

107TH CONGRESS
1ST SESSION

H. R. 414

To amend the Internal Revenue Code of 1986 to make the Hope and Lifetime Learning Credits refundable, and to allow taxpayers to obtain short-term student loans by using the future refund of such credits as collateral for the loans.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 2001

Mr. ANDREWS 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 make the Hope and Lifetime Learning Credits refundable, and to allow taxpayers to obtain short-term student loans by using the future refund of such credits as collateral for the 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. HOPE AND LIFETIME LEARNING CREDITS TO**
4 **BE REFUNDABLE.**

5 (a) CREDIT TO BE REFUNDABLE.—Section 25A of
6 the Internal Revenue Code of 1986 (relating to Hope and
7 Lifetime Learning credits) is hereby moved to subpart C

1 of part IV of subchapter A of chapter 1 of such Code (re-
2 lating to refundable credits) and inserted after section 34.

3 (b) TECHNICAL AMENDMENTS.—

4 (1) Section 35 of such Code is redesignated as
5 section 36.

6 (2) Section 25A of such Code (as moved by
7 subsection (a)) is redesignated as section 35.

8 (3) Paragraph (1) of section 35(a) of such Code
9 (as redesignated by paragraph (2)) is amended by
10 striking “this chapter” and inserting “this subtitle”.

11 (4) Subparagraph (B) of section 72(t)(7) of
12 such Code is amended by striking “section
13 25A(g)(2)” and inserting “section 35(g)(2)”.

14 (5) Subparagraph (A) of section 135(d)(2) of
15 such Code is amended by striking “section 25A” and
16 inserting “section 35”.

17 (6) Section 221(e) of such Code is amended—

18 (A) in paragraph (2)(B), by striking “sec-
19 tion 25A(g)(2)” and inserting “section
20 35(g)(2)” and by striking “section 25A(f)(2)”
21 and inserting “section 35(f)(2)”, and

22 (B) in paragraph (3), by striking “section
23 25A(b)(3)” and inserting “section 35(b)(3)”.

1 (7) Clause (i) of section 529(e)(3)(B) of such
2 Code is amended by striking “section 25A(b)(3)”
3 and inserting “section 35(b)(3)”.

4 (8) Subparagraph (A) of section 530(b)(2) is
5 amended by striking “section 25A(g)(2)” and insert-
6 ing “section 35(g)(2)”.

7 (9) Clause (iii) of section 530(d)(4)(B) is
8 amended by striking “section 25A(g)(2)” and insert-
9 ing “section 35(g)(2)”.

10 (10) Subsection (e) of section 6050S is amend-
11 ed by striking “section 25A” and inserting “section
12 35”.

13 (11) Subparagraph (J) of section 6213(g)(2) is
14 amended by striking “section 25A(g)(1)” and insert-
15 ing “section 35(g)(1)”.

16 (12) Paragraph (2) of section 1324(b) of title
17 31, United States Code, is amended by inserting be-
18 fore the period “or from section 35 of such Code”.

19 (13) The table of sections for subpart C of part
20 IV of subchapter A of chapter 1 of such Code is
21 amended by striking the item relating to section 35
22 and inserting the following:

“Sec. 35. Hope and Lifetime Learning credits.
“Sec. 36. Overpayments of tax.”

1 (14) The table of sections for subpart A of such
2 part IV is amended by striking the item relating to
3 section 25A.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this subsection shall apply to taxable years beginning after
6 December 31, 2001.

7 **SEC. 2. USE OF REFUNDS OF HOPE AND LIFETIME LEARN-**
8 **ING CREDITS AS COLLATERAL FOR SHORT-**
9 **TERM STUDENT LOANS.**

10 (a) IN GENERAL.—Section 35 of the Internal Rev-
11 enue Code of 1986 (as redesignated by section 1) is
12 amended by redesignating subsection (i) as subsection (j)
13 and by inserting after subsection (h) the following new
14 section:

15 “(i) TUITION TAX CREDIT ASSIGNMENT LOANS.—

16 “(1) IN GENERAL.—Any eligible educational in-
17 stitution may provide to a taxpayer described in
18 paragraph (3) a tuition tax credit assignment loan.

19 “(2) TUITION TAX CREDIT ASSIGNMENT
20 LOAN.—For purposes of this subsection, the term
21 ‘tuition tax credit assignment loan’ means a loan
22 provided to the taxpayer by the eligible educational
23 institution in return for which the taxpayer agrees
24 to authorize the Internal Revenue Service to dis-
25 burse the loan amount directly to the lender out of

1 the next refund due to the taxpayer that is attrib-
2 utable to a credit under this section.

3 “(3) TAXPAYERS ELIGIBLE FOR LOAN.—A tax-
4 payer is eligible for a loan under this subsection if
5 the taxpayer is either—

6 “(A) an eligible student for whom a Hope
7 Scholarship Credit under subsection (a)(1) is
8 allowed, or

9 “(B) a taxpayer for whom a Lifetime
10 Learning Credit is allowed.

11 “(4) MAXIMUM AMOUNT OF LOAN.—The
12 amount of a loan provided under this subsection
13 may not exceed—

14 “(A) \$1,000, or

15 “(B) in the case of a first-year or second-
16 year student, \$1,500.

17 “(5) LOAN ORIGINATION FEE MAY BE
18 CHARGED.—An eligible educational institution pro-
19 viding a tuition tax credit assignment loan may
20 charge the taxpayer a loan origination fee of up to
21 5 percent of the loan amount, but may not charge
22 interest on the loan amount.

23 “(6) 3-YEAR TIME LIMIT ON USE OF CREDIT
24 REFUND AS COLLATERAL.—If a taxpayer who has
25 obtained a tuition tax credit assignment loan has not

1 received a refund attributable to a credit under this
2 section within three years after receiving the loan,
3 then the loan will become due and payable in accord-
4 ance with the terms of the loan agreement.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply with respect to credits claimed in
7 taxable years beginning after December 31, 2001.

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