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1ST SESSION

H. R. 2073

To establish a higher education loan program in which a borrower's annual repayment obligation is dependent upon both postschool income level and borrowing history, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 1993

Mr. PETRI (for himself, Mr. GEJDENSON, Mr. ACKERMAN, Mr. GUNDERSON, Mr. SUNDQUIST, Mr. TAYLOR of North Carolina, Mr. CUNNINGHAM, Mr. INHOFE, and Mr. DURBIN) introduced the following bill; which was referred jointly to the Committees on Education and Labor and Ways and Means

A BILL

To establish a higher education loan program in which a borrower's annual repayment obligation is dependent upon both postschool income level and borrowing history, and for other purposes.

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 "Income-Dependent
5 Education Assistance Act of 1993".

1 TITLE I—SYSTEM FOR MAKING INCOME-
2 DEPENDENT EDUCATION ASSISTANCE LOANS

3 **SEC. 101. PROGRAM AUTHORITY.**

4 The Secretary of the Treasury shall, in accordance
5 with the provisions of this title—

6 (1) make loans to eligible students in accord-
7 ance with this title, and

8 (2) establish an account for each borrower of
9 such a loan, and collect repayments on such loans,
10 in accordance with section 6306 of the Internal Rev-
11 enue Code of 1986.

12 **SEC. 102. AGREEMENTS BY ELIGIBLE INSTITUTIONS.**

13 (a) TERMS OF AGREEMENT.—In order to qualify its
14 students for loans under this title, an eligible institution
15 shall enter into an agreement with the Secretary of
16 Education which—

17 (1) provides that the institution will collect ap-
18 plications for loans under this title from its students
19 that are in such form and contain or are accom-
20 panied by such information as the Secretary of the
21 Treasury may require by regulation;

22 (2) contains assurances that the institution will,
23 on the basis of such applications, provide to the Sec-
24 retary of the Treasury the information required by

1 section 104 and will certify to the Secretary of the
2 Treasury—

3 (A) the cost of attendance determination
4 for each student; and

5 (B) the amount of any outstanding loans
6 to such student under title IV of the Higher
7 Education Act of 1965 or title VII of the Public
8 Health Service Act;

9 (3) provides that the institution will provide to
10 each student applying for a loan under this title a
11 notice provided by the Secretary of Education of the
12 student's obligations and responsibilities under the
13 loan;

14 (4) provides that, if a student withdraws after
15 receiving a loan under this title and is owed a re-
16 fund—

17 (A) the institution will pay to the Sec-
18 retary of the Treasury a portion of such refund,
19 in accordance with regulations prescribed by the
20 Secretary of the Treasury to ensure receipt of
21 an amount which bears the same ratio to such
22 refund as such loan bore to the cost of attend-
23 ance of such student; and

1 (B) the Secretary of the Treasury will
2 credit the amount of such refund to the
3 student's account; and

4 (5) contains such additional terms and condi-
5 tions as the Secretary of the Treasury or Secretary
6 of Education prescribes by regulation to protect the
7 fiscal interest of the United States and to ensure ef-
8 fective administration of the program under this
9 Act.

10 (b) ENFORCEMENT OF AGREEMENT.—The Secretary
11 of Education may, after notice and opportunity for a hear-
12 ing to the institution concerned, suspend or revoke, in
13 whole or in part, the agreement of any eligible institution
14 if the Secretary of Education finds that such institution
15 has failed to comply with this title or any regulation pre-
16 scribed under this title or has failed to comply with any
17 term or condition of its agreement under subsection (a).
18 No funds shall be loaned under this title to any student
19 at any institution while its agreement is suspended or re-
20 voked, and the Secretary of Education may institute pro-
21 ceedings to recover any funds held by such an institution.
22 The Secretary of Education shall have the same authority
23 with respect to his functions under this Act as the Sec-
24 retary of Education has with respect to his functions

1 under part B of title IV of the Higher Education Act of
2 1965.

3 (c) NOTICE TO SECRETARY.—The Secretary of Edu-
4 cation shall annually submit to the Secretary of the Treas-
5 ury a list of the eligible institutions having effective agree-
6 ments under this section, and shall promptly notify the
7 Secretary of the Treasury of any action taken under sub-
8 section (b) to suspend, revoke, or reinstate any such
9 agreement.

