

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1380

To amend the Internal Revenue Code of 1986 to expand incentives for education.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 2005

Mr. ENGLISH of Pennsylvania (for himself, Mr. FORD, Mr. SENSENBRENNER, Mr. HOLT, Mr. WAXMAN, Mr. PLATTS, and Mr. PALLONE) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to expand incentives for education.

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 “Higher Education Af-  
5 fordability and Equity Act of 2005”.

1 **SEC. 2. EXPANSION OF DEDUCTION FOR INTEREST ON EDU-**  
2 **CATION LOANS.**

3 (a) REPEAL OF DOLLAR LIMITATION; INCREASE IN  
4 PHASEOUT BEGINNING POINT.—Subsection (b) of section  
5 221 of the Internal Revenue Code of 1986 (relating to  
6 maximum deduction) is amended to read as follows:

7 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
8 GROSS INCOME.—

9 “(1) IN GENERAL.—The amount which would  
10 (but for this subsection) be allowable as a deduction  
11 under this section shall be reduced (but not below  
12 zero) by the amount determined under paragraph  
13 (2).

14 “(2) AMOUNT OF REDUCTION.—The amount  
15 determined under this paragraph is the amount  
16 which bears the same ratio to the amount which  
17 would be so taken into account as—

18 “(A) the excess of—

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

21 “(ii) \$100,000 (\$200,000 in the case  
22 of a joint return), bears to

23 “(B) \$15,000 (\$30,000 in the case of a  
24 joint return).

1           “(3) MODIFIED ADJUSTED GROSS INCOME.—  
2           The term ‘modified adjusted gross income’ means  
3           adjusted gross income determined—

4                   “(A) without regard to this section and  
5                   sections 199, 222, 911, 931, and 933, and

6                   “(B) after application of sections 86, 135,  
7                   137, 219, and 469.”.

8           (b) CONFORMING AMENDMENT.—Section 221(f)(1)  
9 of such Code is amended to read as follows:

10                   “(1) IN GENERAL.—In the case of a taxable  
11                   year beginning after 2006, the \$100,000 and  
12                   \$200,000 amounts in subsection (b) shall each be in-  
13                   creased by an amount equal to—

14                           “(A) such dollar amount, multiplied by

15                           “(B) the cost-of-living adjustment deter-  
16                           mined under section 1(f)(3) for the calendar  
17                           year in which the taxable year begins, deter-  
18                           mined by substituting ‘calendar year 2005’ for  
19                           ‘calendar year 1992’ in subparagraph (B)  
20                           thereof.”.

21           (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 2005.

1 **SEC. 3. DEDUCTION FOR QUALIFIED TUITION AND RE-**  
2 **LATED EXPENSES MADE PERMANENT.**

3 (a) REPEAL OF TERMINATION.—Section 222 of the  
4 Internal Revenue Code of 1986 is amended by striking  
5 subsection (e).

6 (b) CONFORMING AMENDMENTS.—Subparagraph (B)  
7 of section 222(b)(2) of such Code is amended—

8 (1) by striking “2004 or 2005” and inserting  
9 “2004 or thereafter”, and

10 (2) in the heading by striking “and 2005” and  
11 inserting “and thereafter”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 December 31, 2005.

15 **SEC. 4. EDUCATION SAVINGS ACCOUNTS.**

16 (a) INCREASE IN ALLOWABLE CONTRIBUTIONS.—

17 (1) IN GENERAL.—Clause (iii) of section  
18 530(b)(1)(A) of the Internal Revenue Code of 1986  
19 is amended by striking “\$2,000” and inserting  
20 “\$5,000”.

21 (2) CONFORMING AMENDMENT.—Section  
22 4973(e)(1)(A) of such Code is amended by striking  
23 “\$2,000” and inserting “\$5,000”.

24 (b) REPORTS.—Subsection (h) of section 530 of such  
25 Code is amended by striking the period at the end of the  
26 last sentence and inserting “, except that reports shall be

1 so filed and furnished for any calendar year not later than  
2 June 30 of the following year.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2005.

6 **SEC. 5. ALLOWANCE OF ROOM, BOARD, AND SPECIAL**  
7 **NEEDS SERVICES IN THE CASE OF SCHOLAR-**  
8 **SHIPS AND TUITION REDUCTION PROGRAMS**  
9 **WITH RESPECT TO HIGHER EDUCATION.**

10 (a) IN GENERAL.—Paragraph (1) of section 117(b)  
11 of the Internal Revenue Code of 1986 (defining qualified  
12 scholarship) is amended by inserting before the period at  
13 the end the following: “or, in the case of enrollment or  
14 attendance at an eligible educational institution, for quali-  
15 fied higher education expenses.”.

