

114TH CONGRESS
1ST SESSION

H. R. 1260

To amend the Internal Revenue Code of 1986 to extend and modify the American Opportunity Tax Credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 2015

Mr. DOGGETT (for himself, Ms. PELOSI, Mr. HOYER, Mr. BECERRA, Mr. BLUMENAUER, Mr. CROWLEY, Mr. KIND, Mr. LARSON of Connecticut, Mr. LEVIN, Mr. LEWIS, Mr. McDERMOTT, Mr. NEAL, Mr. PASCRELL, Mr. RANGEL, Mr. THOMPSON of California, Mr. VAN HOLLEN, Mr. YARMUTH, Ms. BASS, Mr. BEYER, Mr. BISHOP of Georgia, Mr. BRADY of Pennsylvania, Ms. BROWN of Florida, Ms. BROWNLEY of California, Mrs. BUSTOS, Mr. BUTTERFIELD, Mrs. CAPPS, Mr. CAPUANO, Mr. CÁRDENAS, Mr. CARSON of Indiana, Mr. CARTWRIGHT, Ms. CASTOR of Florida, Mr. CASTRO of Texas, Ms. CHU of California, Mr. CICILLINE, Ms. CLARKE of New York, Mr. CLAY, Mr. CLEAVER, Mr. CLYBURN, Mr. COHEN, Mr. CONNOLLY, Mr. CONYERS, Mr. COURTNEY, Mr. CUELLAR, Mr. CUMMINGS, Mrs. DAVIS of California, Mr. DEFazio, Ms. DEGETTE, Ms. DELAURO, Ms. DELBENE, Mr. DEUTCH, Mrs. DINGELL, Mr. MICHAEL F. DOYLE of Pennsylvania, Ms. EDWARDS, Mr. ELLISON, Mr. ENGEL, Ms. ESTY, Mr. FARR, Mr. FATTAH, Ms. FRANKEL of Florida, Ms. FUDGE, Mr. GARAMENDI, Mr. AL GREEN of Texas, Mr. GENE GREEN of Texas, Mr. GRIJALVA, Mr. GUTIÉRREZ, Ms. HAHN, Mr. HASTINGS, Mr. HECK of Washington, Mr. HIGGINS, Mr. HINOJOSA, Mr. HONDA, Mr. ISRAEL, Ms. JACKSON LEE, Mr. JEFFRIES, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. JOHNSON of Georgia, Ms. KAPTUR, Ms. KELLY of Illinois, Mr. KILDEE, Mr. KILMER, Ms. KUSTER, Mr. LANGEVIN, Ms. LEE, Mr. LOEBSACK, Mr. LOWENTHAL, Mr. BEN RAY LUJÁN of New Mexico, Ms. MICHELLE LUJAN GRISHAM of New Mexico, Mr. LYNCH, Mrs. CAROLYN B. MALONEY of New York, Ms. MATSUI, Ms. MCCOLLUM, Mr. MCGOVERN, Mr. MEEKS, Ms. MENG, Ms. MOORE, Mr. NADLER, Mrs. NAPOLITANO, Mr. NOLAN, Mr. NORCROSS, Ms. NORTON, Mr. PALONE, Mr. PAYNE, Mr. PERLMUTTER, Mr. PIERLUISI, Ms. PINGREE, Mr. POCAN, Mr. PRICE of North Carolina, Mr. RICHMOND, Ms. ROYBAL-ALLARD, Mr. RUSH, Mr. RYAN of Ohio, Ms. LINDA T. SÁNCHEZ of California, Ms. LORETTA SANCHEZ of California, Mr. SARBANES, Ms. SCHAKOWSKY, Mr. SCHIFF, Mr. SCOTT of Virginia, Mr. DAVID SCOTT of Georgia, Mr. SERRANO, Mr. SHERMAN, Mr. SIRES, Ms. SLAUGHTER, Ms. SPEIER, Mr. SWALWELL of California, Mr. TAKANO, Mr. THOMPSON of