10 **SEC. 103. AMOUNT AND TERMS OF LOANS.**

11 (a) ELIGIBLE AMOUNTS.—

12 (1) ANNUAL LIMITS.—Any individual who is de-
13 termined by an eligible institution to be an eligible
14 student for any academic year shall be eligible to re-
15 ceive an IDEA loan for such academic year in an
16 amount which is not less than \$500 or more than
17 the cost of attendance at such institution, deter-
18 mined in accordance with section 484 of the Higher
19 Education Act of 1965. The amount of such loan
20 shall not exceed—

21 (A) \$6,500 in the case of any student who
22 has not completed his or her first year of
23 undergraduate study;

1 (B) \$7,000 in the case of any student who
2 has not completed his or her second year of
3 undergraduate study;

4 (C) \$10,000 in the case of any student
5 who has completed such second year but who
6 has not completed his or her course of under-
7 graduate study;

8 (D) \$30,000 in the case of any student
9 who is enrolled in a graduate degree program in
10 medicine, dentistry, veterinary medicine, podia-
11 try, optometry, or osteopathic medicine; or

12 (E) \$22,500 in the case of any student
13 who is enrolled in a graduate degree program in
14 pharmacy, chiropractic, public health, health
15 administration, clinical psychology, or allied
16 health fields, or in an undergraduate degree
17 program in pharmacy; or

18 (F) \$18,500 in the case of any other
19 student.

20 (2) LIMITATION ON BORROWING CAPACITY.—

21 No individual may receive any amount in an addi-
22 tional IDEA loan if the sum of the original principal
23 amounts of all IDEA loans to such individual (in-
24 cluding the pending additional loan) would equal or
25 exceed—

1 (A) \$100,000, minus

2 (B) the product of (i) the number of years
3 by which the borrower's age (as of the close of
4 the preceding calendar year) exceeds 35, and
5 (ii) one-twentieth of the amount specified in
6 subparagraph (A), as adjusted pursuant to
7 paragraph (3).

8 (3) EXCEPTIONS TO BORROWING CAPACITY LIM-
9 ITS FOR CERTAIN GRADUATE STUDENTS.—For a
10 student who is—

11 (A) a student described in paragraph
12 (1)(C), paragraph (2) shall be applied by sub-
13 stituting “\$148,870” for “\$100,000”; or

14 (B) a student described in paragraph
15 (1)(D), paragraph (2) shall be applied by sub-
16 stituting “\$120,270” for “\$100,000”.

17 (4) ADJUSTMENT OF LIMITS FOR INFLATION.—
18 Each of the dollar amounts specified in paragraphs
19 (1), (2), and (3) shall be adjusted for any academic
20 year after calendar year 1994 by the cost-of-living
21 adjustment for the calendar year preceding such
22 academic year determined under section
23 6306(h)(3)(C) of the Internal Revenue Code of
24 1986, rounded to the nearest multiple of \$100 (or,
25 if such adjustment is a multiple of \$50 and not a

1 multiple of \$100, such adjustment shall be increased
2 to the next higher multiple of \$100).

3 (5) COMPUTATION OF OUTSTANDING LOAN OB-
4 LIGATIONS.—For the purposes of this subsection,
5 any loan obligations of an individual under student
6 loan programs under title IV of the Higher Edu-
7 cation Act of 1965 or title VII of the Public Health
8 Service Act shall be counted toward IDEA annual
9 and aggregate borrowing capacity limits. For pur-
10 poses of annual and aggregate loan limits under any
11 such student loan program, IDEA loans shall be
12 counted as loans under such program.

13 (6) ADJUSTMENTS OF ANNUAL LIMITS FOR
14 LESS THAN FULL-TIME STUDENTS.—For any stu-
15 dent who is enrolled on a less than full-time basis,
16 loan amounts for which such student shall be eligible
17 for any academic year under this subsection shall be
18 reduced in accordance with regulations prescribed by
19 the Secretary of Education.

20 (b) DURATION OF ELIGIBILITY.—An eligible student
21 shall not be eligible to receive a loan under this title for
22 more than a total of the full-time equivalent of 9 academic
23 years, of which not more than the full-time equivalent of
24 5 academic years shall be as an undergraduate student

1 and not more than the full-time equivalent of 5 academic
2 years shall be as a graduate student.