16 (b) DEFINITIONS.—Subsection (b) of section 117 of  
17 such Code is amended by adding at the end the following  
18 new paragraph:

19 “(3) QUALIFIED HIGHER EDUCATION EX-  
20 PENSES; ELIGIBLE EDUCATIONAL INSTITUTION.—  
21 The terms ‘qualified higher education expenses’ and  
22 ‘eligible educational institution’ have the meanings  
23 given such terms in section 529(e).”.

24 (c) TUITION REDUCTION PROGRAMS.—Paragraph  
25 (5) of section 117(d) of such Code (relating to special

1 rules for teaching and research assistants) is amended by  
2 striking “shall be applied as if it did not contain the  
3 phrase ‘(below the graduate level)’.” and inserting

4 “shall be applied—

5                   “(A) as if it did not contain the phrase  
6                   ‘(below the graduate level)’, and

7                   “(B) by substituting ‘qualified higher edu-  
8                   cation expenses’ for ‘tuition’ the second place it  
9                   appears.”.

10           (d) **EFFECTIVE DATE.**—The amendments made by  
11 this section shall apply to expenses paid after December  
12 31, 2005 (in taxable years ending after such date), for  
13 education furnished in academic periods beginning after  
14 such date.

15 **SEC. 6. TREATMENT OF PREPAYMENT AND SAVINGS PLANS**  
16 **UNDER STUDENT FINANCIAL AID NEEDS**  
17 **ANALYSIS.**

18           (a) **DEFINITION OF ASSETS.**—Subsection (f) of sec-  
19 tion 480 of the Higher Education Act of 1965 (20 U.S.C.  
20 1087vv(j)) is amended—

21                   (1) in paragraph (1) by inserting “qualified  
22                   education benefit (except as provided in paragraph  
23                   (3)),” after “tax shelters,”; and

24                   (2) by adding at the end the following new  
25                   paragraphs:

1 “(3) A qualified education benefit shall not be consid-  
2 ered an asset of the student under section 475 of this part.

3 “(4) For purposes of this subsection, the term ‘quali-  
4 fied education benefit’ means—

5 “(A) a program which is described in clause (i)  
6 of section 529(b)(1)(A) of the Internal Revenue  
7 Code of 1986 and which meets the requirements of  
8 section 529(b)(1)(B) of such Code;

9 “(B) a State tuition program described in  
10 clause (ii) of section 529(b)(1)(A) of the Internal  
11 Revenue Code of 1986 which meets the requirements  
12 of section 529(b)(1)(B) of such Code; and

13 “(C) a Coverdell education savings account (as  
14 defined in section 530(b)(1) of the Internal Revenue  
15 Code of 1986).”.

16 (b) DEFINITION OF OTHER FINANCIAL ASSIST-  
17 ANCE.—Subsection (j) of section 480 of the Higher Edu-  
18 cation Act of 1965 (20 U.S.C. 1087vv(j)) is amended—

19 (1) by striking “; Tuition Prepayment Plans”  
20 in the heading of such subsection;

21 (2) by striking “(1) For purposes” and insert-  
22 ing “For purposes”; and

23 (3) by striking paragraph (2).

24 (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply with respect to determinations of

1 need under part F of title IV of the Higher Education  
2 Act of 1965 for academic years beginning on or after July  
3 1, 2006.

4 **SEC. 7. EXPANSION OF EDUCATIONAL EXPENSES ALLOWED**  
5 **AS PART OF HOPE SCHOLARSHIP CREDIT.**

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

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

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

23 “(8) PELL AND SEOG GRANTS.—For purposes  
24 of the Hope Scholarship Credit, paragraph (2) shall  
25 not apply to amounts paid for an individual as a

1 Federal Pell Grant or a Federal supplemental edu-  
2 cational opportunity grant under subparts 1 and 3,  
3 respectively, of part A of title IV of the Higher Edu-  
4 cation Act of 1965 (20 U.S.C. 1070a and 1070b et  
5 seq., respectively).”.

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

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to expenses paid after December  
13 31, 2005 (in tax years ending after such date), for edu-  
14 cation furnished in academic periods beginning after such  
15 date.

16 **SEC. 8. REPEAL OF EGTRRA SUNSET APPLICABILITY TO**  
17 **CERTAIN EDUCATION PROVISIONS.**

18 Title IX of the Economic Growth and Tax Relief Rec-  
19 onciliation Act of 2001 (relating to sunset of provisions  
20 of such Act) shall not apply to subtitles A, B, and D of  
21 title IV of such Act.

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