

107TH CONGRESS
2^D SESSION

H. R. 5661

To amend the Internal Revenue Code of 1986 to increase tax incentives
for higher education.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2002

Ms. DELAURO (for herself and Mr. OWENS) 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

A BILL

To amend the Internal Revenue Code of 1986 to increase
tax incentives for higher 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 “College Tuition Assist-
5 ance Act of 2002”.

1 **SEC. 2. INCREASE IN DEDUCTION FOR QUALIFIED TUITION**
 2 **AND RELATED EXPENSES.**

3 (a) IN GENERAL.—Paragraph (2) of section 222(b)
 4 of the Internal Revenue Code of 1986 (relating to applica-
 5 ble dollar limit) is amended to read as follows:

6 “(2) APPLICABLE DOLLAR LIMIT.—The applica-
 7 ble dollar amount for any taxable year shall be de-
 8 termined as follows:

“Taxable year:	Applicable dollar limit:
2002	\$5,000
2003 and thereafter	\$10,000.”.

9 (b) PHASEOUT BASED ON ADJUSTED GROSS IN-
 10 COME.—Subsection (b) of section 222 of such Code (relat-
 11 ing to dollar limitations) is amended by adding at the end
 12 the following new paragraphs:

13 “(3) LIMITATION BASED ON ADJUSTED GROSS
 14 INCOME.—

15 “(A) IN GENERAL.—The amount which
 16 would (but for this paragraph) be allowable as
 17 a deduction under this section shall be reduced
 18 (but not below zero) by the amount determined
 19 under subparagraph (B).

20 “(B) AMOUNT OF REDUCTION.—The
 21 amount determined under this subparagraph is
 22 the amount which bears the same ratio to the
 23 amount which would be so allowable as—

1 “(i) the excess of—

2 “(I) the taxpayer’s adjusted
3 gross income for such taxable year,
4 over

5 “(II) \$65,000 (\$130,000 in the
6 case of a joint return), bears to

7 “(ii) \$10,000 (\$20,000 in the case of
8 a joint return).

9 “(4) ADJUSTED GROSS INCOME.—For purposes
10 of this subsection, adjusted gross income shall be de-
11 termined—

12 “(A) without regard to this section
13 and sections 911, 931, and 933, and

14 “(B) after application of sections 86,
15 135, 137, 219, 221, and 469.

16 “(5) ADJUSTMENTS FOR INFLATION.—

17 “(A) IN GENERAL.—In the case of a tax-
18 able year beginning after 2002, the \$65,000
19 and \$130,000 amounts in paragraph
20 (3)(B)(i)(II) shall be increased by an amount
21 equal to—

22 “(i) such dollar amount, multiplied by

23 “(ii) the cost-of-living adjustment de-
24 termined under section 1(f)(3) for the cal-
25 endar year in which the taxable year be-

1 gins, determined by substituting ‘calendar
2 year 2001’ for ‘calendar year 1992’ in sub-
3 paragraph (B) thereof.

4 “(B) ROUNDING.—If any amount as ad-
5 justed under subparagraph (A) is not a multiple
6 of \$1,000, such amount shall be rounded to the
7 next lowest multiple of \$1,000.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to payments made in taxable years
10 beginning after December 31, 2001.

11 **SEC. 3. EXPANSION OF LIFETIME LEARNING CREDIT.**

12 (a) IN GENERAL.—Section 25A(c)(1) of the Internal
13 Revenue Code of 1986 (relating to lifetime learning credit)
14 is amended by striking “20 percent” and inserting “28
15 percent”.

16 (b) INCREASE IN AGI LIMITS.—

17 (1) IN GENERAL.—Subsection (d) of section
18 25A of such Code (relating to limitation based on
19 modified adjusted gross income) is amended to read
20 as follows:

21 “(d) LIMITATION BASED ON MODIFIED ADJUSTED
22 GROSS INCOME.—

23 “(1) HOPE CREDIT.—

24 “(A) IN GENERAL.—The amount which
25 would (but for this subsection) be taken into ac-

1 count under subsection (a)(1) shall be reduced
2 (but not below zero) by the amount determined
3 under subparagraph (B).