3 (c) TERMS OF LOANS.—Each eligible student apply-
4 ing for a loan under this title shall sign a written agree-
5 ment which—

6 (1) is made without security and without en-
7 dorsement, except that if the borrower is a minor
8 and such note or other written agreement executed
9 by him would not, under the applicable law, create
10 a binding obligation, endorsement may be required;

11 (2) provides that such student will repay the
12 principal amount of the loan and any interest or ad-
13 ditional charges thereon in accordance with section
14 6306 of the Internal Revenue Code of 1954;

15 (3) provides that the interest on the loan will
16 accrue in accordance with section 105;

17 (4) certifies that the student has received and
18 read the notice required by section 102(a)(3); and

19 (5) contains such additional terms and condi-
20 tions as the Secretary of the Treasury may prescribe
21 by regulation.

22 (d) DISBURSEMENT OF PROCEEDS OF LOANS.—The
23 Secretary of the Treasury shall, by regulation, provide for
24 the distribution of loans to eligible students and for the
25 appropriate notification of eligible institutions of the

1 amounts of loans which are approved for any eligible stu-
2 dent, and for the allocation of the proceeds of such loan
3 by semester or other portion of an academic year. The
4 Secretary of the Treasury shall distribute the proceeds of
5 loans under this title by disbursing to the institution a
6 check or other instrument that is payable to and requires
7 the endorsement or other certification by the student.
8 Such proceeds shall be credited to any obligations of the
9 eligible student to the institution related to the cost of at-
10 tendance at such institution, with any excess being paid
11 to the student. The first installment of the proceeds of
12 any loan under this title that is made to a student bor-
13 rower who is entering the first year of a program of under-
14 graduate education, and who has not previously obtained
15 a loan under this title, shall not be presented by the insti-
16 tution to the student for endorsement until 30 days after
17 the borrower begins a course of study, but may be deliv-
18 ered to the eligible institution prior to the end of that 30-
19 day period.

20 **SEC. 104. INFORMATION REQUIREMENTS FOR LOAN PRO-**
21 **GRAM.**

22 (a) RESPONSIBILITIES OF ELIGIBLE INSTITU-
23 TIONS.—Each eligible institution which receives funds
24 under this title shall—

1 (1) submit to the Secretary of the Treasury, at
2 such time and in such form as the Secretary may re-
3 quire by regulation, a machine-readable list of appli-
4 cants and the amounts for which they are qualified
5 under section 103;

6 (2) promptly notify the Secretary of the Treas-
7 ury, on request, of any change in enrollment status
8 of any recipient of a loan under this title; and

9 (3) submit to the Secretary of the Treasury, at
10 such time and in such forms as the Secretary of the
11 Treasury may require by regulation for use in deter-
12 mining the repayment status of borrowers, a ma-
13 chine-readable list of eligible students who have pre-
14 viously received loans under this title but who are
15 not included as current applicants in the list
16 required by paragraph (1).

17 (b) RESPONSIBILITIES OF THE SECRETARY OF THE
18 TREASURY.—The Secretary of the Treasury shall, on the
19 basis of the lists received under subsection (a)(2), estab-
20 lish an obligation account, by name and taxpayer identi-
21 fication number, with respect to each recipient of a loan
22 under this title. The Secretary of the Treasury shall pro-
23 vide for the increase in the total amount stated for each
24 such account by any amounts subsequently loaned to that
25 recipient under this title and by the amount of any interest

1 charges imposed pursuant to section 105. The Secretary
2 of the Treasury shall, with the notice required by section
3 6306(a)(1) of the Internal Revenue Code of 1986, trans-
4 mit to each recipient of a loan under this title a statement
5 of the total amount of the obligation of such recipient as
6 of the close of the preceding calendar year.

7 **SEC. 105. INTEREST CHARGES.**

8 Interest charges on loans made under this title shall
9 be added to the recipient's obligation account at the end
10 of each calendar year. Such interest charges shall be based
11 upon an interest rate equal to the lesser of—

12 (1) the sum of the average bond equivalent
13 rates of 91-day Treasury bills auctioned during that
14 calendar year, plus 2 percentage points, rounded to
15 the next higher one-eighth of 1 percent; or

16 (2) 9 percent.

