

Union Calendar No. 17

114TH CONGRESS
1ST SESSION

H. R. 529

[Report No. 114–25]

To amend the Internal Revenue Code of 1986 to improve 529 plans.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2015

Ms. JENKINS of Kansas (for herself and Mr. KIND) introduced the following bill; which was referred to the Committee on Ways and Means

FEBRUARY 20, 2015

Additional sponsors: Mr. PAULSEN, Mr. GIBSON, Mr. KELLY of Pennsylvania, Mr. STUTZMAN, Mr. COOK, Mr. FITZPATRICK, Mr. MARCHANT, Mr. POLIQUIN, Mr. HUIZENGA of Michigan, Mr. BYRNE, Mr. AMODEI, Mr. BENISHEK, Mr. KLINE, Mr. YOUNG of Indiana, Mr. GOODLATTE, Mr. MEEHAN, Mr. WESTERMAN, Mr. PETERS, Mr. HILL, Ms. GRAHAM, Ms. KUSTER, Mr. FORBES, Mr. HECK of Nevada, Mr. BERA, Mr. POE of Texas, Mr. NUNES, Mr. BLUM, Mr. CONNOLLY, Mr. FINCHER, Mr. ROSKAM, Mr. SAM JOHNSON of Texas, Mr. GROTHMAN, Mr. LATTA, Mr. THOMPSON of California, Mr. SESSIONS, Mr. HIMES, and Mr. SMITH of Missouri

FEBRUARY 20, 2015

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 January 26, 2015]

A BILL

To amend the Internal Revenue Code of 1986 to improve
529 plans.

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. FINDINGS AND PURPOSE.**

4 *(a) FINDINGS.—Congress finds the following:*

5 *(1) When the Economic Growth and Tax Relief*
6 *Reconciliation Act of 2001 became law, the tax treat-*
7 *ment of section 529 college savings plans was changed*
8 *so that qualified distributions were no longer taxed as*
9 *income. The favorable tax treatment of college savings*
10 *plans was made permanent with the passage of the*
11 *Pension Protection Act of 2006.*

12 *(2) Section 529 college savings plans empower*
13 *middle-class families to accumulate savings to offset*
14 *the rising costs of attending college.*

15 *(3) The latest data from the College Savings*
16 *Plan Network shows that there are 11.83 million 529*
17 *accounts open throughout all 50 states, which rep-*
18 *resent \$244.5 billion in total assets. The average 529*
19 *account size is \$20,671.*

20 *(4) States that sponsor 529 college savings plans*
21 *have taken steps to ensure these plans are a tool that*
22 *all families can use to save for college, including set-*
23 *ting minimum contributions as low as \$25 per month*
24 *to encourage participation by families of all income*
25 *levels.*

1 (5) *The President’s fiscal year 2016 Budget pro-*
 2 *poses raising taxes by taxing certain future distribu-*
 3 *tions made from 529 college savings plans.*

4 (6) *The tax proposed by the President would dis-*
 5 *courage the use of 529 college savings plans, requiring*
 6 *families and students to take on more debt.*

7 (7) *Purchase of a computer represents a signifi-*
 8 *cant higher education expense and therefore should be*
 9 *eligible for qualified distributions under 529 college*
 10 *savings plans.*

11 (b) *PURPOSE.—It is the purpose of this Act to—*

12 (1) *enact policies that strengthen 529 college sav-*
 13 *ings plans, and*

14 (2) *make 529 plans more modern, consumer-*
 15 *friendly, and responsive to the realities faced by stu-*
 16 *dents today.*

17 **SEC. 2. COMPUTER TECHNOLOGY AND EQUIPMENT PERMA-**
 18 **NENTLY ALLOWED AS A QUALIFIED HIGHER**
 19 **EDUCATION EXPENSE FOR SECTION 529 AC-**
 20 **COUNTS.**

21 (a) *IN GENERAL.—Section 529(e)(3)(A)(iii) of the In-*
 22 *ternal Revenue Code of 1986 is amended to read as follows:*

23 *“(iii) expenses for the purchase of com-*
 24 *puter or peripheral equipment (as defined*
 25 *in section 168(i)(2)(B)), computer software*

1 *(as defined in section 197(e)(3)(B)), or*
 2 *Internet access and related services, if such*
 3 *equipment, software, or services are to be*
 4 *used primarily by the beneficiary during*
 5 *any of the years the beneficiary is enrolled*
 6 *at an eligible educational institution.”.*

7 *(b) EFFECTIVE DATE.—The amendment made by this*
 8 *section shall apply to taxable years beginning after Decem-*
 9 *ber 31, 2014.*

10 **SEC. 3. ELIMINATION OF DISTRIBUTION AGGREGATION RE-**
 11 **QUIREMENTS.**

12 *(a) IN GENERAL.—Section 529(c)(3) of the Internal*
 13 *Revenue Code of 1986 is amended by striking subparagraph*
 14 *(D).*

15 *(b) EFFECTIVE DATE.—The amendment made by this*
 16 *section shall apply to distributions after December 31, 2014.*

17 **SEC. 4. RECONTRIBUTION OF REFUNDED AMOUNTS.**

18 *(a) IN GENERAL.—Section 529(c)(3) of the Internal*
 19 *Revenue Code of 1986, as amended by section 3, is amended*
 20 *by adding at the end the following new subparagraph:*

21 *“(D) SPECIAL RULE FOR CONTRIBUTIONS*
 22 *OF REFUNDED AMOUNTS.—In the case of a bene-*
 23 *ficiary who receives a refund of any qualified*
 24 *higher education expenses from an eligible edu-*
 25 *cational institution, subparagraph (A) shall not*

1 *apply to that portion of any distribution for the*
2 *taxable year which is recontributed to a qualified*
3 *tuition program of which such individual is a*
4 *beneficiary, but only to the extent such recon-*
5 *tribution is made not later than 60 days after*
6 *the date of such refund and does not exceed the*
7 *refunded amount.”.*

8 ***(b) EFFECTIVE DATE.—***

9 ***(1) IN GENERAL.—****The amendment made by this*
10 *section shall apply with respect to refunds of qualified*
11 *higher education expenses after December 31, 2014.*

12 ***(2) TRANSITION RULE.—****In the case of a refund*
13 *of qualified higher education expenses received after*
14 *December 31, 2014, and before the date of the enact-*
15 *ment of this Act, section 529(c)(3)(D) of the Internal*
16 *Revenue Code of 1986 (as added by this section) shall*
17 *be applied by substituting “not later than 60 days*
18 *after the date of the enactment of this subparagraph”*
19 *for “not later than 60 days after the date of such re-*
20 *fund”.*

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