

115TH CONGRESS  
1ST SESSION

# H. R. 2378

To amend the Internal Revenue Code of 1986 to reform the American opportunity tax credit to support college savings.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 4, 2017

Mr. BEN RAY LUJÁN of New Mexico (for himself, Mrs. DINGELL, Ms. MICHELLE LUJAN GRISHAM of New Mexico, Ms. JAYAPAL, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to reform the American opportunity tax credit to support college savings.

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 “Save for Success Act”.

1 **SEC. 2. AMERICAN OPPORTUNITY TAX CREDIT SAVINGS**  
2 **CREDIT.**

3 (a) IN GENERAL.—Section 25A of the Internal Rev-  
4 enue Code of 1986 is amended by redesignating subsection  
5 (j) as subsection (k) and by inserting after subsection (i)  
6 the following:

7 “(j) SPECIAL RULES RELATING TO AOTC SAVINGS  
8 CREDIT.—

9 “(1) IN GENERAL.—For purposes of this sec-  
10 tion, the term ‘qualified tuition and related expenses’  
11 with respect to any individual includes eligible col-  
12 lege savings contributions for such individual. Such  
13 contributions shall be taken into account for pur-  
14 poses of subsection (i)(1)(A) before tuition and fees.

15 “(2) LIMITATION.—

16 “(A) IN GENERAL.—The aggregate  
17 amount of contributions with respect to an indi-  
18 vidual which may be taken into account under  
19 paragraph (1) for a taxable year is \$250.

20 “(B) PHASE OUT.—The dollar amount in  
21 subparagraph (A) shall be reduced (but not  
22 below zero) by the amount which bears the  
23 same ratio to such dollar amount as—

24 “(i) the number of percentage points  
25 (if any) in excess of 133 percent that the  
26 taxpayer’s household income for the tax-

1                   able year is of the poverty line for a family  
2                   of the size involved, bears to

3                   “(ii) 400 percentage points.

4                   “(3) TERMS RELATING TO INCOME AND FAMI-  
5                   LIES.—The terms ‘family size’, ‘household income’,  
6                   and ‘poverty line’ shall have the meanings given  
7                   such terms by section 36B(d).

8                   “(4) ELIGIBLE HIGHER EDUCATION CONTRIBU-  
9                   TION.—For purposes of paragraph (1), the term ‘eli-  
10                  gible college savings contribution’ with respect to an  
11                  individual means the excess of—

12                  “(A) contributions by the taxpayer in the  
13                  taxable year to qualified college savings ac-  
14                  counts of which the individual is the bene-  
15                  ficiary, over

16                  “(B) distributions from all such qualified  
17                  college savings accounts for the taxable year.

18                  “(5) QUALIFIED COLLEGE SAVINGS AC-  
19                  COUNTS.—The term ‘qualified college savings ac-  
20                  count’ with respect to which such individual is the  
21                  beneficiary means—

22                  “(A) an account under a qualified tuition  
23                  program (as defined by section 529), and

24                  “(B) an account under a program of a  
25                  State (or political jurisdiction thereof) estab-

1           lished exclusively for the purpose of paying for  
2           college tuition and other post-secondary edu-  
3           cational expenses.

4           “(6) PORTION OF CREDIT MADE REFUND-  
5           ABLE.—So much of the credit allowed under sub-  
6           section (a) as is attributable to this subsection (de-  
7           termined after the application of subsection (i) and  
8           without regard to this subsection and section 26(a))  
9           shall be treated as a credit allowable under subpart  
10          C (and not allowed under subsection (a)). The pre-  
11          ceding sentence shall not apply to any taxpayer for  
12          any taxable year if such taxpayer is a child to whom  
13          subsection (g) of section 1 applies for such taxable  
14          year.”.

15          (b) AOTC LIFETIME LIMITATION.—Section  
16          25A(i)(2) of such Code is amended to read as follows:

17                 “(2) LIMITATION.—In lieu of subparagraphs  
18                 (A) and (C) of subsection (b)(2), the amount allowed  
19                 as a credit under this section for the taxable year  
20                 with respect to an individual shall not exceed—

21                         “(A) \$10,000, reduced

22                         “(B) by the amount allowed under this  
23                         section with respect to such individual for all  
24                         prior taxable years.”.

1           (c) PILOT PROGRAM TO MAKE PERIODIC PAYMENTS  
2 AS COLLEGE EXPENSES INCURRED.—Section 25A(i) of  
3 such Code is amended by adding at the end the following:

4           “(8) PILOT PROGRAM TO MAKE PERIODIC PAY-  
5 MENTS AS COLLEGE EXPENSES INCURRED.—

6           “(A) IN GENERAL.—The Secretary of the  
7 Treasury and the Secretary of Education shall  
8 jointly establish a program designed to make  
9 payments periodically to or on behalf of an eli-  
10 gible student as the student incurs qualified ex-  
11 penses during the taxable year. The total  
12 amount that may be so paid to or on behalf of  
13 an eligible student through this program shall  
14 not exceed the credit which would (but for sub-  
15 paragraph (B)) be allowable under this section  
16 if subsection (d) were applied by using the tax-  
17 payer’s modified adjusted gross income for the  
18 preceding taxable year.

