

112TH CONGRESS
1ST SESSION

H. R. 529

To amend the Internal Revenue Code of 1986 to treat computer technology and equipment as eligible higher education expenses for 529 plans, to allow certain individuals a credit against income tax for contributions to 529 plans, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 2011

Ms. JENKINS (for herself, Mr. KIND, Mr. WESTMORELAND, Mr. FILNER, Mr. SARBANES, Mr. CHAFFETZ, Mr. YARMUTH, Ms. LEE of California, and Mr. LEWIS of Georgia) 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 treat computer technology and equipment as eligible higher education expenses for 529 plans, to allow certain individuals a credit against income tax for contributions to 529 plans, 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 “Savings Enhancement
5 for Education in College Act”.

1 **SEC. 2. COMPUTER TECHNOLOGY AND EQUIPMENT AL-**
2 **LOWED AS A QUALIFIED HIGHER EDUCATION**
3 **EXPENSE FOR SECTION 529 ACCOUNTS.**

4 (a) IN GENERAL.—Section 529(e)(3)(A) of the Inter-
5 nal Revenue Code of 1986 is amended by striking “and”
6 at the end of clause (i), by striking the period at the end
7 of clause (ii), and by adding at the end the following:

8 “(iii) expenses paid or incurred for
9 the purchase of any computer technology
10 or equipment (as defined in section
11 170(e)(6)(F)(i)) or Internet access and re-
12 lated services, if such technology, equip-
13 ment, or services are to be used primarily
14 by the designated beneficiary while enrolled
15 at an eligible educational institution.

16 Clause (iii) shall not include expenses for com-
17 puter software designed for sports, games, or
18 hobbies unless the software is predominantly
19 educational in nature.”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to expenses paid or incurred after
22 December 31, 2010, in taxable years ending after such
23 date.

24 **SEC. 3. CREDIT FOR CONTRIBUTIONS TO 529 PLANS.**

25 (a) IN GENERAL.—Subsection (d) of section 25B of
26 the Internal Revenue Code of 1986 (relating to elective

1 deferrals and IRA contributions by certain individuals) is
2 amended by redesignating paragraph (2) as paragraph (3)
3 and by inserting after paragraph (1) the following new
4 paragraph:

5 “(2) CONTRIBUTIONS TO QUALIFIED TUITION
6 PROGRAMS.—

7 “(A) IN GENERAL.—The term ‘qualified
8 savings contribution’ includes the amount of
9 any purchase or contribution described in para-
10 graph (1)(A) of section 529(b) to a qualified
11 tuition program (as defined in such section)
12 if—

13 “(i) the taxpayer has the power to au-
14 thorize distributions and otherwise admin-
15 ister the account, and

16 “(ii) the designated beneficiary of
17 such purchase or contribution is the tax-
18 payer, the taxpayer’s spouse, or an indi-
19 vidual with respect to whom the taxpayer
20 is allowed a deduction under section 151.

21 “(B) LIMITATION BASED ON COMPENSA-
22 TION.—The amount treated as a qualified sav-
23 ings contribution by reason of subparagraph
24 (A) for any taxable year shall not exceed the
25 sum of—

1 “(i) the compensation (as defined in
2 section 219(f)(1)) includible in the tax-
3 payer’s gross income for the taxable year,
4 and

5 “(ii) the amount excluded from the
6 taxpayer’s gross income under section 112
7 (relating to combat pay) for such year.

8 “(C) DETERMINATION OF ADJUSTED
9 GROSS INCOME.—Solely for purposes of deter-
10 mining the applicable percentage under sub-
11 section (b) which applies with respect to the
12 amount treated as a qualified savings contribu-
13 tion by reason of subparagraph (A), adjusted
14 gross income (determined without regard to this
15 subparagraph) shall be increased by the excess
16 (if any) of—

17 “(i) the social security benefits re-
18 ceived during the taxable year (within the
19 meaning of section 86), over

20 “(ii) the amount included in gross in-
21 come for such year under section 86.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Section 25B of such Code is amended by
24 striking “qualified retirement savings” each place it

1 appears in the text and inserting “qualified sav-
2 ings”.

3 (2) The subsection heading for section 25B(d)
4 of such Code is amended by striking “RETIRE-
5 MENT”.

6 (3) Subparagraph (A) of section 25B(d)(3) of
7 such Code, as redesignated by subsection (a), is
8 amended—

9 (A) by striking “paragraph (1)” the first
10 place it appears and inserting “paragraph (1)
11 or (2)”, and

12 (B) by striking “paragraph (1)” the sec-
13 ond place it appears and inserting “paragraph
14 (1), or (2), as the case may be,”.

15 (4) The heading for section 25B of such Code
16 is amended by striking “**AND IRA CONTRIBU-**
17 **TIONS**” and inserting “**, IRA CONTRIBUTIONS,**
18 **AND QUALIFIED TUITION PROGRAM CONTRIBU-**
19 **TIONS**”.

20 (5) The table of sections for subpart A of part
21 IV of subchapter A of chapter 1 of such Code is
22 amended by striking the item relating to section 25B
23 and inserting the following new item:

“Sec. 25B. Elective deferrals, IRA contributions, and qualified tuition program contributions by certain individuals.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions made after De-
3 cember 31, 2010, in taxable years ending after such date.

