

104TH CONGRESS
1ST SESSION

H. R. 2050

To amend the Internal Revenue Code of 1986 to restore the deduction for interest on higher education loans and to permit penalty-free withdrawals from qualified retirement plans to pay for higher education expenses.

IN THE HOUSE OF REPRESENTATIVES

JULY 18, 1995

Mr. BAKER of Louisiana 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 restore the deduction for interest on higher education loans and to permit penalty-free withdrawals from qualified retirement plans to pay for higher education 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 “Higher Education Fi-
5 nance Improvement Act”.

1 **SEC. 2. RESTORATION OF DEDUCTION FOR INTEREST ON**
2 **HIGHER EDUCATION LOANS.**

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

9 “(E) any interest on a qualified higher
10 education loan, and”.

11 (b) QUALIFIED HIGHER EDUCATION LOAN.—Para-
12 graph (5) of section 163(h) of such Code (relating to
13 phase-in of limitations) is amended to read as follows:

14 “(5) QUALIFIED HIGHER EDUCATION LOAN.—
15 For purposes of this subsection—

16 “(A) IN GENERAL.—The term ‘qualified
17 higher education loan’ means any indebtedness
18 which—

19 “(i) is incurred by the taxpayer to pay
20 qualified higher education expenses which
21 are paid or incurred within a reasonable
22 period of time before or after the indebted-
23 ness is incurred, and

24 “(ii) is incurred pursuant to a Federal
25 or State loan guarantee or insurance pro-
26 gram.

1 “(B) QUALIFIED HIGHER EDUCATION EX-
2 PENSES.—For purposes of this paragraph—

3 “(i) IN GENERAL.—The term ‘quali-
4 fied higher education expenses’ means tui-
5 tion and related expenses of—

6 “(I) the taxpayer,

7 “(II) the taxpayer’s spouse, or

8 “(III) the taxpayer’s child (as de-
9 fined in section 151(c)(3)).

10 “(ii) TUITION AND RELATED EX-
11 PENSES.—The term ‘tuition and related
12 expenses’ means—

13 “(I) tuition and fees required for
14 enrollment or attendance at an eligible
15 educational institution (as defined in
16 section 135(c)(3)),

17 “(II) fees, books, supplies, and
18 equipment required for courses of in-
19 struction at such an institution, and

20 “(III) reasonable living expenses
21 for attendance at such an institution
22 while away from home.

23 “(C) COORDINATION WITH OTHER PROVI-
24 SIONS.—

1 pay qualified higher education expenses (within
2 the meaning of subparagraphs (B) and (C)(ii)
3 of section 163(h)(5)).”

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to distributions made after the
6 date of the enactment of this Act.

○