17 **SEC. 106. CONVERSION AND CONSOLIDATION OF OTHER**
18 **LOANS.**

19 (a) IN GENERAL.—The Secretary of the Treasury
20 may, upon request of a borrower who has received a feder-
21 ally insured or guaranteed loan or loans under title IV
22 of the Higher Education Act of 1965 or under title VII
23 of the Public Health Service Act, make a new loan to such
24 borrower in an amount equal to the sum of the unpaid
25 principal on the title IV or title VII loans. The proceeds

1 of the new loan shall be used to discharge the liability on
2 such title IV or title VII loans. Except as provided in sub-
3 section (b), any loan made under this subsection shall be
4 made on the same terms and conditions as any other loan
5 under this Act and shall be considered a new IDEA loan
6 for purposes of this title and section 6306 of the Internal
7 Revenue Code of 1986.

8 (b) CONVERSION REGULATIONS.—The Secretary of
9 the Treasury shall prescribe regulations concerning the
10 methods and calculations required for conversion to IDEA
11 loans under subsection (a). Such regulations shall provide
12 appropriate adjustments in the determination of the prin-
13 cipal and interest owed on the IDEA loan in order to—

14 (1) secure payments to the Government com-
15 mensurate with the amounts the Government would
16 have received had the original loans been IDEA
17 loans;

18 (2) fairly credit the borrower for principal and
19 interest payments made on such original loans and
20 for origination fees deducted from such original
21 loans; and

22 (3) prevent borrowers from evading their obli-
23 gations or otherwise taking unfair advantage of the
24 conversion option provided under this section.

1 (c) MANDATORY CONVERSION OF DEFAULTED
2 LOANS.—

3 (1) CONVERSION IN ACCORDANCE WITH REGU-
4 LATIONS.—Any loan which is—

5 (A) made, insured, or guaranteed under
6 title IV of the Higher Education Act of 1965
7 or title VII of the Public Health Service Act
8 after the date of enactment of this Act, and

9 (B) assigned to the Secretary of Education
10 or Health and Human Services for collection
11 after a default by the borrower in repayment of
12 such loan,

13 shall, in accordance with regulations prescribed by
14 the Secretaries of Education and Health and
15 Human Services, be treated for purposes of collec-
16 tion, under section 6306 of the Internal Revenue
17 Code of 1986, as if such loan had been converted to
18 an IDEA loan under subsections (a) and (b) of this
19 section.

20 (2) NOTICES.—The Secretaries of Education
21 and Health and Human Services shall notify—

22 (A) the Secretary of the Treasury of the
23 need to establish or adjust an account balance
24 of any borrower by reason of the provisions of
25 this subsection; and

1 (B) the borrower of the conversion of the
2 defaulted loans to an IDEA loan and of the
3 procedures for collection under section 6306 of
4 the Internal Revenue Code of 1986.

5 **SEC. 107. TERMINATION OF OTHER STUDENT LOAN PRO-**
6 **GRAMS.**

7 The authority to make additional loans under part
8 B of title IV of the Higher Education Act of 1965 (20
9 U.S.C. 1071), other than loans made pursuant to section
10 428B of such title, is terminated for any academic year
11 beginning after the date that regulations are prescribed
12 by the Secretaries of the Treasury and Education to carry
13 out this title. This section shall not affect the administra-
14 tion of such section and part with respect to loans made
15 prior to that date.

16 **SEC. 108. AUTHORIZATION OF APPROPRIATIONS.**

17 (a) LOAN FUNDS.—There are authorized to be ap-
18 propriated to make distributions of loan funds under
19 section 102 such sums as may be necessary.

20 (b) ADMINISTRATIVE EXPENSES.—There are author-
21 ized to be appropriated such sums as may be necessary
22 to administer and carry out this title.

23 **SEC. 109. DEFINITIONS.**

24 For purposes of this title—

1 (1) the term “eligible institution” has the
2 meaning given it by section 435(a) (1) or (2) of the
3 Higher Education Act of 1965;

4 (2) the term “eligible student” means a student
5 who is eligible for assistance under title IV of the
6 Higher Education Act of 1965 as required by sec-
7 tion 484 of such Act (relating to eligibility for stu-
8 dent assistance) and who is carrying at least one-
9 half the normal full-time academic workload (as de-
10 termined by the institution); and

11 (3) the term “IDEA loan” means a loan made
12 under this title.

