

117TH CONGRESS
1ST SESSION

H. R. 4174

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

JUNE 25, 2021

Mr. DOGGETT (for himself, Mrs. BEATTY, Mr. BEYER, Mr. BLUMENAUER, Mrs. BUSTOS, Mr. CARSON, Mr. CASTRO of Texas, Ms. CHU, Mr. COHEN, Mr. CONNOLLY, Mr. DANNY K. DAVIS of Illinois, Ms. DEGETTE, Ms. DELAURO, Mr. GARAMENDI, Mr. GREEN of Texas, Mr. GRIJALVA, Ms. JACKSON LEE, Mr. LANGEVIN, Mr. LOWENTHAL, Ms. NORTON, Mr. PALLONE, Mr. PANETTA, Mr. RASKIN, Mr. RYAN, Ms. SCHAKOWSKY, Mr. DAVID SCOTT of Georgia, Ms. SEWELL, Mr. SUOZZI, Mr. SWALWELL, Ms. TITUS, Mr. TONKO, Ms. WASSERMAN SCHULTZ, Mrs. WATSON COLEMAN, Mr. WELCH, and Mr. FITZPATRICK) 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 “Expand American
5 Educational Opportunity Act of 2021”.

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

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

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

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

12 “(b) AMOUNT OF CREDIT.—

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

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

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

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

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

10 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
11 GROSS INCOME.—

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

17 “(2) AMOUNT OF REDUCTION.—The amount
18 determined under this paragraph is the amount
19 which bears the same ratio to the amount which
20 would be so taken into account as—

21 “(A) the excess of—

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

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

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

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

9 “(d) OTHER LIMITATIONS AND SPECIAL RULES.—
10 For purposes of this section:

11 “(1) LIFETIME DOLLAR LIMITATION.—In the
12 case of qualified tuition and related expenses with
13 respect to any eligible student, the aggregate
14 amount of the credits allowed in the taxable year
15 and any prior taxable year for such eligible student
16 (whether beginning before or after Expand American
17 Educational Opportunity Act of 2021) shall not ex-
18 ceed \$15,000, determined without regard to wheth-
19 er—

20 “(A) such credits are claimed on the re-
21 turn of tax filed by the eligible student or by
22 another taxpayer, or

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

1 If, in any taxable year, the aggregate amount of
2 such credits equals or exceeds \$15,000, the amount
3 allowed as a credit under subsection (a) in any sub-
4 sequent taxable year with respect to such student
5 shall be zero.

6 “(2) IDENTIFICATION REQUIREMENTS.—

7 “(A) STUDENTS.—

8 “(i) IN GENERAL.—No credit shall be
9 allowed under this section to a taxpayer
10 with respect to the qualified tuition and re-
11 lated expenses of an eligible student unless
12 the taxpayer includes the name and tax-
13 payer identification number of such eligible
14 student on the return of tax for the taxable
15 year.

16 “(ii) ISSUANCE.—The requirements of
17 clause (i) shall not be treated as met un-
18 less the individual’s taxpayer identification
19 number was issued on or before the due
20 date for filing the return of tax for the tax-
21 able year.

22 “(B) TAXPAYER.—No credit shall be al-
23 lowed under this section if the identifying num-
24 ber of the taxpayer was issued after the due
25 date for filing the return for the taxable year.

1 “(C) INSTITUTION.—No credit shall be al-
2 lowed under this section unless the taxpayer in-
3 cludes the employer identification number of
4 any institution to which qualified tuition and
5 related expenses were paid with respect to the
6 individual.

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

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

17 “(i) a qualified scholarship which is
18 excludable from gross income under section
19 117,

20 “(ii) an educational assistance allow-
21 ance under chapter 30, 31, 32, 34, or 35
22 of title 38, United States Code, or under
23 chapter 1606 of title 10, United States
24 Code, and

1 “(iii) a payment (other than a gift,
2 bequest, devise, or inheritance within the
3 meaning of section 102(a)) for such indi-
4 vidual’s educational expenses, or attrib-
5 utable to such individual’s enrollment at an
6 eligible educational institution, which is ex-
7 cludable from gross income under any law
8 of the United States.

9 “(B) COORDINATION WITH PELL GRANTS
10 NOT USED FOR QUALIFIED TUITION AND RE-
11 LATED EXPENSES.—Any amount determined
12 with respect to an individual under subpara-
13 graph (A) which is attributable to a Federal
14 Pell Grant under section 401 of the Higher
15 Education Act of 1965 shall be reduced (but
16 not below zero) by the amount of the expenses
17 (other than qualified tuition and related ex-
18 penses) which are taken into account in deter-
19 mining the cost of attendance (as defined in
20 section 472 of the Higher Education Act of
21 1965, as in effect on the date of the enactment
22 of the Expand American Educational Oppor-
23 tunity Act of 2021) of such individual at an eli-
24 gible educational institution for the academic

1 period for which the credit under this section is
2 being determined.

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

8 “(A) no credit shall be allowed under this
9 section to such individual for such individual’s
10 taxable year, and

11 “(B) qualified tuition and related expenses
12 paid by such individual during such individual’s
13 taxable year shall be treated for purposes of
14 this section as paid by such other taxpayer.