Mississippi, Ms. TITUS, Mr. TONKO, Ms. TSONGAS, Mr. VARGAS, Mr. VEASEY, Mr. VELA, Ms. MAXINE WATERS of California, Mrs. WATSON COLEMAN, Mr. WELCH, Ms. WILSON of Florida, Mr. DELANEY, Mr. GALLEG0, Mr. MURPHY of Florida, Mrs. TORRES, Mr. KENNEDY, Mr. LARSEN of Washington, Ms. SEWELL of Alabama, Mr. RUIZ, Miss RICE of New York, and Mr. RUPPERSBERGER) 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 extend and modify the American Opportunity 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. SHORT TITLE.**

4 This Act may be cited as the “American Opportunity
 5 Tax Credit Act of 2015”.

6 **SEC. 2. EXTENSION AND MODIFICATION OF AMERICAN OP-**
 7 **PORTUNITY TAX CREDIT.**

8 (a) IN GENERAL.—Section 25A of the Internal Rev-
 9 enue Code of 1986 is amended to read as follows:

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

11 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 12 dividual who is an eligible student for any taxable year,
 13 there shall be allowed as a credit against the tax imposed
 14 by this chapter for such taxable year the amount deter-
 15 mined under subsection (b) with respect to such indi-
 16 vidual.

1 “(b) AMOUNT OF CREDIT.—

2 “(1) STUDENT ENROLLED AT LEAST $\frac{1}{2}$ TIME.—

3 In the case of an eligible student who is carrying at
4 least $\frac{1}{2}$ the normal full-time workload for the course
5 of study the student is pursuing, the amount deter-
6 mined under this subsection with respect to such in-
7 dividual is the sum of—

8 “(A) 100 percent of so much of the quali-
9 fied tuition and related expenses paid by the
10 taxpayer during the taxable year (for education
11 furnished to the eligible student during any
12 academic period beginning in such taxable year)
13 as does not exceed \$2,000, plus

14 “(B) 25 percent of such expenses so paid
15 as exceeds \$2,000 but does not exceed \$4,000.

16 “(2) OTHER STUDENTS.—In the case of an eli-
17 gible student not described in paragraph (1), the
18 amount determined under this subsection with re-
19 spect to such individual is 25 percent of so much of
20 the qualified tuition and related expenses paid by
21 the taxpayer during the taxable year (for education
22 furnished to the eligible student during any aca-
23 demic period beginning in such taxable year) as does
24 not exceed \$10,000.

1 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
2 GROSS INCOME.—

3 “(1) IN GENERAL.—The amount which would
4 (but for this paragraph) be taken into account under
5 this section for the taxable year shall be reduced
6 (but not below zero) by the amount determined
7 under paragraph (2).

8 “(2) AMOUNT OF REDUCTION.—The amount
9 determined under this paragraph is the amount
10 which bears the same ratio to the amount which
11 would be so taken into account as—

12 “(A) the excess of—

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

15 “(ii) \$80,000 (\$160,000 in the case of
16 a joint return), bears to

17 “(B) \$10,000 (\$20,000 in the case of a
18 joint return).

19 “(3) MODIFIED ADJUSTED GROSS INCOME.—
20 For purposes of this paragraph, the term ‘modified
21 adjusted gross income’ means the adjusted gross in-
22 come of the taxpayer for the taxable year increased
23 by any amount excluded from gross income under
24 section 911, 931, or 933.

1 “(d) OTHER LIMITATIONS AND SPECIAL RULES.—

2 For purposes of this section:

3 “(1) LIFETIME DOLLAR LIMITATION.—In the
4 case of qualified tuition and related expenses with
5 respect to any eligible student, the aggregate
6 amount of the credits allowed in the taxable year
7 and any prior taxable year for such eligible student
8 (whether beginning before or after American Oppor-
9 tunity Tax Credit Act of 2015) shall not exceed
10 \$15,000, determined without regard to whether—

11 “(A) such credits are claimed on the re-
12 turn of tax filed by the eligible student or by
13 another taxpayer, or

14 “(B) such expenses are treated as paid by
15 the eligible student or by another taxpayer.

16 If, in any taxable year, the aggregate amount of
17 such credits equals or exceeds \$15,000, the amount
18 allowed as a credit under subsection (a) in any sub-
19 sequent taxable year with respect to such student
20 shall be zero.