13 TITLE II—COLLECTION OF INCOME-
14 DEPENDENT EDUCATION ASSISTANCE LOANS
15 **SEC. 201. REPAYMENTS USING INCOME TAX COLLECTION**
16 **SYSTEM.**

17 (a) IN GENERAL.—Subchapter A of chapter 64 of the
18 Internal Revenue Code of 1986 (relating to collection) is
19 amended by adding at the end thereof the following
20 new section:

21 **“SEC. 6306. COLLECTION OF INCOME-DEPENDENT EDU-**
22 **CATION ASSISTANCE LOANS.**

23 “(a) NOTICE TO BORROWER.—

1 “(1) IN GENERAL.—During January of each
2 calendar year, the Secretary shall furnish to each
3 borrower of an IDEA loan notice as to—

4 “(A) whether the records of the Secretary
5 indicate that such borrower is in repayment
6 status,

7 “(B) the maximum account balance of
8 such borrower,

9 “(C) the current account balance of such
10 borrower as of the close of the preceding
11 calendar year, and

12 “(D) the procedure for computing the
13 amount of repayment owing for the taxable year
14 beginning in the preceding calendar year.

15 “(2) FORM, ETC.—The notice under paragraph
16 (1) shall be in such form as the Secretary may by
17 regulations prescribe and shall be sent by mail to the
18 individual’s last known address or shall be left at the
19 dwelling or usual place of business of such individ-
20 ual.

21 “(b) COMPUTATION OF ANNUAL REPAYMENT
22 AMOUNT.—

23 “(1) IN GENERAL.—The annual amount pay-
24 able under this section by the taxpayer for any tax-
25 able year shall be the lesser of—

1 “(A) the product of—

2 “(i) the base amortization amount,
3 and

4 “(ii) the progressivity factor for the
5 taxpayer for such taxable year, or

6 “(B) 20 percent of the excess of—

7 “(i) the modified adjusted gross in-
8 come of the taxpayer for such taxable year,
9 over

10 “(ii)(I) in the case of a joint return,
11 the sum of the standard deduction applica-
12 ble to such return and twice the exemption
13 amount for the taxable year, and

14 “(II) in any other case, the sum of
15 the standard deduction applicable to such
16 individual and the exemption amount for
17 the taxable year.

18 For purposes of subparagraph (B)(ii), the term
19 ‘standard deduction’ has the meaning given
20 such term by section 63(c), and the term ‘ex-
21 emption amount’ has the meaning given such
22 term by section 151(d).

23 “(2) BASE AMORTIZATION AMOUNT.—

24 “(A) IN GENERAL.—For purposes of this
25 section, the term ‘base amortization amount’

1 means the amount which, if paid at the close of
 2 each year for a period of 12 consecutive years,
 3 would fully repay (with interest) at the close of
 4 such period the maximum account balance of
 5 the borrower. For purposes of the preceding
 6 sentence, an 7-percent annual rate of interest
 7 shall be assumed.

8 “(B) JOINT RETURNS.—In the case of a
 9 joint return where each spouse has an account
 10 balance and is in repayment status, the amount
 11 determined under subparagraph (A) shall be
 12 the sum of the base amortization amounts of
 13 each spouse.

14 “(3) PROGRESSIVITY FACTOR.—

15 “(A) IN GENERAL.—For purposes of this
 16 section, the term ‘progressivity factor’ means
 17 the number determined under tables prescribed
 18 by the Secretary which is based on the following
 19 tables for the circumstances specified:

20 “(i) JOINT RETURNS; SURVIVING
 21 SPOUSES.—In the case of a taxpayer to
 22 whom section 1(a) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$8,253	0.429
\$12,285	0.500
\$17,577	0.571
\$22,806	0.643
\$28,224	0.786

\$34,335	0.893
\$41,013	1.000
\$51,030	1.000
\$66,654	1.152
\$91,728	1.272
\$122,890	1.364
\$171,234	1.485
\$253,000 and over	2.000

1 “(ii) HEADS OF HOUSEHOLDS.—In
 2 the case of a taxpayer to whom section
 3 1 (b) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$6,867	0.429
\$10,836	0.500
\$12,915	0.607
\$16,884	0.643
\$20,916	0.714
\$26,271	0.857
\$32,949	1.000
\$39,627	1.000
\$49,644	1.094
\$66,339	1.313
\$89,712	1.406
\$125,466	1.500
\$205,020 and over	2.000

