

113TH CONGRESS
1ST SESSION

S. 1090

To amend the Internal Revenue Code of 1986 to consolidate the current education tax incentives into one credit against income tax for higher education expenses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 4, 2013

Mr. RUBIO introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to consolidate the current education tax incentives into one credit against income tax for higher education 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 “Higher Education and
5 Skills Obtainment Act”.

1 **SEC. 2. CONSOLIDATION OF EDUCATION TAX INCENTIVES**
 2 **INTO HIGHER EDUCATION AND SKILLS OB-**
 3 **TAINMENT CREDIT.**

4 (a) IN GENERAL.—Section 25A of the Internal Rev-
 5 enue Code of 1986 (relating to Hope and Lifetime Learn-
 6 ing credits) is amended to read as follows:

7 **“SEC. 25A. HIGHER EDUCATION AND SKILLS OBTAINMENT**
 8 **CREDIT.**

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

14 “(1) 100 percent of so much of the qualified
 15 tuition and related expenses paid by the taxpayer
 16 during the taxable year (for education furnished to
 17 the eligible student during any academic period be-
 18 ginning in such taxable year) as does not exceed
 19 \$2,000, plus

20 “(2) 25 percent of such expenses so paid as ex-
 21 ceeds \$2,000 but does not exceed \$4,000.

22 “(b) LIMITATIONS.—

23 “(1) CREDIT ALLOWED ONLY FOR 4 TAXABLE
 24 YEARS.—The credit under subsection (a) shall not
 25 be allowed for a taxable year with respect to the
 26 qualified tuition and related expenses of an eligible

1 student if the student has completed (before the be-
2 ginning of such taxable year) 4 years of any com-
3 bination of postsecondary education at an eligible
4 educational institution and instruction described in
5 subsection (c)(2)(B).

6 “(2) LIMITATION BASED ON HOUSEHOLD IN-
7 COME.—The amount which would (but for this para-
8 graph) be taken into account under subsection (a)
9 for the taxable year shall be reduced (but not below
10 zero) by the amount which bears the same ratio to
11 the amount which would be so taken into account as
12 the excess (if any) of—

13 “(A) the household income of the taxpayer
14 for such taxable year over 400 percent of the
15 poverty line, bears to

16 “(B) the amount equal to 500 percent of
17 the poverty line minus the amount equal to 400
18 percent of the poverty line.

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

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

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

1 of the enactment of the Taxpayer Relief Act of
2 1997, and

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

7 “(2) QUALIFIED TUITION AND RELATED EX-
8 PENSES.—The term ‘qualified tuition and related ex-
9 penses’ means tuition, fees, and costs of course ma-
10 terials—

11 “(A) for education during the taxable year
12 with respect to the attendance at an eligible
13 educational institution during any academic pe-
14 riod beginning in such taxable year of—

15 “(i) the taxpayer,

16 “(ii) the taxpayer’s spouse, or

17 “(iii) any dependent of the taxpayer
18 with respect to whom the taxpayer is al-

19 lowed a deduction under section 151, and

20 “(B) for a course of instruction from an el-
21 igible provider to acquire or improve job skills
22 of the individual during the taxable year (for
23 education furnished during any academic period
24 beginning in such taxable year).

1 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
2 The term ‘eligible educational institution’ means an
3 institution—

4 “(A) which is described in section 481 of
5 the Higher Education Act of 1965, as in effect
6 on the date of the enactment of the Taxpayer
7 Relief Act of 1997, and

8 “(B) which is eligible to participate in a
9 program under title IV of the Higher Education
10 Act of 1965.

11 “(4) POVERTY LINE.—

12 “(A) IN GENERAL.—The term ‘poverty
13 line’ has the meaning given that term in section
14 2110(c)(5) of the Social Security Act (42
15 U.S.C. 1397jj(c)(5)) with respect to the tax-
16 payer’s family of the size involved.