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

1 number of such eligible student on the return of tax
2 for the taxable year.

3 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-
4 SHIPS, ETC.—

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

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

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

21 “(iii) a payment (other than a gift,
22 bequest, devise, or inheritance within the
23 meaning of section 102(a)) for such indi-
24 vidual’s educational expenses, or attrib-
25 utable to such individual’s enrollment at an

1 eligible educational institution, which is ex-
2 cludable from gross income under any law
3 of the United States.

4 “(B) COORDINATION WITH PELL GRANTS
5 NOT USED FOR QUALIFIED TUITION AND RE-
6 LATED EXPENSES.—Any amount determined
7 with respect to an individual under subpara-
8 graph (A) which is attributable to a Federal
9 Pell Grant under section 401 of the Higher
10 Education Act of 1965 shall be reduced (but
11 not below zero) by the amount of the expenses
12 (other than qualified tuition and related ex-
13 penses) which are taken into account in deter-
14 mining the cost of attendance (as defined in
15 section 472 of the Higher Education Act of
16 1965, as in effect on the date of the enactment
17 of the American Opportunity Tax Credit Act of
18 2015) of such individual at an eligible edu-
19 cational institution for the academic period for
20 which the credit under this section is being de-
21 termined.

22 “(4) 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 this
4 section to such individual for such individual's
5 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 “(5) 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 “(6) DENIAL OF DOUBLE BENEFIT.—No credit
18 shall be allowed under this section for any expense
19 for which a deduction is allowed under any other
20 provision of this chapter.

21 “(7) 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 “(8) 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 “(e) ELECTION NOT TO HAVE SECTION APPLY.—A
10 taxpayer may elect not to have this section apply with re-
11 spect to the qualified tuition and related expenses of an
12 individual for any taxable year.

13 “(f) DEFINITIONS.—For purposes of this section:

14 “(1) ELIGIBLE STUDENT.—The term ‘eligible
15 student’ means, with respect to any taxable year, an
16 individual who—

17 “(A) is enrolled for at least one academic
18 period which begins during such taxable year at
19 an eligible educational institution, and

20 “(B) meets the requirements of section
21 484(a)(1) of the Higher Education Act of 1965,
22 as in effect on the date of the enactment of the
23 American Opportunity Tax Credit Act of 2015.

24 “(2) QUALIFIED TUITION AND RELATED EX-
25 PENSES.—

“(A) IN GENERAL.—The term ‘qualified tuition and related expenses’ means tuition, fees, and course materials required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse, or

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151, at an eligible educational institution for courses of instruction of such individual at such institution.

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

“(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual’s academic course of instruction.

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 American
7 Opportunity Tax Credit Act of 2015, and

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

10 “(g) PORTION OF CREDIT REFUNDABLE.—The less-
11 er of—

12 “(1) the credit allowed under this section for a
13 taxable year (determined after application of sub-
14 sections (c)(1) and (d) and without regard to this
15 subsection and section 26(a)(2), as the case may
16 be), or

17 “(2) \$1,500,
18 shall be treated as a credit allowable under subpart C (and
19 not allowed under this section). The preceding sentence
20 shall not apply to any taxpayer for any taxable year if
21 such taxpayer is a child to whom subsection (g) of section
22 1 applies for such taxable year.

23 “(h) INFLATION ADJUSTMENT.—In the case of any
24 taxable year beginning in a calendar year after 2015, each

1 dollar amount in subsections (b) and (c)(2), and (d)(1)
2 shall be increased by an amount equal to—

3 “(1) such dollar amount, multiplied by

4 “(2) the cost-of-living adjustment determined
5 under section 1(f)(3) for the calendar year in which
6 the taxable year begins, determined by substituting
7 ‘calendar year 2014’ for ‘calendar year 1992’ in sub-
8 paragraph (B) thereof.

9 In the case of subsections (b) and (d)(1), any increase de-
10 termined under the preceding sentence shall be rounded
11 to the nearest multiple of \$50. In the case of subsection
12 (c)(2), any increase determined under the preceding sen-
13 tence shall be rounded to the nearest multiple of \$500.