4 “(iii) UNMARRIED INDIVIDUALS,
 5 ETC.—In the case of a taxpayer to whom
 6 section 1(c) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$6,867	0.467
\$9,450	0.500
\$12,159	0.533
\$14,931	0.600
\$17,577	0.667
\$20,916	0.767
\$26,271	0.867
\$32,949	1.000
\$39,627	1.000
\$47,628	1.118
\$60,984	1.235
\$86,373	1.412
\$99,036	1.500
\$176,400 and over	2.000

1 “(iv) MARRIED INDIVIDUALS FILING
 2 SEPARATE RETURNS.—In the case of a
 3 taxpayer to whom section 1(d) applies—

“If the taxpayer’s modified adjusted gross income is:	The progressivity factor is:
Not over \$4,127	0.483
\$6,143	0.552
\$8,789	0.655
\$11,403	0.759
\$14,112	0.862
\$17,168	1.000
\$20,507	1.000
\$25,515	1.182
\$33,327	1.333
\$45,864	1.485
\$88,200 and over	2.000

4 “(B) RATABLE CHANGES.—The tables pre-
 5 scribed by the Secretary under subparagraph
 6 (A) shall provide for ratable increases (rounded
 7 to the nearest 1/1,000) in the progressivity fac-
 8 tors between the amounts of modified adjusted
 9 gross income contained in the tables.

10 “(C) INFLATION ADJUSTMENT OF MODI-
 11 FIED AGI AMOUNTS.—For inflation adjustment
 12 of amounts of modified adjusted gross income,
 13 see subsection (h)(3).

14 “(4) MODIFIED ADJUSTED GROSS INCOME.—
 15 For purposes of this subsection, the term ‘modified
 16 adjusted gross income’ means adjusted gross income
 17 for the taxable year—

18 “(A) determined without regard to section
 19 62(b) and without regard to the deductions

1 from gross income allowable under section
2 62(a) by reason of—

3 “(i) paragraph (6) thereof (relating to
4 profit-sharing, annuities, and bond-pur-
5 chase plans of self-employed individuals),

6 “(ii) paragraph (7) thereof (relating
7 to retirement savings), and

8 “(iii) paragraph (11) thereof (relating
9 to reforestation expenses), and

10 “(B) increased by—

11 “(i) interest exempt from the tax im-
12 posed by chapter 1, and

13 “(ii) the items of tax preference de-
14 scribed in section 57 (other than sub-
15 section (a)(5) thereof).

16 “(c) TERMINATION OF BORROWER’S REPAYMENT
17 OBLIGATION.—

18 “(1) IN GENERAL.—The repayment obligation
19 of a borrower of an IDEA loan shall terminate only
20 if there is repaid with respect to such loan an
21 amount equal to—

22 “(A) in the case of any repayment during
23 the first 12 years for which the borrower is in
24 repayment status with respect to any loan, the
25 sum of—

1 “(i) the principal amount of the loan,
2 plus

3 “(ii) interest computed for each year
4 the loan is outstanding at an annual rate
5 equal to the annual rate otherwise applica-
6 ble to such loan for such year, plus 1 per-
7 cent, and

8 “(B) in the case of any repayment during
9 any subsequent year, the principal amount of
10 the loan plus interest computed at the rates
11 applicable to the loan.

12 “(2) NO REPAYMENT REQUIRED AFTER 25
13 YEARS IN REPAYMENT STATUS.—No amount shall be
14 required to be repaid under this section with respect
15 to any loan for any taxable year after the 25th year
16 for which the borrower is in repayment status with
17 respect to such loan.

18 “(3) EXCEPTION FOR DE MINIMUS LOANS RE-
19 PAID DURING FIRST 12 YEARS IN REPAYMENT STA-
20 TUS.—In any case where the maximum account bal-
21 ance of any borrower is \$3,000 or less, subpara-
22 graph (B), and not subparagraph (A), of paragraph
23 (1) shall apply to repayment of such loan.

24 “(4) DETERMINATION OF YEARS IN REPAY-
25 MENT STATUS.—For purposes of paragraphs (1)(A)

1 and (2), the number of years in which a borrower
2 is in repayment status with respect to any IDEA
3 loan shall be determined without regard to any year
4 before the most recent year in which the borrower
5 received an IDEA loan.

