

114TH CONGRESS
1ST SESSION

S. 699

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

IN THE SENATE OF THE UNITED STATES

MARCH 10, 2015

Mr. SCHUMER (for himself, Mr. REID, Mr. WYDEN, Mr. BROWN, Ms. STABENOW, Mr. DURBIN, Mrs. MURRAY, Mr. WHITEHOUSE, Mr. CARDIN, Mrs. SHAHEEN, and Mr. MENENDEZ) 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 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 Permanence and Consolidation 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:

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

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

8 “(b) AMOUNT OF CREDIT.—

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

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

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

21 “(B) 25 percent of such expenses so paid
22 as exceeds \$2,000 but does not exceed \$6,000.

23 “(2) OTHER STUDENTS.—In the case of an eli-
24 gible student not described in paragraph (1), the
25 amount determined under this subsection with re-
26 spect to such individual is 30 percent of so much of

1 the qualified tuition and related expenses paid by
 2 the taxpayer during the taxable year (for education
 3 furnished to the eligible student during any aca-
 4 demic period beginning in such taxable year) as does
 5 not exceed \$10,000.

6 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
 7 GROSS INCOME.—

8 “(1) IN GENERAL.—The amount which would
 9 (but for this paragraph) be taken into account under
 10 this section for the taxable year shall be reduced
 11 (but not below zero) by the amount determined
 12 under paragraph (2).

13 “(2) AMOUNT OF REDUCTION.—The amount
 14 determined under this paragraph is the amount
 15 which bears the same ratio to the amount which
 16 would be so taken into account as—

17 “(A) the excess of—

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

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

22 “(B) \$20,000 (\$40,000 in the case of a
 23 joint return).

24 “(3) MODIFIED ADJUSTED GROSS INCOME.—

25 For purposes of this paragraph, the term ‘modified

1 adjusted gross income’ means the adjusted gross in-
2 come of the taxpayer for the taxable year increased
3 by any amount excluded from gross income under
4 section 911, 931, or 933.

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

6 For purposes of this section:

7 “(1) LIFETIME DOLLAR LIMITATION.—In the
8 case of qualified tuition and related expenses with
9 respect to any individual, the aggregate amount of
10 the credits claimed under this section for all taxable
11 years shall not exceed \$15,000, determined without
12 regard to whether—

13 “(A) such credits are claimed on the re-
14 turn of tax filed by the individual or by another
15 taxpayer, or

16 “(B) such expenses are treated as paid by
17 the individual or by another taxpayer.

18 “(2) REPORTING.—No credit shall be allowed
19 under this section to a taxpayer with respect to the
20 qualified tuition and related expenses of an eligible
21 student unless the taxpayer includes the name and
22 taxpayer identification number of such eligible stu-
23 dent on the return of tax for the taxable year.

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

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

9 “(i) a qualified scholarship which is
10 excludable from gross income under section
11 117,

12 “(ii) an educational assistance allow-
13 ance under chapter 30, 31, 32, 34, or 35
14 of title 38, United States Code, or under
15 chapter 1606 of title 10, United States
16 Code, and

17 “(iii) a payment (other than a gift,
18 bequest, devise, or inheritance within the
19 meaning of section 102(a)) for such indi-
20 vidual’s educational expenses, or attrib-
21 utable to such individual’s enrollment at an
22 eligible educational institution, which is ex-
23 cludable from gross income under any law
24 of the United States.

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

19 “(4) TREATMENT OF EXPENSES PAID BY DE-
20 PENDENT.—If a deduction under section 151 with
21 respect to an individual is allowed to another tax-
22 payer for a taxable year beginning in the calendar
23 year in which such individual’s taxable year begins—

1 “(A) no credit shall be allowed under this
2 section to such individual for such individual’s
3 taxable year, and

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

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

15 “(6) DENIAL OF DOUBLE BENEFIT.—No credit
16 shall be allowed under this section for any expense
17 for which a deduction is allowed under any other
18 provision of this chapter.

19 “(7) NO CREDIT FOR MARRIED INDIVIDUALS
20 FILING SEPARATE RETURNS.—If the taxpayer is a
21 married individual (within the meaning of section
22 7703), this section shall apply only if the taxpayer
23 and the taxpayer’s spouse file a joint return for the
24 taxable year.

