

104TH CONGRESS
1ST SESSION

S. 1312

To amend the Internal Revenue Code of 1986 to assist in the financing of education expenses for the middle class.

IN THE SENATE OF THE UNITED STATES

OCTOBER 11 (legislative day, OCTOBER 10), 1995

Mr. BAUCUS 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 assist in the financing of education expenses for the middle class.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Middle Class Education Opportunity Act of 1995”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 101. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

4 (a) DEDUCTION ALLOWED.—Part VII of subchapter
5 B of chapter 1 (relating to additional itemized deductions
6 for individuals) is amended by redesignating section 220
7 as section 221 and by inserting after section 219 the fol-
8 lowing new section:

9 **“SEC. 220. HIGHER EDUCATION TUITION AND FEES.**

10 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
11 individual, there shall be allowed as a deduction the
12 amount of qualified higher education expenses paid by the
13 taxpayer during the taxable year.

14 “(b) LIMITATIONS.—

15 “(1) DOLLAR LIMITATION.—The amount al-
16 lowed as a deduction under subsection (a) for any
17 taxable year shall not exceed \$5,000.

18 “(2) LIMITATIONS BASED ON MODIFIED AD-
19 JUSTED GROSS INCOME.—

20 “(A) IN GENERAL.—The amount which
21 would (but for this paragraph) be taken into ac-
22 count under paragraph (1) shall be reduced
23 (but not below zero) by the amount which bears
24 the same ratio to the amount which would be
25 so taken into account as—

1 “(i) the excess of—

2 “(I) the taxpayer’s modified ad-
3 justed gross income for such taxable
4 year, over

5 “(II) \$60,000 bears to

6 “(ii) \$15,000.

7 “(B) MODIFIED ADJUSTED GROSS IN-
8 COME.—The term ‘modified adjusted gross in-
9 come’ of the taxpayer for the taxable year de-
10 termined—

11 “(i) without regard to this section and
12 sections 911, 931 and 933, and

13 “(ii) after the application of sections
14 86, 135, 219 and 469.

15 For purposes of sections 86, 135, 219, and
16 469, adjusted gross income shall be determined
17 without regard to the deduction allowed under
18 this section.

19 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—
20 For purposes of this section:

21 “(1) QUALIFIED HIGHER EDUCATION EX-
22 PENSES.—

23 “(A) IN GENERAL.—The term ‘qualified
24 higher education expenses’ means tuition and

1 fees charged by an educational institution and
2 required for the enrollment or attendance of—

3 “(i) the taxpayer,

4 “(ii) the taxpayer’s spouse, or

5 “(iii) any dependent of the taxpayer

6 with respect to whom the taxpayer is al-

7 lowed a deduction under section 151,

8 as an eligible student at an institution of higher
9 education.

10 “(B) EXCEPTION FOR EDUCATION INVOLV-
11 ING SPORTS, ETC.—Such term does not include
12 expenses with respect to any course or other
13 education involving sports, games, or hobbies,
14 unless such expenses—

15 “(i) are part of a degree program, or

16 “(ii) are deductible under this chapter

17 without regard to this section.

18 “(C) EXCEPTION FOR NONACADEMIC
19 FEES.—Such term does not include any student
20 activity fees, athletic fees, insurance expenses,
21 or other expenses unrelated to a student’s aca-
22 demic course of instruction.

23 “(D) ELIGIBLE STUDENT.—For purposes
24 of subparagraph (A), the term ‘eligible student’
25 means a student who—

1 “(i) meets the requirements of section
2 484(a)(1) of the Higher Education Act of
3 1965 (20 U.S.C. 1091(a)(1)), as in effect
4 on the date of the enactment of this sec-
5 tion, and

6 “(ii)(I) is carrying at least one-half
7 the normal full-time work load for the
8 course of study the student is pursuing, as
9 determined by the institution of higher
10 education, or

11 “(II) in enrolled in a course which en-
12 ables the student to improve the student’s
13 job skills or to acquire new job skills.

14 “(E) IDENTIFICATION REQUIREMENT.—No
15 deduction shall be allowed under subsection (a)
16 to a taxpayer with respect to an eligible student
17 unless the taxpayer includes the name, age, and
18 taxpayer identification number of such eligible
19 student on the return of tax for the taxable
20 year.