6 “(5) EXTENSION OF REPAYMENT YEARS FOR
7 MEDICAL INTERNS.—The number of years specified
8 in paragraphs (1)(A) and (2) shall be increased by
9 1 year for each calendar year during any 5 months
10 of which the individual is an intern in medicine, den-
11 tistry, veterinary medicine, or osteopathic medicine.

12 “(d) DEFINITIONS.—For purposes of this section—

13 “(1) MAXIMUM ACCOUNT BALANCE.—The term
14 ‘maximum account balance’ means the highest
15 amount (as of the close of any calendar year) of un-
16 paid principal and unpaid accrued interest on all
17 IDEA loan obligations of a borrower.

18 “(2) CURRENT ACCOUNT BALANCE.—The term
19 ‘current account balance’ means the amount (as of
20 the close of a calendar year) of unpaid principal and
21 unpaid accrued interest on all IDEA loans of a
22 borrower.

23 “(3) REPAYMENT STATUS.—A borrower is in
24 repayment status for any taxable year unless—

1 “(A) such borrower was, during at least 7
2 months of such year, an eligible student, as
3 that term is defined in section 109(2) of the In-
4 come-Dependent Education Assistance Act of
5 1993; or

6 “(B) such taxable year was the first year
7 in which the borrower was such an eligible stu-
8 dent and the borrower was such an eligible stu-
9 dent during the last 3 months of such taxable
10 year.

11 “(4) IDEA LOAN.—The term ‘IDEA loan’
12 means any loan made under title I of the Income-
13 Dependent Education Assistance Act of 1993.

14 “(e) PAYMENT OF AMOUNT OWING.—Any amount to
15 be collected from an individual under this section shall be
16 paid—

17 “(1) not later than the last date (determined
18 without regard to extensions) prescribed for filing
19 his return of tax imposed by chapter 1 for the tax-
20 able year ending before the date the notice under
21 subsection (a) is sent, and

22 “(2)(A) if such return is filed not later than
23 such date, with such return, or

1 “(B) in any case not described in subparagraph
2 (A), in such manner as the Secretary may by regula-
3 tions prescribe.

4 “(f) FAILURE TO PAY AMOUNT OWING.—If an indi-
5 vidual fails to pay the full amount required to be paid on
6 or before the last date described in subsection (e)(1), the
7 Secretary shall assess and collect the unpaid amount in
8 the same manner, with the same powers, and subject to
9 the same limitations applicable to a tax imposed by sub-
10 title C the collection of which would be jeopardized by
11 delay.

12 “(g) LOANS OF DECEASED AND PERMANENTLY DIS-
13 ABLED BORROWERS; DISCHARGE BY SECRETARY.—

14 “(1) DISCHARGE IN THE EVENT OF DEATH.—

15 If a borrower of an IDEA loan dies or becomes per-
16 manently and totally disabled (as determined in ac-
17 cordance with regulations of the Secretary), then the
18 Secretary shall discharge the borrower’s liability on
19 the loan.

20 “(2) LIMITATION ON DISCHARGE.—The dis-
21 charge of the liability of an individual under this
22 subsection shall not discharge the liability of any
23 spouse with respect to any IDEA loan made to such
24 spouse.

1 “(h) CREDITING OF COLLECTIONS; SPECIAL
2 RULES.—

3 “(1) CREDITING OF AMOUNTS PAID ON A JOINT
4 RETURN.—Amounts collected under this section on a
5 joint return from a husband and wife both of whom
6 are in repayment status shall be credited to the ac-
7 counts of such spouses in the following order:

8 “(A) first, to repayment of interest added
9 to each account at the end of the preceding cal-
10 endar year in proportion to the interest so
11 added to the respective accounts of the spouses,
12 and

13 “(B) then, to repayment of unpaid prin-
14 cipal, and unpaid interest accrued before such
15 preceding calendar year, in proportion to the re-
16 spective maximum account balances of the
17 spouses.

18 “(2) COMPUTATION OF ALTERNATIVE ANNUAL
19 PAYMENT FOR INDIVIDUALS WHO HAVE ATTAINED
20 AGE 55.—In the case of an individual who attains
21 age 55 before the close of the calendar year ending
22 in the taxable year, or of an individual filing a joint
23 return whose spouse attains age 55 before the close
24 of such calendar year, the progressivity factor appli-
25 cable to the base amortization amount of such indi-

1 vidual for such taxable year shall not be less than
2 1.0.

