EXPENSES.*—Part VII of subchapter B of  
3 chapter 1 of such Code is amended by striking section 222  
4 (and by striking the item relating to such section in the  
5 table of sections for such part).

6           (d) *CONFORMING AMENDMENTS.*—

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

9           (2) Section 72(t)(7)(B) of such Code is amended  
10 by striking “section 25A(g)(2)” and inserting “section  
11 25A(f)(2)”.

12           (3) Sections 86(b)(2)(A), 135(c)(4)(A),  
13 137(b)(3)(A), 199(d)(2)(A), 219(g)(3)(A)(ii), and  
14 221(b)(2)(C)(i) of such Code are each amended by  
15 striking “222,”.

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

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

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

1           (7) *Section 530(d)(2)(C) of such Code is amend-*  
2 *ed—*

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

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

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

12           (9) *Section 6050S(e) of such Code is amended by*  
13 *striking “subsection (g)(2)” and inserting “subsection*  
14 *(f)(2)”*.

15           (10) *Section 6211(b)(4)(A) of such Code is*  
16 *amended by striking “subsection (i)(6)” and inserting*  
17 *“subsection (b)”*.

18           (11) *Section 6213(g)(2)(J) of such Code is*  
19 *amended by striking “TIN required under section*  
20 *25A(g)(1)” and inserting “TIN, and employer identi-*  
21 *fication number, required under section 25A(f)(1)”*.

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

25                 (A) *in paragraph (1)—*

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

4           (ii) by striking “with respect to taxable  
5           years beginning after 2008 and before  
6           2018” in subparagraph (A) and inserting  
7           “with respect to each taxable year”, and

8           (iii) by striking “for taxable years be-  
9           ginning after 2008 and before 2018” in sub-  
10          paragraph (B) and inserting “for each tax-  
11          able year”,

12          (B) in paragraph (2), by striking “Section  
13          25A(i)(6)” and inserting “Section 25A(b)”, and

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

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

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

21          (e) *EFFECTIVE DATE.*—*The amendments made by this*  
22          *section shall apply to taxable years beginning after Decem-*  
23          *ber 31, 2014.*

1 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**  
2 **GROSS INCOME.**

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

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

7 (2) by striking “received by an individual as a  
8 scholarship” and inserting the following: “received by  
9 an individual—

10 “(A) as a scholarship”, and

11 (3) by adding at the end the following new sub-  
12 paragraph:

13 “(B) as a Federal Pell Grant under section  
14 401 of the Higher Education Act of 1965 (20  
15 U.S.C. 1070a).”.

16 (b) *EFFECTIVE DATE.*—The amendments made by this  
17 section shall apply to taxable years beginning after Decem-  
18 ber 31, 2014.

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