

.....
(Original Signature of Member)

113TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mrs. BLACK (for herself and Mr. DANNY K. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to consolidate certain tax benefits for educational expenses, 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 “Student and Family
5 Tax Simplification Act”.

1 **SEC. 2. CONSOLIDATION OF CERTAIN TAX BENEFITS FOR**
2 **EDUCATIONAL EXPENSES.**

3 (a) AMERICAN OPPORTUNITY TAX CREDIT.—Section
4 25A of the Internal Revenue Code of 1986 is amended
5 to read as follows:

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

7 “(a) IN GENERAL.—In the case of any individual for
8 any taxable year, there shall be allowed as a credit against
9 the tax imposed by this chapter for such taxable year an
10 amount equal to the sum of—

11 “(1) 100 percent of so much of the qualified
12 tuition and related expenses paid by the taxpayer
13 during the taxable year (for education furnished to
14 any eligible student for whom an election is in effect
15 under this section for such taxable year during any
16 academic period beginning in such taxable year) as
17 does not exceed \$2,000, plus

18 “(2) 25 percent of such expenses so paid as ex-
19 ceeds the dollar amount in effect under paragraph
20 (1) but does not exceed twice such dollar amount.

21 “(b) PORTION OF CREDIT REFUNDABLE.—So much
22 of the credit allowable under subsection (a) (determined
23 without regard to this subsection and section 26(a) and
24 after application of all other provisions of this section) as
25 does not exceed \$1,500 shall be treated as a credit allow-
26 able under subpart C (and not allowable under subsection

1 (a)). The preceding sentence shall not apply to any tax-
2 payer for any taxable year if such taxpayer is a child to
3 whom section 1(d) applies for such taxable year.

4 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
5 GROSS INCOME.—

6 “(1) IN GENERAL.—The amount allowable as a
7 credit under subsection (a) for any taxable year shall
8 be reduced (but not below zero) by an amount which
9 bears the same ratio to the amount so allowable (de-
10 termined without regard to this subsection and sub-
11 section (b) but after application of all other provi-
12 sions of this section) as—

13 “(A) the excess of—

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

16 “(ii) \$43,000 (twice such amount in
17 the case of a joint return), bears to

18 “(B) \$20,000 (twice such amount in the
19 case of a joint return).

20 “(2) MODIFIED ADJUSTED GROSS INCOME.—

21 For purposes of this subsection, the term ‘modified
22 adjusted gross income’ means the adjusted gross in-
23 come of the taxpayer for the taxable year increased
24 by any amount excluded from gross income under
25 section 911, 931, or 933.

1 “(d) OTHER LIMITATIONS.—

2 “(1) CREDIT ALLOWED ONLY FOR 4 TAXABLE
3 YEARS.—An election to have this section apply may
4 not be made for any taxable year if such an election
5 (by the taxpayer or any other individual) is in effect
6 with respect to such student for any 4 prior taxable
7 years.

8 “(2) CREDIT ALLOWED FOR YEAR ONLY IF IN-
9 DIVIDUAL IS AT LEAST 1/2 TIME STUDENT FOR POR-
10 TION OF YEAR.—No credit shall be allowed under
11 subsection (a) for a taxable year with respect to the
12 qualified tuition and related expenses of an indi-
13 vidual unless such individual is an eligible student
14 for at least one academic period which begins during
15 such year.

16 “(3) CREDIT ALLOWED ONLY FOR FIRST 4
17 YEARS OF POSTSECONDARY EDUCATION.—No credit
18 shall be allowed under subsection (a) for a taxable
19 year with respect to the qualified tuition and related
20 expenses of an eligible student if the student has
21 completed (before the beginning of such taxable
22 year) the first 4 years of postsecondary education at
23 an eligible educational institution.

24 “(e) DEFINITIONS.—For purposes of this section—

1 “(1) ELIGIBLE STUDENT.— The term ‘eligible
2 student’ means, with respect to any academic period,
3 a student who—

4 “(A) meets the requirements of section
5 484(a)(1) of the Higher Education Act of 1965
6 (20 U.S.C. 1091(a)(1)), as in effect on August
7 5, 1997, and

8 “(B) is carrying at least 1/2 the normal
9 full-time work load for the course of study the
10 student is pursuing.

11 “(2) QUALIFIED TUITION AND RELATED EX-
12 PENSES.—

13 “(A) IN GENERAL.—The term ‘qualified
14 tuition and related expenses’ means tuition,
15 fees, and course materials, required for enroll-
16 ment or attendance of—

17 “(i) the taxpayer,

18 “(ii) the taxpayer’s spouse, or

19 “(iii) any dependent of the taxpayer

20 with respect to whom the taxpayer is al-

21 lowed a deduction under section 151,

22 at an eligible educational institution for courses

23 of instruction of such individual at such institu-

24 tion.

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

7 “(C) EXCEPTION FOR NONACADEMIC
8 FEES.—Such term does not include student ac-
9 tivity fees, athletic fees, insurance expenses, or
10 other expenses unrelated to an individual’s aca-
11 demic course of instruction.

12 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
13 The term ‘eligible educational institution’ means an
14 institution—

15 “(A) which is described in section 481 of
16 the Higher Education Act of 1965 (20 U.S.C.
17 1088), as in effect on August 5, 1997, and

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

20 “(f) SPECIAL RULES.—

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

1 ber of such individual, and the employer identifica-
2 tion number of any institution to which such ex-
3 penses were paid, on the return of tax for the tax-
4 able year.

5 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-
6 SHIPS, ETC.—

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

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

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

23 “(iii) a payment (other than a gift,
24 bequest, devise, or inheritance within the
25 meaning of section 102(a) for such individ-

1 ual’s educational expenses, or attributable
2 to such individual’s enrollment at an eligi-
3 ble educational institution, which is exclud-
4 able from gross income under any law of
5 the United States.