15 “(5) TREATMENT OF CERTAIN PREPAY-
16 MENTS.—If qualified tuition and related expenses
17 are paid by the taxpayer during a taxable year for
18 an academic period which begins during the first 3
19 months following such taxable year, such academic
20 period shall be treated for purposes of this section
21 as beginning during such taxable year.

22 “(6) DENIAL OF DOUBLE BENEFIT.—No credit
23 shall be allowed under this section for any expense
24 for which a deduction is allowed under any other
25 provision of this chapter.

1 “(7) NO CREDIT FOR MARRIED INDIVIDUALS
2 FILING SEPARATE RETURNS.—If the taxpayer is a
3 married individual (within the meaning of section
4 7703), this section shall apply only if the taxpayer
5 and the taxpayer’s spouse file a joint return for the
6 taxable year.

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

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

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

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

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

24 “(B) meets the requirements of section
25 484(a)(1) of the Higher Education Act of 1965,

1 as in effect on the date of the enactment of the
2 Expand American Educational Opportunity Act
3 of 2021.

4 “(2) QUALIFIED TUITION AND RELATED EX-
5 PENSES.—

6 “(A) IN GENERAL.—The term ‘qualified
7 tuition and related expenses’ means tuition,
8 fees, computer or peripheral equipment, child
9 and dependent care expenses, and course mate-
10 rials required for the enrollment or attendance
11 of—

12 “(i) the taxpayer,

13 “(ii) the taxpayer’s spouse, or

14 “(iii) any dependent of the taxpayer

15 with respect to whom the taxpayer is al-

16 lowed a deduction under section 151,

17 at an eligible educational institution for courses

18 of instruction of such individual at such institu-

19 tion.

20 “(B) EXCEPTION FOR EDUCATION INVOLV-

21 ING SPORTS, ETC.—Such term does not include

22 expenses with respect to any course or other

23 education involving sports, games, or hobbies,

24 unless such course or other education is part of

25 the individual’s degree program.

1 “(C) EXCEPTION FOR NONACADEMIC
2 FEES.—Such term does not include student ac-
3 tivity fees, athletic fees, insurance expenses, or
4 other expenses unrelated to an individual’s aca-
5 demic course of instruction.

6 “(D) COMPUTER OR PERIPHERAL EQUIP-
7 MENT.—

8 “(i) IN GENERAL.—For purposes of
9 this paragraph, the term ‘computer or pe-
10 ripheral equipment’ means expenses for the
11 purchase of computer or peripheral equip-
12 ment (as defined in section 168(i)(2)(B)),
13 computer software (as defined in section
14 197(e)(3)(B)), or internet access and re-
15 lated services, if such equipment, software,
16 or services are to be used primarily by the
17 beneficiary during any of the years the
18 beneficiary is enrolled at an eligible edu-
19 cational institution.

20 “(ii) DOLLAR LIMIT ON AMOUNT
21 CREDITABLE.—The aggregate of the
22 amounts paid or expenses incurred for
23 computer or peripheral equipment which
24 may be taken into account under this para-

1 graph for a taxable year by the taxpayer
2 shall not exceed \$1,000.

3 “(E) CHILD AND DEPENDENT CARE EX-
4 PENSES.—For purposes of this paragraph—

5 “(i) IN GENERAL.—The term ‘child
6 and dependent care expenses’ means
7 amounts paid for the following expenses,
8 but only if such expenses are incurred to
9 enable the eligible student to be enrolled in
10 an eligible educational institution for any
11 period for which there are one or more
12 qualifying individuals with respect to the
13 eligible student:

14 “(I) expenses for household serv-
15 ices, and

16 “(II) expenses for the care of a
17 qualifying individual.

18 Such term shall not include any amount
19 paid for services outside the eligible indi-
20 vidual’s household at a camp where the
21 qualifying individual stays overnight.

22 “(ii) QUALIFYING INDIVIDUAL.—The
23 term ‘qualifying individual’ has the mean-
24 ing given such term in section 21(b)(1).

1 “(iii) EXCEPTION, DEPENDENT CARE
2 CENTERS.—Rules similar to the rules of
3 subparagraphs (B), (C), and (D) of section
4 21(b)(2) shall apply, except the term ‘child
5 and dependent care expenses’ shall be sub-
6 stituted for the term ‘employment-related
7 expenses’ each place it appears in such
8 subparagraphs.

9 “(F) CHILD AND DEPENDENT CARE EX-
10 PENSES ONLY QUALIFIED EXPENSES WHEN
11 CLAIMED BY ELIGIBLE STUDENT.—Amounts
12 paid for an expense described in subparagraph
13 (E) which may be taken into account under this
14 paragraph for a taxable year by a taxpayer who
15 is not an eligible student shall not exceed \$0.