4 **SEC. 4. INVESTMENT DIRECTION UNDER QUALIFIED TUI-**
5 **TION PROGRAMS.**

6 (a) IN GENERAL.—Paragraph (4) of section 529(b)
7 of the Internal Revenue Code of 1986 (relating to invest-
8 ment direction) is amended by striking the period at the
9 end and inserting “more frequently than 4 times per cal-
10 endar year.”.

11 (b) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to years beginning after December
13 31, 2010.

14 **SEC. 5. EXCLUSION FROM GROSS INCOME FOR EMPLOYER**
15 **CONTRIBUTIONS TO QUALIFIED TUITION**
16 **PROGRAMS.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-
18 ter 1 of the Internal Revenue Code of 1986 (relating to
19 items specifically excluded from gross income) is amended
20 by inserting after section 127 the following new section:

21 **“SEC. 127A. EMPLOYER CONTRIBUTIONS TO QUALIFIED**
22 **TUITION PROGRAMS.**

23 “(a) IN GENERAL.—Gross income of an employee
24 does not include amounts paid by the employer as con-
25 tributions to a qualified tuition program held by the em-

1 ployee or spouse of the employee if the contributions are
2 made pursuant to a program which is described in sub-
3 section (b).

4 “(b) MAXIMUM EXCLUSION.—The amount excluded
5 from the gross income of an employee under this section
6 for the taxable year shall not exceed \$600.

7 “(c) QUALIFIED TUITION ASSISTANCE PROGRAM.—
8 For purposes of this section, a qualified tuition assistance
9 program is a separate written plan of an employer for the
10 benefit of such employer’s employees—

11 “(1) under which the employer makes matching
12 contributions to qualified tuition programs of—

13 “(A) such employees,

14 “(B) their spouses, or

15 “(C) any individual with respect to whom
16 such an employee or spouse—

17 “(i) is allowed a deduction under sec-
18 tion 151, and

19 “(ii) has the power to authorize dis-
20 tributions and otherwise administer such
21 individual’s account under the qualified
22 tuition program, and

23 “(2) which meets requirements similar to the
24 requirements of paragraphs (2), (3), (4), (5), and
25 (6) of section 127(b).

1 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

3 “(1) QUALIFIED TUITION PROGRAM.—The term
4 ‘qualified tuition program’ means a qualified tuition
5 program as defined in section 529(b).

6 “(2) EMPLOYEE AND EMPLOYER.—The terms
7 ‘employee’ and ‘employer’ shall have the meaning
8 given such terms by paragraphs (2) and (3), respec-
9 tively, of section 127(c).

10 “(3) APPLICABLE RULES.—Rules similar to the
11 rules of paragraphs (4), (5), (6), and (7) of section
12 127(c) shall apply.

13 “(e) INFLATION ADJUSTMENT.—

14 “(1) IN GENERAL.—In the case of any taxable
15 year beginning in a calendar year after 2011, the
16 \$600 amount contained in subsection (b)(1) shall be
17 increased by an amount equal to—

18 “(A) such dollar amount, multiplied by

19 “(B) the cost-of-living adjustment deter-
20 mined under section 1(f)(3) for the calendar
21 year in which the taxable year begins, deter-
22 mined by substituting ‘calendar year 2010’ for
23 ‘calendar year 1992’ in subparagraph (B)
24 thereof.

1 Any increase determined under the preceding sen-
2 tence shall be rounded to the nearest multiple of
3 \$50.

4 “(f) CROSS REFERENCE.—For reporting and record-
5 keeping requirements, see section 6039D.”.

6 (b) EXCLUSION FROM EMPLOYMENT TAXES.—

7 (1) Sections 3121(a)(18), 3306(b)(13), and
8 3401(a)(18) of such Code are each amended by in-
9 serting “127A,” after “127,” each place it appears.

10 (2) Section 3231(e)(6) of such Code is amended
11 by striking “section 127” and inserting “section 127
12 or 127A”.

13 (c) REPORTING AND RECORDKEEPING REQUIRE-
14 MENTS.—Section 6039D(d)(1) of such Code is amended
15 by inserting “127A,” after “127,”.

16 (d) OTHER CONFORMING AMENDMENTS.—

17 (1) Sections 125(f), 414(n)(3)(C), and
18 414(t)(2) of such Code are each amended by insert-
19 ing “127A,” after “127,” each place it appears.

20 (2) Section 132(j)(8) of such Code is amended
21 by striking “section 127” and inserting “section 127
22 or 127A”.

23 (3) Section 1397(a)(2)(A) of such Code is
24 amended by inserting at the end the following new
25 clause:

1 “(iii) Any amount paid or incurred by
2 an employer which is excludable from the
3 gross income of an employee under section
4 127A, but only to the extent paid or in-
5 curred to a person not related to the em-
6 ployer.”.

7 (4) Section 209(a)(15) of the Social Security
8 Act (42 U.S.C. 409(a)(15)) is amended by striking
9 “or 129” and inserting “, 127A, or 129”.

10 (e) CLERICAL AMENDMENT.—The table of sections
11 for part III of subchapter B of chapter 1 of such Code
12 is amended by inserting after the item relating to section
13 127 the following new item:

“Sec. 127A. Employer contributions to qualified tuition programs.”.

14 (f) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 the date of the enactment of this Act.

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