

111TH CONGRESS
1ST SESSION

H. R. 518

To amend the Internal Revenue Code of 1986 to consolidate the current education tax incentives as one credit against income tax for qualified tuition and related expenses.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 14, 2009

Mr. ISRAEL (for himself, Mr. RODRIGUEZ, Mr. RYAN of Ohio, Mr. WEINER, Ms. BEAN, and Ms. SHEA-PORTER) 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 consolidate the current education tax incentives as one credit against income tax for qualified tuition and related expenses.

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 “Middle Class College
5 Tuition Tax Credit Expansion Act of 2009”.

1 **SEC. 2. QUALIFIED TUITION AND RELATED EXPENSES**

2 **CREDIT.**

3 (a) IN GENERAL.—Section 25A of the Internal Rev-
4 enue Code of 1986 (relating to Hope and Lifetime Learn-
5 ing Credits) is amended to read as follows:

6 **“SEC. 25A. QUALIFIED TUITION AND RELATED EXPENSES**

7 **CREDIT.**

8 “(a) ALLOWANCE OF CREDIT.—In the case of any
9 eligible individual for whom an election is in effect under
10 this section, there shall be allowed as a credit against the
11 tax imposed by this chapter for the taxable year an
12 amount equal to 50 percent of so much of the qualified
13 tuition and related expenses paid by the taxpayer during
14 the taxable year (for education furnished to the eligible
15 individual during any academic period beginning in such
16 taxable year) as does not exceed \$10,000.

17 “(b) LIMITATIONS.—

18 “(1) MODIFIED ADJUSTED GROSS INCOME LIM-
19 TATION.—

20 “(A) IN GENERAL.—The amount which
21 would (but for this paragraph) be taken into ac-
22 count under subsection (a) for the taxable year
23 shall be reduced (but not below zero) by the
24 amount determined under paragraph (2).

25 “(B) AMOUNT OF REDUCTION.—The
26 amount determined under this paragraph is the

1 amount which bears the same ratio to the
2 amount which would be so taken into account
3 as—

4 “(i) the excess of—

5 “(I) the taxpayer’s modified ad-
6 justed gross income for such taxable
7 year, over

8 “(II) the applicable amount
9 under paragraph (4), bears to

10 “(ii) \$5,000 (\$10,000 in the case of a
11 joint return).

12 “(C) MODIFIED ADJUSTED GROSS IN-
13 COME.—The term ‘modified adjusted gross in-
14 come’ means the adjusted gross income of the
15 taxpayer for the taxable year increased by any
16 amount excluded from gross income under sec-
17 tion 911, 931, or 933.

18 “(D) APPLICABLE AMOUNT.—The applica-
19 ble amount under this subparagraph is—

20 “(i) in the case of a joint return, 200
21 percent of the dollar amount in effect
22 under subparagraph (B) for the taxable
23 year, and

24 “(ii) in any other case, \$100,000.

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

8 “(c) DEFINITIONS.—For purposes of this section—

9 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
10 individual’ means any individual described in para-
11 graph (2).

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

14 “(A) IN GENERAL.—The term ‘qualified
15 tuition and related expenses’ means tuition and
16 fees required for the enrollment or attendance
17 of —

18 “(i) taxpayer,

19 “(ii) the taxpayer’s spouse, or

20 “(iii) any dependent of the taxpayer
21 with respect to whom the taxpayer is al-
22 lowed a deduction under section 151, at an
23 eligible educational institution for courses
24 of instruction of such individual at such in-
25 stitution.

1 “(B) BOOKS.—Such term shall include
2 books required for such individual’s academic
3 courses of instruction at the eligible educational
4 institution.

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

11 “(D) EXCEPTION FOR NONACADEMIC
12 FEES.—Such term does not include student ac-
13 tivity fees, athletic fees, insurance expenses, or
14 other expenses unrelated to an individual’s aca-
15 demic course of instruction.

16 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
17 Ther 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 Taxpayer
22 Relief Act of 1997, and

23 “(B) which is eligible to participate in a
24 program under title IV of the Higher Education
25 Act of 1965.

1 “(d) SPECIAL RULES.—

2 “(1) IDENTIFICATION REQUIREMENT.—No
3 credit shall be allowed under subsection (a) to a tax-
4 payer with respect to an eligible student unless the
5 taxpayer includes the name and taxpayer identifica-
6 tion number of such student on the return of tax for
7 the taxable year.

8 “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-
9 SHIPS.—The amount of qualified tuition and related
10 expenses otherwise taken into account under sub-
11 section (a) with respect to an individual for an aca-
12 demic period shall be reduced (before the application
13 of subsections (a) and (b)) by the sum of any
14 amounts paid for the benefit of such individual
15 which are allocable to such period as—

16 “(A) a qualified scholarship which is ex-
17 cludable from gross income under section 117,

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

22 “(C) a payment (other than a gift, be-
23 quest, devise, or inheritance within the meaning
24 of section 102(a)) for such student’s edu-
25 cational expenses, or attributable to such indi-

1 vidual’s enrollment at an eligible educational in-
2 stitution, which is excludable from gross income
3 under any law of the United States.