21 “(2) INSTITUTION OF HIGHER EDUCATION.—
22 The term ‘institution of higher education’ means an
23 institution which—

24 “(A) is described in section 481 of the
25 Higher Education Act of 1965 (20 U.S.C.

1 1088), as in effect on the date of the enactment
2 of this section, and

3 “(B) is eligible to participate in programs
4 under title IV of such Act.

5 “(d) SPECIAL RULES.—

6 “(1) NO DOUBLE BENEFIT.—

7 “(A) IN GENERAL.—No deduction shall be
8 allowed under subsection (a) for qualified high-
9 er education expenses with respect to which a
10 deduction is allowable to the taxpayer under
11 any other provision of this chapter unless the
12 taxpayer irrevocably waives his right to the de-
13 duction of such expenses under such other pro-
14 vision.

15 “(B) DEPENDENTS.—No deduction shall
16 be allowed under subsection (a) to any individ-
17 ual with respect to whom a deduction under
18 section 151 is allowable to another taxpayer for
19 a taxable year beginning in the calendar year in
20 which such individual’s taxable year begins.

21 “(C) SAVINGS BOND EXCLUSION.—A de-
22 duction shall be allowed under subsection (a)
23 for qualified higher education expenses only to
24 the extent the amount of such expenses exceeds

1 the amount excludable under section 135 for
2 the taxable year.

3 “(2) LIMITATION ON TAXABLE YEAR OF DE-
4 DUCTION.—

5 “(A) IN GENERAL.—A deduction shall be
6 allowed under subsection (a) for any taxable
7 year only to the extent the qualified higher edu-
8 cation expenses are in connection with enroll-
9 ment at an institution of higher education dur-
10 ing the taxable year.

11 “(B) CERTAIN PREPAYMENTS ALLOWED.—
12 Subparagraph (A) shall not apply to qualified
13 higher education expenses paid during a taxable
14 year if such expenses are in connection with an
15 academic term beginning during such taxable
16 year or during the first 3 months of the next
17 taxable year.

18 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-
19 SHIPS AND VETERANS BENEFITS.—The amount of
20 qualified higher education expenses otherwise taken
21 into account under subsection (a) with respect to the
22 education of an individual shall be reduced (before
23 the application of subsection (b)) by the sum of the
24 amounts received with respect to such individual for
25 the taxable year as—

1 “(A) a qualified scholarship which under
2 section 117 is not includable in gross income,

3 “(B) an educational assistance allowance
4 under chapter 30, 31, 32, 34, or 35 of title 38,
5 United States Code, or

6 “(C) a payment (other than a gift, be-
7 quest, devise, or inheritance within the meaning
8 of section 102(a)) for educational expenses, or
9 attributable to enrollment at an eligible edu-
10 cational institution, which is exempt from in-
11 come taxation by any law of the United States.

12 “(4) NO DEDUCTION FOR MARRIED INDIVID-
13 UALS FILING SEPARATE RETURNS.—If the taxpayer
14 is a married individual (within the meaning of sec-
15 tion 7703), this section shall apply only if the tax-
16 payer and the taxpayer’s spouse file a joint return
17 for the taxable year.

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

24 “(6) REGULATIONS.—The Secretary may pre-
25 scribe such regulations as may be necessary or ap-

1 appropriate to carry out this section, including regula-
2 tions requiring recordkeeping and information re-
3 porting.”.

4 (b) DEDUCTION ALLOWED IN COMPUTING AD-
5 JUSTED GROSS INCOME.—Section 62(a) is amended by in-
6 serting after paragraph (15) the following new paragraph:

7 “(16) HIGHER EDUCATION TUITION AND
8 FEES.—The deduction allowed by section 220.”.

9 (c) CONFORMING AMENDMENT.—The table of sec-
10 tions for part VII of subchapter B of chapter 1 is amended
11 by striking the item relating to section 220 and inserting:

 “Sec. 220. Higher education tuition and fees.
 “Sec. 221. Cross reference.”

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to payments made after December
14 31, 1995.

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