6 “(B) COORDINATION WITH PELL GRANTS
7 NOT USED FOR QUALIFIED TUITION AND RE-
8 LATED EXPENSES.—Any amount determined
9 with respect to an individual under subpara-
10 graph (A) which is attributable to a Federal
11 Pell Grant under section 401 of the Higher
12 Education Act of 1965 (20 U.S.C. 1070a) shall
13 be reduced (but not below zero) by the amount
14 of expenses (other than qualified tuition and re-
15 lated expenses) which are taken into account in
16 determining the cost of attendance (as defined
17 in section 472 of the Higher Education Act of
18 1965, as in effect on the date of the enactment
19 of this paragraph) of such individual at an eligi-
20 ble educational institution for the academic pe-
21 riod for which the credit under this section is
22 being determined.

23 “(3) TREATMENT OF EXPENSES PAID BY DE-
24 PENDENT.—If a deduction under section 151 with
25 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 sub-
4 section (a) to such individual for such individ-
5 ual's 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 “(4) 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 “(5) DENIAL OF DOUBLE BENEFIT.—No credit
18 shall be allowed under this section for any amount
19 for which a deduction is allowed under any other
20 provision of this chapter.

21 “(6) 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 “(7) 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 “(g) INFLATION ADJUSTMENT.—

10 “(1) IN GENERAL.—In the case of a taxable
11 year beginning after 2018, the \$2,000 amount in
12 subsection (a)(1), the \$1,500 amount in subsection
13 (b), and the \$43,000 amount in subsection
14 (c)(1)(A)(ii) shall each be increased by an amount
15 equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
18 mined under section 1(f)(3) for the calendar
19 year in which the taxable year begins, deter-
20 mined by substituting ‘calendar year 2017’ for
21 ‘calendar year 1992’ in subparagraph (B)
22 thereof.

23 “(2) ROUNDING.—If any amount as adjusted
24 under paragraph (1) is not a multiple of \$100
25 (\$1,000 in the case of the amount in subsection

1 (c)(1)(A)(ii), such amount shall be rounded to the
2 next lowest multiple of \$100 (\$1,000 in the case of
3 the amount in subsection (c)(1)(A)(ii)).

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

11 (b) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
12 TION AND RELATED EXPENSES.—Part VII of subchapter
13 B of chapter 1 of such Code is amended by striking section
14 222 (and by striking the item relating to such section in
15 the table of sections for such part).

16 (c) CONFORMING AMENDMENTS.—

17 (1) Section 62(a) of such Code is amended by
18 striking paragraph (18).

19 (2) Section 72(t)(7)(B) of such Code is amend-
20 ed by striking “section 25A(g)(2)” and inserting
21 “section 25A(f)(2)”.

22 (3) Section 529(c)(3)(B)(v)(I) of such Code is
23 amended by striking “section 25A(g)(2)” and insert-
24 ing “section 25A(f)(2)”.

1 (4) Section 529(e)(3)(B)(i) of such Code is
2 amended by striking “section 25A(b)(3)” and insert-
3 ing “section 25A(d)”.

4 (5) Section 530(d)(2)(C) of such Code is
5 amended—

6 (A) by striking “section 25A(g)(2)” in
7 clause (i)(I) and inserting “section 25A(f)(2)”,
8 and

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

12 (6) Section 530(d)(4)(B)(iii) of such Code is
13 amended by striking “section 25A(g)(2)” and insert-
14 ing “section 25A(d)(4)(B)”.

15 (7) Section 6050S(e) of such Code is amended
16 by striking “subsection (g)(2)” and inserting “sub-
17 section (f)(2)”.

18 (8) Section 6211(b)(4)(A) of such Code is
19 amended by striking “subsection (i)(6)” and insert-
20 ing “subsection (b)”.

21 (9) Section 6213(g)(2)(J) of such Code is
22 amended by striking “TIN required under section
23 25A(g)(1)” and inserting “TIN, and employer iden-
24 tification number, required under section
25 25A(f)(1)”.

1 (10) Section 1004(c) of division B of the Amer-
2 ican Recovery and Reinvestment Tax Act of 2009 is
3 amended—

4 (A) in paragraph (1)—

5 (i) by striking “section 25A(i)(6)”
6 each place it appears and inserting “sec-
7 tion 25A(b)”, and

8 (ii) by striking “with respect to tax-
9 able years beginning after 2008 and before
10 2018” each place it appears and inserting
11 “with respect to each taxable year”,

12 (B) in paragraph (2), by striking “Section
13 25A(i)(6)” and inserting “Section 25A(b)”, and

14 (C) in paragraph (3)(C), by striking “sub-
15 section (i)(6)” and inserting “subsection (b)”.

16 (11) The table of sections for subpart A of part
17 IV of subchapter A of chapter 1 of the Internal Rev-
18 enue Code of 1986 is amended by striking the item
19 relating to section 25A and inserting the following
20 new item:

 “Sec. 25A. American opportunity tax credit.”.

21 (d) **EFFECTIVE DATE.**—The amendments made by
22 this section shall apply to taxable years beginning after
23 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—

5 (1) by striking the period at the end and insert-
6 ing “, or”,

7 (2) by striking “received by an individual as a
8 scholarship” and inserting the following: “received
9 by an individual—

10 “(A) as a scholarship”, and

11 (3) by adding at the end the following new sub-
12 paragraph:

13 “(B) as a Federal Pell Grant under section
14 401 of the Higher Education Act of 1965 (20
15 U.S.C. 1070a).”.

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