3 “(3) INFLATION ADJUSTMENT IN COMPUTATION
4 OF PROGRESSIVITY FACTOR.—

5 “(A) IN GENERAL.—Not later than De-
6 cember 15 of 1996 and of each 3d calendar
7 year thereafter, the Secretary shall prescribe ta-
8 bles which shall apply in lieu of the tables con-
9 tained in subsection (b)(3)(A) with respect to
10 the succeeding 3 calendar years.

11 “(B) METHOD OF PRESCRIBING TABLES.—
12 The table which under subparagraph (A) is to
13 apply in lieu of the table contained in clause (i),
14 (ii), (iii), or (iv) of subsection (b)(3)(A), as the
15 case may be, shall be prescribed—

16 “(i) by increasing each amount of
17 modified adjusted gross income in such
18 table by the cost-of-living adjustment for
19 the calendar year, and

20 “(ii) by not changing the progressivity
21 factor applicable to the modified adjusted
22 gross income as adjusted under clause (i).

23 If any increase under the preceding sentence is
24 not a multiple of \$10, such increase shall be
25 rounded to the nearest multiple of \$10 (or, if

1 such increase is a multiple of \$5 and is not a
2 multiple of \$10, such increase shall be in-
3 creased to the next highest multiple of \$10).

4 “(C) COST-OF-LIVING ADJUSTMENT.—For
5 purposes of this paragraph, the cost-of-living
6 adjustment for any calendar year is the per-
7 centage (if any) by which—

8 “(i) the CPI for the preceding cal-
9 endar year, exceeds

10 “(ii) the CPI for the calendar year
11 1995.

12 “(D) CPI FOR ANY CALENDAR YEAR.—For
13 purposes of subparagraph (C), the CPI for any
14 calendar year is the average of the Consumer
15 Price Index as of the close of the 12-month pe-
16 riod ending on September 30 of such calendar
17 year.

18 “(E) CONSUMER PRICE INDEX.—For pur-
19 poses of subparagraph (D), the term ‘Consumer
20 Price Index’ means the last Consumer Price
21 Index for all-urban consumers published by the
22 Department of Labor.

23 “(5) RULES RELATING TO BANKRUPTCY.—

1 “(A) IN GENERAL.—An IDEA loan shall
2 not be dischargeable in a case under title 11 of
3 the United States Code.

4 “(B) CERTAIN AMOUNTS MAY BE POST-
5 PONENT.—If any individual receives a discharge
6 in a case under title 11 of the United States
7 Code, the Secretary may postpone any amount
8 of the portion of the liability of such individual
9 on any IDEA loan which is attributable to
10 amounts required to be paid on such loan for
11 periods preceding the date of such discharge.

12 “(6) FINALITY OF ASSESSMENT AND COLLEC-
13 TION.—The first sentence of subsection (b) of sec-
14 tion 6305 shall apply to assessments and collections
15 under subsection (f) of this section.”

16 (b) APPLICATION OF ESTIMATED TAX.—Subsection
17 (f) of section 6654 of such Code (relating to failure by
18 individual to pay estimated income tax) is amended by
19 striking “minus” at the end of paragraph (2) and insert-
20 ing “plus”, by redesignating paragraph (3) as paragraph
21 (4), and by inserting after paragraph (2) the following new
22 paragraph:

23 “(3) the amount required to be repaid under
24 section 6306 (relating to collection of income-de-
25 pendent education assistance loans), minus.”

1 (c) FILING REQUIREMENT.—Subsection (a) of sec-
2 tion 6012 of such Code (relating to persons required to
3 make returns of income) is amended by inserting after
4 paragraph (9) the following new paragraph:

5 “(10) Every individual required to make a pay-
6 ment for the taxable year under section 6306 (relat-
7 ing to collection of income-dependent education as-
8 sistance loans).”

9 (d) CLERICAL AMENDMENT.—The table of sections
10 for subchapter A of chapter 64 of such Code is amended
11 by adding at the end thereof the following new item:

“Sec. 6306. Collection of income-dependent education assistance
loans.”

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