17 “(B) POVERTY LINE USED.—The poverty
18 line used shall be the most recently published
19 poverty line as of the 1st day of the regular en-
20 rollment period for coverage during such cal-
21 endar year.

22 “(5) ELIGIBLE PROVIDER.—The term ‘eligible
23 provider’ means provider of training services (within
24 the meaning of section 134(d)(4)(D) of the Work-
25 force Investment Act of 1998) (29 U.S.C.

1 2864(d)(4)(D)) who is identified in accordance with
2 section 122(e)(3) of such Act (29 U.S.C.
3 2842(e)(3)).

4 “(d) SPECIAL RULES.—

5 “(1) IDENTIFICATION REQUIREMENTS.—No
6 credit shall be allowed under subsection (a) to a tax-
7 payer with respect to an eligible student unless the
8 taxpayer includes on the return of tax for the tax-
9 able year—

10 “(A) the name and social security number
11 of such student, and

12 “(B) the employer identification number,
13 name, and address of any institution or eligible
14 provider to which tuition, fees, and costs of
15 course materials were paid with respect to such
16 student.

17 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-
18 SHIPS.—The expenses otherwise taken into account
19 under subsection (a) with respect to an individual
20 for an academic period shall be reduced (before the
21 application of subsections (a) and (b)) by the sum
22 of any amounts paid for the benefit of such indi-
23 vidual which are allocable to such period as—

24 “(A) a qualified scholarship which is ex-
25 cludable from gross income under section 117,

1 “(B) an educational assistance allowance
2 under chapter 30, 31, 32, 34, or 35 of title 38,
3 United States Code, or under chapter 1606 of
4 title 10, United States Code,

5 “(C) a Federal Pell Grant or a Federal
6 supplemental educational opportunity grant
7 under subparts 1 and 3, respectively, of part A
8 of title IV of the Higher Education Act of 1965
9 (20 U.S.C. 1070a and 1070b et seq., respec-
10 tively), and

11 “(D) a payment (other than a gift, be-
12 quest, devise, or inheritance within the meaning
13 of section 102(a)) for such student’s edu-
14 cational expenses, or attributable to such indi-
15 vidual’s enrollment at an eligible educational in-
16 stitution, which is excludable from gross income
17 under any law of the United States.

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) amounts paid by such individual dur-
2 ing such individual’s taxable year shall be treat-
3 ed for purposes of this section as paid by such
4 other taxpayer.

5 “(4) TREATMENT OF CERTAIN PREPAY-
6 MENTS.—If tuition, fees, or costs of course materials
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 expense
14 for which deduction is allowed under any other pro-
15 vision 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 “(8) SUPPORTING INFORMATION.—No expense
4 shall be taken into account under this section for a
5 taxable year unless the taxpayer submits with the
6 return of tax for the taxable year information sup-
7 porting such expense.

8 “(e) ELECTION NOT TO HAVE SECTION APPLY.—A
9 taxpayer may elect not to have this section apply with re-
10 spect to the expenses of an individual for any taxable year.

11 “(f) VERIFICATION AND CONFIRMATION OF CERTAIN
12 INFORMATION.—In carrying out this section, the Sec-
13 retary shall utilize information from the Secretary of Edu-
14 cation to confirm and verify information relating to edu-
15 cational institutions and students, including the Inte-
16 grated Postsecondary Education Data System and the Na-
17 tional Student Loan Data System.

18 “(g) REGULATIONS.—The Secretary may prescribe
19 such regulations as may be necessary or appropriate to
20 carry out this section, including regulations providing for
21 a recapture of the credit allowed under this section in
22 cases where there is a refund in a subsequent taxable year
23 of any expense which was taken into account in deter-
24 mining the amount of such credit.”.

1 (b) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
2 TION AND RELATED EXPENSES.—

3 (1) IN GENERAL.—Part VII of subchapter B of
4 chapter 1 of such Code (relating to additional
5 itemized deductions for individuals) is amended by
6 striking section 222.