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

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

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

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

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

18 “(B) meets the requirements of section
 19 484(a)(1) of the Higher Education Act of 1965,
 20 as in effect on the date of the enactment of the
 21 American Opportunity Tax Credit Permanence
 22 and Consolidation Act of 2015.

23 “(2) QUALIFIED TUITION AND RELATED EX-
 24 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.

“(D) COMPUTER TECHNOLOGY AND EQUIPMENT.—Such term includes expenses for

the purchase of computer technology or equipment (as defined in section 170(e)(6)(F)(i)), or Internet access and related services, only to the extent the purchase of such technology, equipment, or services is specifically required by the individual's academic course of instruction or degree program.

“(3) ELIGIBLE EDUCATIONAL INSTITUTION.—

The term ‘eligible educational institution’ means an institution—

“(A) which is described in section 481 of the Higher Education Act of 1965, as in effect on the date of the enactment of the American Opportunity Tax Credit Permanence and Consolidation Act of 2015, and

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

“(g) PORTION OF CREDIT REFUNDABLE.—The lesser of—

“(1) the credit allowed under this section for a taxable year (determined after application of subsections (c)(1) and (d) and without regard to this subsection and section 26(a)(2)), or

“(2) \$1,500,

1 shall be treated as a credit allowable under subpart C (and
 2 not allowed under this section). The preceding sentence
 3 shall not apply to any taxpayer for any taxable year if
 4 such taxpayer is a child to whom subsection (g) of section
 5 1 applies for such taxable year.

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

13 (b) CLERICAL AMENDMENT.—The item relating to
 14 section 25A in the table of sections for subpart A of part
 15 IV of subchapter A of chapter 1 of the Internal Revenue
 16 Code of 1986 is amended to read as follows:

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

17 (c) CONFORMING AMENDMENTS.—

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

21 (2) Paragraph (2) of section 221(d) of such
 22 Code is amended—

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

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

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

9 (4) Paragraph (1) of section 222(d) of such
 10 Code is amended—

11 (A) by striking “25A(f)” and inserting
 12 “25A(f)(2)”, and

13 (B) by striking “25A(g)(2)” and inserting
 14 “25A(d)(3)”.

15 (5) Clause (v) of section 529(c)(3)(B) of such
 16 Code is amended—

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

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

22 (6) Clause (i) of section 529(e)(3)(B) of such
 23 Code is amended by striking “25A(b)(3)” and in-
 24 serting “25A(f)(1) (but only with respect to a stu-
 25 dent who is carrying at least $\frac{1}{2}$ the normal full-time

1 workload for the course of study the student is pur-
 2 suing)’’.

3 (7) Subparagraph (C) of section 530(d)(2) of
 4 such Code is amended—

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

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

10 (8) Clause (iii) of section 530(d)(4)(B) of such
 11 Code is amended by striking “25A(g)(2)” and in-
 12 serting “25A(d)(3)”.

13 (9) Section 1400O of such Code is amended—

14 (A) by striking “25A(f)(2)” and inserting
 15 “25A(f)(3)”,

16 (B) by inserting “(as in effect on the date
 17 of the enactment of this section)” after
 18 “25A(b)(1)” in paragraph (2), and

19 (C) by inserting “(as in effect on the date
 20 of the enactment of this section)” after
 21 “25A(c)(1)” in paragraph (3).

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

1 (11) Subparagraph (A) of section 6211(b)(4) of
 2 such Code is amended by striking “subsection
 3 (i)(6)” and inserting “subsection (g)”.

4 (12) Subparagraph (J) of section 6213(g)(2) of
 5 such Code is amended by striking “25A(g)(1)” and
 6 inserting “25A(d)(2)”.

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

10 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**
 11 **GROSS INCOME.**

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

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

20 “(2) as a Federal Pell Grant under section 401
 21 of the Higher Education Act of 1965 (as in effect
 22 on the date of the enactment of the American Op-
 23 portunity Tax Credit Permanence and Consolidation
 24 Act of 2015).”.

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

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