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

21 (b) RETENTION OF LIMITATION.—

22 (1) IN GENERAL.—Subparagraph (D) of section
23 25A(b)(2) of the Internal Revenue Code of 1986, as
24 in effect before the enactment of the American Op-
25 portunity Tax Credit Act of 2015 hereby transferred

1 to section 25A of such Code, as amended by sub-
 2 section (a), and is inserted as a new subsection
 3 (d)(9) of section 25A, as so amended.

4 (2) CONFORMING AMENDMENT.—Paragraph (9)
 5 of section 25A(d) of such Code, as transferred and
 6 inserted by paragraph (1), is amended by striking
 7 “The Hope Scholarship Credit under subsection
 8 (a)(1)” and inserting “The credit under subsection
 9 (a)”.

10 (c) CONFORMING AMENDMENTS.—

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

14 (2) Paragraph (2) of section 221(d) of such
 15 Code is amended—

16 (A) by striking “25A(g)(2)” in subpara-
 17 graph (B) and inserting “25A(d)(3)”, and

18 (B) by striking “25A(f)(2)” and inserting
 19 “25A(f)(3)”.

20 (3) Paragraph (3) of section 221(d) of such
 21 Code is amended by striking “25A(b)(3)” and in-
 22 serting “25A(f)(1) (but only with respect to a stu-
 23 dent who is carrying at least $\frac{1}{2}$ the normal full-time
 24 workload for the course of study the student is pur-
 25 suing)”.

1 (4) Clause (v) of section 529(c)(3)(B) of such
2 Code is amended—

3 (A) by striking “25A(g)(2)” in subclause
4 (I) and inserting “25A(d)(3)”, and

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

8 (5) Clause (i) of section 529(e)(3)(B) of such
9 Code is amended by striking “25A(b)(3)” and in-
10 sserting “25A(f)(1) (but only with respect to a stu-
11 dent who is carrying at least $\frac{1}{2}$ the normal full-time
12 workload for the course of study the student is pur-
13 suing)”.

14 (6) Subparagraph (C) of section 530(d)(2) of
15 such Code is amended—

16 (A) by striking “25A(g)(2)” in clause (i)(I)
17 and inserting “25A(d)(3)”, and

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

21 (7) Clause (iii) of section 530(d)(4)(B) of such
22 Code is amended by striking “25A(g)(2)” and in-
23 sserting “25A(d)(3)”.

24 (8) Section 1400O of such Code is amended—

1 (A) by striking “25A(f)(2)” and inserting
 2 “25A(f)(3),”

3 (B) by inserting “(as in effect on the date
 4 of the enactment of this section)” after
 5 “25A(b)(1)” in paragraph (2), and

6 (C) by inserting “(as in effect on the date
 7 of the enactment of this section)” after
 8 “25A(c)(1)” in paragraph (3).

9 (9) Subsection (e) of section 6050S of such
 10 Code is amended by striking “subsection (g)(2)” and
 11 inserting “subsection (d)(3)”.

12 (10) Subparagraph (A) of section 6211(b)(4) of
 13 such Code is amended by striking “subsection
 14 (i)(6)” and inserting “subsection (g)”.

15 (11) Subparagraph (J) of section 6213(g)(2) of
 16 such Code is amended by striking “25A(g)(1)” and
 17 inserting “25A(d)(2)”.

18 (d) CLERICAL AMENDMENT.—The item relating to
 19 section 25A in the table of sections for subpart A of part
 20 IV of subchapter A of chapter 1 of the Internal Revenue
 21 Code of 1986 is amended to read as follows:

“Sec. 25A. American Opportunity Tax Credit.”.

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

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

3 (a) IN GENERAL.—Paragraph (1) of section 117(b)
4 of the Internal Revenue Code of 1986 is amended by strik-
5 ing “received by an individual” and all that follows and
6 inserting “received by an individual—

7 “(1) as a scholarship or fellowship grant to the
8 extent the individual establishes that, in accordance
9 with the conditions of the grant, such amount was
10 used for qualified tuition and related expenses, or

11 “(2) as a Federal Pell Grant under section 401
12 of the Higher Education Act of 1965 (as in effect
13 on the date of the enactment of the American Op-
14 portunity Tax Credit Act of 2015).”.

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

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