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

11 (c) INFORMATION RETURNS.—

12 (1) IN GENERAL.—Section 6050S(e) of such
13 Code is amended by striking “subsection (g)(2)” and
14 inserting “subsection (d)(2)”.

15 (2) ATTENDANCE.—Paragraph (2) of section
16 6050S(b) of such Code is amended by redesignating
17 subparagraph (C) as subparagraph (D) and by in-
18 serting after subparagraph (B) the following new
19 subparagraph:

20 “(C) the status of the individual for each
21 academic period of the year for which payments
22 are received as—

23 “(i) a full-time or part-time student,

24 “(ii) if a part-time student, whether
25 the individual is at least half time, and

1 “(iii) whether the student is a grad-
2 uate student.”.

3 (d) OMISSION OF IDENTIFICATION INFORMATION
4 AND NUMBER OF YEARS CREDIT IS CLAIMED TREATED
5 AS MATHEMATICAL OR CLERICAL ERROR.—Subparagraph
6 (J) of section 6213(g)(2) of such Code is amended to read
7 as follows:

8 “(J) in the case of information required
9 under section 25A (relating to higher education
10 obtainment credit)—

11 “(i) an omission of a correct social se-
12 curity number and employer identification
13 number of any institution required to be
14 included on a return under subsection
15 (d)(1) of such section, and

16 “(ii) an entry on the return claiming
17 the credit in violation of the limitation
18 under subsection (b)(1) of such return,”.

19 (e) CONFORMING AMENDMENTS.—

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

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

1 (3) Subparagraph (B) of section 72(t)(7) of
2 such Code is amended by striking “section
3 25A(g)(2)” and inserting “section 25A(d)(2)”.

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

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

8 (6) Subparagraph (A) of section 199(d)(2) of
9 such Code is amended by striking “222,”.

10 (7) Clause (ii) of section 219(g)(3)(A) of such
11 Code is amended by striking “222,”.

12 (8) Clause (i) of section 221(b)(2)(C) of such
13 Code is amended by striking “222,”.

14 (9) Clause (iii) of section 469(i)(3)(F) of such
15 Code is amended by striking “221, and 222” and in-
16 serting “and 221”.

17 (10) Subsection (d) of section 221 of such Code
18 is amended—

19 (A) by striking “section 25A(g)(2)” in
20 paragraph (2)(B) and inserting “section
21 25A(d)(2)”, and

22 (B) by striking “section 25A(f)(2)” in the
23 second sentence of paragraph (2) and inserting
24 “section 25A(c)(3)”.

1 (11) Section 221(d)(3) of such Code is amend-
2 ed by striking “section 25A(b)(3)” and inserting
3 “section 25A(c)(3)”.

4 (12) Subclause (I) of section 529(c)(3)(B)(v) of
5 such Code is amended by striking “section
6 25A(g)(2)” and inserting “25A(d)(2)”.

7 (13) 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(c)(3)”.

10 (14) Subclause (I) of section 530(d)(2)(C)(i) of
11 such Code is amended by striking “section
12 25A(g)(2)” and inserting “section 25A(d)(2)”.

13 (15) Clause (iii) of section 530(d)(4)(B) of such
14 Code is amended by striking “section 25A(g)(2)”
15 and inserting “25A(d)(2)”.

16 (16) 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 (17) The table of sections for subpart A of part
23 IV of subchapter A of chapter 1 of such Code is
24 amended by striking the item relating to section 25A
25 and inserting the following:

“Sec. 25A. Higher education and skills obtainment credit.”.

1 (f) SENSE OF CONGRESS.—It is the sense of Con-
2 gress that any savings in revenues resulting from the en-
3 actment of this section shall be applied to the currently
4 projected Pell Grant funding shortfall beginning in 2015
5 and to deficit reduction.

6 (g) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to expenses paid after December
8 31, 2013, for education furnished in academic periods be-
9 ginning after such date.

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