19           “(B) CREDIT REDUCED BY PILOT PRO-  
20 GRAM PAYMENTS.—The credit allowable under  
21 this section (without regard to this subpara-  
22 graph) for any taxable year shall be reduced  
23 (but not below zero) by the payments made  
24 with respect to a student under subparagraph  
25 (A) for expenses which would otherwise be

1 taken into account in determining the credit  
2 under this section for such year.

3 “(C) PROGRAM PARTICIPATION.—Partici-  
4 pation in the program established under this  
5 paragraph shall be voluntary with respect to  
6 both students and educational institutions; ex-  
7 cept that, institutions which are taxable under  
8 this chapter (other than by reason of section  
9 511) may not participate in such program.

10 “(D) PROGRAM PERIOD.—The program es-  
11 tablished under this paragraph shall apply to  
12 expenses for academic periods beginning during  
13 the 5-year period which begins on the date  
14 which is 1 year after the date of the enactment  
15 of this paragraph.

16 “(E) PAYMENTS NOT TREATED AS RE-  
17 SOURCES FOR FINANCIAL AID.—Payments  
18 made under this paragraph shall not be treated  
19 as resources for purposes of determining the  
20 amount of any financial aid which is funded in  
21 whole or part with Federal funds. Payments  
22 under the program shall not be made in a man-  
23 ner that would reduce the State, private, or in-  
24 stitutional aid available to an eligible student.

1           “(F) NOTICE OF PROGRAM.—Educational  
2 institutions participating in the program estab-  
3 lished under this paragraph shall provide appro-  
4 priate notices to parents and students of the  
5 option of payments under such program. Such  
6 notices shall not be considered tax advice for  
7 purposes of any Federal law or regulation.

8           “(G) REPORTING.—The Secretary of the  
9 Treasury and the Secretary of Education shall  
10 jointly submit annual reports to Congress on  
11 the program established under this subsection,  
12 together with any recommendations with re-  
13 spect to such program.”.

14       (d)       CONFORMING        AMENDMENT.—Section  
15 6211(b)(4)(A) of such Code is amended by inserting “or  
16 (j)(6)” after “subsection (i)(6)”.

17       (e) INCREASED PUBLIC AWARENESS OF AMERICAN  
18 OPPORTUNITY TAX CREDIT.—

19           (1) IN GENERAL.—The Secretary of the Treas-  
20 ury, or the Secretary’s delegate, in consultation with  
21 the Secretary of Education, shall establish a tax-  
22 payer awareness program to inform the taxpaying  
23 public of the availability of the American Oppor-  
24 tunity Tax Credit allowed under section 25A of the  
25 Internal Revenue Code of 1986. Such public aware-

1       ness program shall be designed to assure that indi-  
2       viduals who may be eligible are informed of the  
3       availability of such credit and filing procedures.

4               (2) MEANS OF COMMUNICATIONS.—

5               (A) IN GENERAL.—The Secretary of the  
6       Treasury, or the Secretary’s delegate, in con-  
7       sultation with the Secretary of Education, shall  
8       use appropriate means of communication to  
9       carry out the provisions of this section. The  
10      taxpayer awareness program shall include, but  
11      not be limited to, prominent display of informa-  
12      tion about the availability of the American Op-  
13      portunity Tax Credit on information return  
14      forms specified by such Secretary for use by  
15      educational institutions to report qualified tui-  
16      tion and related expenses incurred.

17              (B) ADDITIONAL STEPS.—In addition, the  
18      Secretary of the Treasury, or the Secretary’s  
19      delegate, in consultation with the Secretary of  
20      Education, should—

21                      (i) make students aware of the Amer-  
22                      ican Opportunity Tax Credit through the  
23                      data retrieval tool and the student aid re-  
24                      port of the Department of Education;



1 (ii) include information on the finan-  
2 cial aid shopping sheet;

3 (iii) include the American Opportunity  
4 Tax Credit in the volunteer income tax as-  
5 sistance program; and

6 (iv) bring awareness of the American  
7 Opportunity Tax Credit in the Federal  
8 TRIO Programs (commonly known as  
9 “TRIO”) under chapter 1 of subpart 2 of  
10 part A of title IV of the Higher Education  
11 Act of 1965 (20 U.S.C. 1070a–11 et seq.)  
12 and in the Gaining Early Awareness and  
13 Readiness for Undergraduate Programs  
14 (commonly known as “GEAR UP”) under  
15 chapter 2 of subpart 2 of part A of title  
16 IV of such Act (20 U.S.C. 1070a–21 et  
17 seq.).

18 (f) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2016.

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