4 “(B) AMOUNT OF REDUCTION.—The
5 amount determined under this subparagraph
6 equals the amount which bears the same ratio
7 to the amount which would be so taken into ac-
8 count as—

9 “(i) the excess of—

10 “(I) the taxpayer’s modified ad-
11 justed gross income for such taxable
12 year, over

13 “(II) \$40,000 (\$80,000 in the
14 case of a joint return), bears to

15 “(ii) \$10,000 (\$20,000 in the case of
16 a joint return).

17 “(2) LIFETIME LEARNING CREDIT.—

18 “(A) IN GENERAL.—The amount which
19 would (but for this subsection) be taken into ac-
20 count under subsection (a)(2) shall be reduced
21 (but not below zero) by the amount determined
22 under subparagraph (B).

23 “(B) AMOUNT OF REDUCTION.—The
24 amount determined under this subparagraph
25 equals the amount which bears the same ratio

1 to the amount which would be so taken into ac-
2 count as—

3 “(i) the excess of—

4 “(I) the taxpayer’s modified ad-
5 justed gross income for such taxable
6 year, over

7 “(II) \$50,000 (\$100,000 in the
8 case of a joint return), bears to

9 “(ii) \$10,000 (\$20,000 in the case of
10 a joint return).

11 “(3) MODIFIED ADJUSTED GROSS INCOME.—

12 For purposes of this subsection, the term ‘modified
13 adjusted gross income’ means the adjusted gross in-
14 come of the taxpayer for the taxable year increased
15 by any amount excluded from gross income under
16 section 911, 931, or 933.”.

17 (2) CONFORMING AMENDMENTS.—

18 (A) Section 25A(h)(2)(A) of such Code is
19 amended by striking “subsection (d)(2)” and
20 inserting “subsection (d)(1)(B) and the
21 \$50,000 and \$100,000 amounts in subsection
22 (d)(2)(B)”.

23 (B) Section 25A(h)(2)(A)(ii) of such Code
24 is amended by striking “determined by sub-

1 stituting” and all that follows and inserting the
2 following: “determined—

3 “(I) in the case of the \$40,000
4 and \$80,000 amounts in subsection
5 (d)(1)(B)(i)(II), by substituting ‘cal-
6 endar year 2000’ for ‘calendar year
7 1992’ in subparagraph (B) thereof,
8 and

9 “(II) in the case of the \$50,000
10 and \$100,000 amounts in subsection
11 (d)(2)(B)(i)(II), by substituting ‘cal-
12 endar year 2001’ for ‘calendar year
13 1992’ in subparagraph (B) thereof.”.

14 (c) USE OF CERTAIN NEEDS-BASED AID FOR QUALI-
15 FIED EXPENSES.—Section 25A(g)(2)(C) of the Internal
16 Revenue Code of 1986 (relating to adjustment for certain
17 scholarships , etc.) is amended by inserting “or needs-
18 based aid received under part A of title IV of the Higher
19 Education Act of 1965” after “section 102(a)”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to expenses paid after December
22 31, 2001 (in taxable years ending after such date), for
23 education furnished in academic periods beginning after
24 such date.

1 **SEC. 4. EXPANSION OF STUDENT LOAN INTEREST DEDUC-**
2 **TION ALLOWED ON A PER STUDENT BASIS.**

3 (a) **IN GENERAL.**—Section 221(b)(1) of the Internal
4 Revenue Code of 1986 (relating to maximum deduction)
5 is amended by inserting “with respect to qualified edu-
6 cation loans of each eligible student” after “paragraph
7 (2),”.

8 (b) **EFFECTIVE DATE.**—The amendment made by
9 this section shall apply with respect to any loan interest
10 paid after December 31, 2001, in taxable years ending
11 after such date.

12 **SEC. 5. EXTENSION AND INCREASE OF PELL GRANT MAX-**
13 **IMUM AMOUNTS.**

14 Section 401(b)(2)(A) of the Higher Education Act of
15 1965 (20 U.S.C. 1070a(b)(2)(A)) is amended by striking
16 clauses (i) through (v) and inserting the following:

17 “(i) \$6,500 for academic year 2003–2004; and
18 “(ii) \$7,000 for academic year 2004–2005,”.

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