

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 396

To amend the Internal Revenue Code of 1986 to restore the prior law exclusion for scholarships and fellowships and to restore the deduction for interest on educational loans.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. SOLOMON introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to restore the prior law exclusion for scholarships and fellowships and to restore the deduction for interest on educational loans.

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. RESTORATION OF PRIOR LAW EXCLUSION FOR**  
4 **SCHOLARSHIPS AND FELLOWSHIPS.**

5 (a) IN GENERAL.—Each provision of law amended by  
6 section 123 of the Tax Reform Act of 1986 is amended  
7 to read as if the amendments made by such section had  
8 not been enacted.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

4 **SEC. 2. RESTORATION OF DEDUCTION FOR INTEREST ON**  
5 **EDUCATIONAL LOANS.**

6 (a) IN GENERAL.—Paragraph (2) of section 163(h)  
7 of the Internal Revenue Code of 1986 (defining personal  
8 interest) is amended by striking “and” at the end of sub-  
9 paragraph (D), by redesignating subparagraph (E) as sub-  
10 paragraph (F), and by inserting after subparagraph (D)  
11 the following new subparagraph:

12 “(E) any interest on a qualified edu-  
13 cational loan, and”.

14 (b) QUALIFIED EDUCATIONAL LOAN DEFINED.—  
15 Subsection (h) of section 163 of such Code is amended  
16 by adding at the end the following new paragraph:

17 “(6) QUALIFIED EDUCATIONAL LOAN.—

18 “(A) IN GENERAL.—For purposes of this  
19 subsection, the term ‘qualified educational loan’  
20 means any indebtedness incurred to pay quali-  
21 fied educational expenses which are paid or in-  
22 curred within a reasonable period of time before  
23 or after the indebtedness is incurred.

24 “(B) QUALIFIED EDUCATIONAL EX-  
25 PENSES.—For purposes of this paragraph—

1           “(i) IN GENERAL.—The term ‘quali-  
2           fied educational expenses’ means qualified  
3           tuition and related expenses of the tax-  
4           payer, his spouse, or a dependent for at-  
5           tendance at an educational institution de-  
6           scribed in section 170(b)(1)(A)(ii).

7           “(ii) QUALIFIED TUITION AND RE-  
8           LATED EXPENSES.—The term ‘qualified  
9           tuition and related expenses’ means—

10           “(I) tuition and fees required for  
11           enrollment or attendance at an edu-  
12           cational institution described in sec-  
13           tion 170(b)(1)(A)(ii),

14           “(II) fees, books, supplies, and  
15           equipment required for courses of in-  
16           struction at such an institution, and

17           “(III) reasonable living expenses  
18           while away from home.

19           “(C) DEPENDENT.—For purposes of this  
20           paragraph, the term ‘dependent’ has the mean-  
21           ing given such term by section 152.

22           “(D) COORDINATION WITH PARAGRAPH  
23           (3)(C)(ii).—Any qualified educational loan shall  
24           not be taken into account for purposes of apply-  
25           ing the limitation of paragraph (3)(C)(ii).”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

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