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

9 “(A) no credit shall be allowed under sub-
10 section (a) to such individual for such individ-
11 ual’s taxable year, and

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

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

23 “(5) DENIAL OF DOUBLE BENEFIT.—No credit
24 shall be allowed under this section for any expense

1 for which deduction is allowed under any other pro-
2 vision of this chapter.

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

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

15 “(e) INFLATION ADJUSTMENT.—

16 “(1) IN GENERAL.—In the case of a taxable
17 year beginning after 2009, the \$100,000 amount in
18 subsection (b)(1)(D)(ii) shall each be increased by
19 an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar
23 year in which the taxable year begins, deter-
24 mined by substituting ‘calendar year 2008’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 “(2) ROUNDING.—If any amount as adjusted
4 under paragraph (1) is not a multiple of \$1,000,
5 such amount shall be rounded to the next lowest
6 multiple of \$1,000.

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

14 (b) REPEAL OF DEDUCTION FOR QUALIFIED TUI-
15 TION AND RELATED EXPENSES.—Part VII of subchapter
16 B of chapter 1 of such Code (relating to additional
17 itemized deductions for individuals) is amended by strik-
18 ing section 222.

19 (c) CONFORMING AMENDMENTS.—(1) Section 62(a)
20 of such Code is amended by striking paragraph (18).

21 (2) Subparagraph (A) of section 86(b)(2) of such
22 Code is amended by striking “, 222”.

23 (3) Subparagraph (B) of section 72(t)(7) of such
24 Code is amended by striking “section 25A(g)(2)” and in-
25 serting “section 25A(d)(2)”.

1 (4) Subparagraph (A) of section 135(c)(4) of such
2 Code is amended by striking “, 222”.

3 (5) Subparagraph (A) of section 137(b)(3) of such
4 Code is amended by striking “, 222”.

5 (6) Subparagraph (A) of section 199(d)(2) of such
6 Code is amended by striking “, 222”.

7 (7) Clause (ii) of section 219(g)(3)(A) of such Code
8 is amended by striking “, 222”.

9 (8) Clause (i) of section 221(b)(2)(C) of such Code
10 is amended by striking “, 222”.

11 (9) Clause (iii) of section 469(i)(3)(F) of such Code
12 is amended by striking “221, and 222” and inserting “and
13 221”.

14 (10) Subsection (d) of section 221 of such Code is
15 amended—

16 (A) by striking “section 25A(g)(2)” in para-
17 graph (2)(B) and inserting “section 25A(d)(2)”, and

18 (B) by striking “section 25A(f)(2)” in the sec-
19 ond sentence of paragraph (2) and inserting “section
20 25A(e)(3)”.

21 (11) Paragraph (3) of section 221(d) of such Code
22 is amended to read as follows:

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

1 “(A) meets the requirements of section
2 484(a)(1) of the Higher Education Act of 1965
3 (20 U.S.C. 1091(a)(1)), as in effect on the date
4 of the enactment of the Taxpayer Relief Act of
5 1997, and

6 “(B) is carrying at least $\frac{1}{2}$ the normal
7 full-time workload for the course of study the
8 student is pursuing.”.

9 (12) Subclause (I) of section 529(e)(3)(B)(v) of such
10 Code is amended by striking “section 25A(g)(2)” and in-
11 serting “section 25A(d)(2)”.

12 (13) Clause (i) of section 529(e)(3)(B) of such Code
13 is amended by striking “section 25A(b)(3)” and inserting
14 “section 221(d)(3)”.

15 (14) Subclause (I) of section 530(d)(2)(C)(i) of such
16 Code is amended by striking “section 25A(g)(2)” and in-
17 serting “section 25A(d)(2)”.

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

21 (16) Section 14000 of such Code is amended by add-
22 ing at the end the following flush sentence:

23 “For purposes of this section, any reference to section 25A
24 shall be treated as a reference to such section as in effect

1 on the day before the date of the enactment of this sen-
2 tence.”.

3 (17) Subparagraph (J) of section 6213(g)(2) of such
4 Code is amended by striking “section 25A(g)(1)” and in-
5 serting “section 25A(d)(1)”.

6 (d) CLERICAL AMENDMENTS.—(1) The table of sec-
7 tions for subpart A of part IV of subchapter A of chapter
8 1 of such Code is amended by striking the item relating
9 to section 25A and inserting the following:

“25A. Qualified tuition and related expenses credit.”.

10 (2) The table of sections for part VII of subchapter
11 B of chapter 1 of such Code is amended by striking the
12 item relating to section 222.

13 (e) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to expenses paid after December
15 31, 2009, for education furnished in academic periods be-
16 ginning after such date.

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