

109TH CONGRESS
1ST SESSION

S. 1697

To amend the Internal Revenue Code of 1986 to allow the Hope Scholarship Credit to cover fees, books, supplies, and equipment and to exempt Federal Pell Grants and Federal supplemental educational opportunity grants from reducing expenses taken into account for the Hope Scholarship Credit.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14, 2005

Mr. SMITH (for himself and Mr. BINGAMAN) 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 the Hope Scholarship Credit to cover fees, books, supplies, and equipment and to exempt Federal Pell Grants and Federal supplemental educational opportunity grants from reducing expenses taken into account for the Hope Scholarship Credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXPANSION OF EDUCATIONAL EXPENSES AL-**
2 **LOWED AS PART OF HOPE SCHOLARSHIP**
3 **CREDIT.**

4 (a) **QUALIFIED TUITION AND RELATED EXPENSES**
5 **EXPANDED TO INCLUDE BOOKS, SUPPLIES, AND EQUIP-**
6 **MENT.**—Paragraph (1) of section 25A(f) of the Internal
7 Revenue Code of 1986 (defining qualified tuition and re-
8 lated expenses) is amended by adding at the end the fol-
9 lowing new subparagraph:

10 “(D) **ADDITIONAL EXPENSES ALLOWED**
11 **FOR HOPE SCHOLARSHIP CREDIT.**—For pur-
12 poses of the Hope Scholarship Credit, such
13 term shall include fees, books, supplies, and
14 equipment required for courses of instruction at
15 the eligible educational institution.”.

16 (b) **HOPE SCHOLARSHIP CREDIT NOT REDUCED BY**
17 **FEDERAL PELL GRANTS AND SUPPLEMENTAL EDU-**
18 **CATIONAL OPPORTUNITY GRANTS.**—Subsection (g) of sec-
19 tion 25A of such Code (relating to special rules) is amend-
20 ed by adding at the end the following new paragraph:

21 “(8) **PELL AND SEOG GRANTS.**—For purposes
22 of the Hope Scholarship Credit, paragraph (2) shall
23 not apply to amounts paid for an individual as a
24 Federal Pell Grant or a Federal supplemental edu-
25 cational opportunity grant under subparts 1 and 3,
26 respectively, of part A of title IV of the Higher Edu-

1 cation Act of 1965 (20 U.S.C. 1070a and 1070b et
2 seq., respectively).”.

3 (c) EXPANDED HOPE EXPENSES NOT SUBJECT TO
4 INFORMATION REPORTING REQUIREMENTS.—Subsection
5 (e) of section 6050S of such Code (relating to definitions)
6 is amended by striking “subsection (g)(2)” and inserting
7 “subsections (f)(1)(D) and (g)(2)”.

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to expenses paid after December
10 31, 2004 (in tax years ending after such date), for edu-
11 cation furnished in academic periods beginning after such
12 date.

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