

104TH CONGRESS
2D SESSION

S. 1670

To amend the Internal Revenue Code of 1986 to allow a deduction for postsecondary education expenses, to make permanent the exclusion for employer-provided education, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 1996

Mr. HARKIN 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 allow a deduction for postsecondary education expenses, to make permanent the exclusion for employer-provided education, 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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Common Sense Middle Class Tax Relief Act of 1996”.

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

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

4 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

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

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

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

15 “(b) LIMITATIONS.—

16 “(1) DOLLAR LIMITATION.—

17 “(A) IN GENERAL.—The amount allowed
18 as a deduction under subsection (a) for any tax-
19 able year shall not exceed \$10,000.

20 “(B) PHASE-IN.—In the case of taxable
21 years beginning in 1996, subparagraph (A)
22 shall be applied by substituting ‘\$5,000’ for
23 ‘\$10,000’.

24 “(2) LIMITATION BASED ON MODIFIED AD-
25 JUSTED GROSS INCOME.—

1 “(A) IN GENERAL.—The amount allowed
2 as a deduction under subsection (a) (after ap-
3 plication of paragraph (1)) shall be reduced
4 (but not below zero) by the amount determined
5 under subparagraph (B).

6 “(B) AMOUNT OF REDUCTION.—The
7 amount determined under this subparagraph
8 equals the amount which bears the same ratio
9 to the deduction (determined without regard to
10 this paragraph) as—

11 “(i) the excess of—

12 “(I) the taxpayer’s modified ad-
13 justed gross income for such taxable
14 year, over

15 “(II) \$60,000 (\$80,000 in the
16 case of a joint return), bears to

17 “(ii) \$20,000.

18 “(C) MODIFIED ADJUSTED GROSS IN-
19 COME.—The term ‘modified adjusted gross in-
20 come’ means the adjusted gross income of the
21 taxpayer for the taxable year determined—

22 “(i) without regard to this section and
23 sections 911, 931, and 933, and

24 “(ii) after the application of sections
25 86, 135, 219 and 469.

1 For purposes of sections 86, 135, 219, and
2 469, adjusted gross income shall be determined
3 without regard to the deduction allowed under
4 this section.

5 “(D) INFLATION ADJUSTMENTS.—

6 “(i) IN GENERAL.—In the case of a
7 taxable year beginning after 1998, the
8 \$60,000 and \$80,000 amounts described in
9 subparagraph (B) shall each be increased
10 by an amount equal to—

11 “(I) such dollar amounts, multi-
12 plied by

13 “(II) the cost-of-living adjust-
14 ment determined under section 1(f)(3)
15 for the calendar year in which the tax-
16 able year begins, determined by sub-
17 stituting ‘calendar year 1997’ for ‘cal-
18 endar year 1992’ in subparagraph (B)
19 thereof.

20 “(ii) ROUNDING.—If any amount as
21 adjusted under clause (i) is not a multiple
22 of \$5,000, such amount shall be rounded
23 to the next lowest multiple of \$5,000.

24 “(c) QUALIFIED HIGHER EDUCATION EXPENSES.—

25 For purposes of this section—

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

3 “(A) IN GENERAL.—The term ‘qualified
4 higher education expenses’ means tuition and
5 fees charged by an educational institution and
6 required for the enrollment or attendance of—

7 “(i) the taxpayer,

8 “(ii) the taxpayer’s spouse, or

9 “(iii) any dependent of the taxpayer
10 with respect to whom the taxpayer is al-

11 lowed a deduction under section 151,

12 as an eligible student at an institution of higher
13 education.

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

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

20 “(ii) are deductible under this chapter
21 without regard to this section.

22 “(C) EXCEPTION FOR NONACADEMIC
23 FEES.—Such term does not include any student
24 activity fees, athletic fees, insurance expenses,

1 or other expenses unrelated to a student's aca-
2 demic course of instruction.

3 “(D) ELIGIBLE STUDENT.—For purposes
4 of subparagraph (A), the term ‘eligible student’
5 means a student who—

6 “(i) meets the requirements of section
7 484(a)(1) of the Higher Education Act of
8 1965 (20 U.S.C. 1091(a)(1)), as in effect
9 on the date of the enactment of this sec-
10 tion, and

11 “(ii)(I) is carrying at least one-half
12 the normal full-time work load for the
13 course of study the student is pursuing, as
14 determined by the institution of higher
15 education, or

16 “(II) is enrolled in a course which en-
17 ables the student to improve the student’s
18 job skills or to acquire new job skills.

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

1 “(2) INSTITUTION OF HIGHER EDUCATION.—

2 The term ‘institution of higher education’ means an
3 institution which—

4 “(A) is described in section 481 of the
5 Higher Education Act of 1965 (20 U.S.C.
6 1088), as in effect on the date of the enactment
7 of this section, and

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

10 “(d) SPECIAL RULES.—

11 “(1) NO DOUBLE BENEFIT.—

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

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

1 “(C) SAVINGS BOND EXCLUSION.—A de-
2 duction shall be allowed under subsection (a)
3 for qualified higher education expenses only to
4 the extent the amount of such expenses exceeds
5 the amount excludable under section 135 for
6 the taxable year.

7 “(2) LIMITATION ON TAXABLE YEAR OF DE-
8 DUCTION.—

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

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

22 “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-
23 SHIPS AND VETERANS’ BENEFITS.—The amount of
24 qualified higher education expenses otherwise taken
25 into account under subsection (a) with respect to the

1 education of an individual shall be reduced (before
2 the application of subsection (b)) by the sum of the
3 amounts received with respect to such individual for
4 the taxable year as—

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

7 “(B) an educational assistance allowance
8 under chapter 30, 31, 32, 34, or 35 of title 38,
9 United States Code, or

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

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

22 “(5) NONRESIDENT ALIENS.—If the taxpayer is
23 a nonresident alien individual for any portion of the
24 taxable year, this section shall apply only if such in-
25 dividual is treated as a resident alien of the United

1 States for purposes of this chapter by reason of an
 2 election under subsection (g) or (h) of section 6013.

3 “(6) REGULATIONS.—The Secretary may pre-
 4 scribe such regulations as may be necessary or ap-
 5 propriate to carry out this section, including regula-
 6 tions requiring recordkeeping and information re-
 7 porting.”

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

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

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

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

16 (d) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to payments made after December
 18 31, 1995.

19 **SEC. 3. EXCLUSION FOR EMPLOYER-PROVIDED EDU-**
 20 **CATIONAL ASSISTANCE MADE PERMANENT.**

21 (a) IN GENERAL.—Section 127 (relating to exclusion
 22 for employer-provided educational assistance programs) is
 23 amended by striking subsection (d) and by redesignating
 24 subsection (e) as subsection (d).

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

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