16 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
17 The term ‘eligible educational institution’ means an
18 institution—

19 “(A) which is described in section 481 of
20 the Higher Education Act of 1965, as in effect
21 on the date of the enactment of the Expand
22 American Educational Opportunity Act of
23 2021, and

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

1 “(g) PORTION OF CREDIT REFUNDABLE.—The less-
2 er of—

3 “(1) the credit allowed under this section for a
4 taxable year (determined after application of sub-
5 sections (c)(1) and (d) and without regard to this
6 subsection and section 26(a)(2), as the case may
7 be), or

8 “(2) \$1,500,
9 shall be treated as a credit allowable under subpart C (and
10 not allowed under this section). The preceding sentence
11 shall not apply to any taxpayer for any taxable year if
12 such taxpayer is a child to whom subsection (g) of section
13 1 applies for such taxable year.

14 “(h) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
15 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

16 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
17 OR RECKLESS CLAIMS.—

18 “(A) IN GENERAL.—No credit shall be al-
19 lowed under this section for any taxable year in
20 the disallowance period.

21 “(B) DISALLOWANCE PERIOD.—For pur-
22 poses of clause (i), the disallowance period is—

23 “(i) the period of 10 taxable years
24 after the most recent taxable year for
25 which there was a final determination that

1 the taxpayer’s claim of credit under this
2 section was due to fraud, and

3 “(ii) the period of 2 taxable years
4 after the most recent taxable year for
5 which there was a final determination that
6 the taxpayer’s claim of credit under this
7 section was due to reckless or intentional
8 disregard of rules and regulations (but not
9 due to fraud).

10 “(2) TAXPAYERS MAKING IMPROPER PRIOR
11 CLAIMS.—In the case of a taxpayer who is denied
12 credit under this section for any taxable year as a
13 result of the deficiency procedures under subchapter
14 B of chapter 63, no credit shall be allowed under
15 this section for any subsequent taxable year unless
16 the taxpayer provides such information as the Sec-
17 retary may require to demonstrate eligibility for
18 such credit.

19 “(i) INFLATION ADJUSTMENT.—In the case of any
20 taxable year beginning in a calendar year after 2021, each
21 dollar amount in subsections (b) and (c)(2), and (d)(1)
22 shall be increased by an amount equal to—

23 “(1) such dollar amount, multiplied by

24 “(2) the cost-of-living adjustment determined
25 under section 1(f)(3) for the calendar year in which

1 the taxable year begins, determined by substituting
2 ‘calendar year 2020’ for ‘calendar year 2016’ in sub-
3 paragraph (B) thereof.

4 In the case of subsections (b) and (d)(1), any increase de-
5 termined under the preceding sentence shall be rounded
6 to the nearest multiple of \$50. In the case of subsection
7 (c)(2), any increase determined under the preceding sen-
8 tence shall be rounded to the nearest multiple of \$500.

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

16 (b) RETENTION OF LIMITATION.—

17 (1) IN GENERAL.—Subparagraph (D) of section
18 25A(b)(2) of the Internal Revenue Code of 1986, as
19 in effect before the enactment of the Expand Amer-
20 ican Educational Opportunity Act of 2021, is hereby
21 transferred to section 25A of such Code, as amended
22 by subsection (a), and is inserted as a new sub-
23 section (d)(9) of section 25A, as so amended.

24 (2) CONFORMING AMENDMENT.—Paragraph (9)
25 of section 25A(d) of such Code, as transferred and

1 inserted by paragraph (1), is amended by striking
2 “The Hope Scholarship Credit under subsection
3 (a)(1)” and inserting “The credit under subsection
4 (a)”.

5 (c) CONFORMING AMENDMENTS.—

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

9 (2) Paragraph (2) of section 221(d) of such
10 Code is amended—

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

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

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

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

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

1 (B) by striking “HOPE AND LIFETIME
2 LEARNING CREDITS” in the heading and insert-
3 ing “AMERICAN OPPORTUNITY CREDIT”.

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

10 (6) Subparagraph (C) of section 530(d)(2) of
11 such Code is amended—

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

14 (B) by striking “HOPE AND LIFETIME
15 LEARNING CREDITS” in the heading and insert-
16 ing “AMERICAN OPPORTUNITY CREDIT”.

17 (7) Clause (iii) of section 530(d)(4)(B)(iii) of
18 such Code is amended by striking “25A(g)(2)” and
19 inserting “25A(d)(3)”.

20 (8) Section 14000 of such Code is amended—

21 (A) by striking “25A(f)(2)” and inserting
22 “25A(f)(3)”,

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

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

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

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

10 (11) Section 6213(g)(2) of such Code is amend-
11 ed—

12 (A) in subparagraph (J), by striking
13 “25A(g)(1)” and inserting “25A(d)(2)”, and

14 (B) in subparagraph (Q), by striking
15 “25A(i)(8)(B)” and inserting “25A(h)(2)” and
16 by striking “25A(i)” and inserting “25A”.

17 (12) Subsection (g) of section 6695(g) of such
18 Code is amended by striking “25A(a)(1)” and in-
19 serting “25A(a)”.

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

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

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2020.

4 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**
5 **GROSS INCOME.**

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

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

14 “(2) as a Federal Pell Grant under section 401
15 of the Higher Education Act of 1965 (as in effect
16 on the date of the enactment of the Expand Amer-
17 ican Educational Opportunity Act of 2021).”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2020.

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