

114TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To establish Federal-State higher education financing partnerships to drive down the cost of tuition for millions of American students.

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IN THE SENATE OF THE UNITED STATES

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Mr. WYDEN introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## A BILL

To establish Federal-State higher education financing partnerships to drive down the cost of tuition for millions of American students.

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 “Promoting Access and  
5 Retention Through New Efforts to Require Shared Higher  
6 Investments in Postsecondary Success Act” or the  
7 “PARTNERSHIPS Act”.

1 **TITLE I—STATE-FEDERAL COL-**  
2 **LEGE AFFORDABILITY AND**  
3 **COMPLETION PARTNERSHIPS**

4 **SEC. 101. STATE-FEDERAL COLLEGE AFFORDABILITY AND**  
5 **COMPLETION PARTNERSHIPS.**

6 Title IV of the Higher Education Act of 1965 (20  
7 U.S.C. 1070 et seq.) is amended by adding at the end  
8 the following:

9 **“PART J—STATE-FEDERAL COLLEGE AFFORD-**  
10 **ABILITY AND COMPLETION PARTNERSHIPS**

11 **“SEC. 499-1. PURPOSE.**

12 “The purpose of this part is to establish a State-Fed-  
13 eral partnership that incentivizes State investment in pub-  
14 lic higher education.

15 **“SEC. 499-2. DEFINITIONS.**

16 “In this part:

17 “(1) **ELIGIBLE STATE.**—The term ‘eligible  
18 State’ means a State that provides, to public institu-  
19 tions of higher education, net State operating sup-  
20 port per FTE student in an amount equal to not  
21 less than 50 percent of the amount that reflects the  
22 maximum Federal Pell Grant award amount for the  
23 most recent academic year.

24 “(2) **FULL-TIME EQUIVALENT STUDENT NUM-**  
25 **BER.**—The term ‘full-time equivalent student num-

1       ber’ means a number reflecting the number of stu-  
2       dents enrolled full-time at a public institution of  
3       higher education in the State, and shall be defined  
4       and calculated in the manner determined most ap-  
5       propriate by the Secretary.

6               “(3) LOW-INCOME STUDENT.—The term ‘low-  
7       income student’ means a student who is eligible for  
8       a Federal Pell Grant under section 401.

9               “(4) NET STATE OPERATING SUPPORT.—The  
10       term ‘net State operating support’ means an amount  
11       that is equal to the amount of State funds and local  
12       government appropriations used to support public  
13       higher education annual operating expenses in the  
14       State, calculated in accordance with subparagraphs  
15       (A) and (B).

16               “(A) CALCULATION.—A State’s net State  
17       operating support shall, for a fiscal year, be an  
18       amount that is equal to the difference resulting  
19       from the gross amount of State funds appro-  
20       priated and disbursed by the State and ex-  
21       pended by the recipient institutions in the fiscal  
22       year for public higher education operating ex-  
23       penses in the State, minus—

24                       “(i) such appropriations that are re-  
25                       turned to the State;

1                   “(ii) State-appropriated funds derived  
2                   from Federal sources, including funds pro-  
3                   vided under this part;

4                   “(iii) local government funds not ap-  
5                   propriated for operating support for public  
6                   higher education;

7                   “(iv) amounts that are portions of  
8                   multi-year appropriations to be distributed  
9                   over multiple years that are not to be  
10                  spent for the year for which the calculation  
11                  is being made;

12                  “(v) tuition charges remitted to the  
13                  State to offset State appropriations;

14                  “(vi) State funding for students in  
15                  non-credit continuing or adult education  
16                  courses and non-credit extension courses;

17                  “(vii) sums appropriated to private  
18                  nonprofit institutions of higher education,  
19                  or to proprietary institutions of higher  
20                  education, for capital outlay or operating  
21                  expenses; and

22                  “(viii) any other funds excluded under  
23                  subparagraph (B).

24                  “(B) EXCLUSIONS.—Net State operating  
25                  support does not include—

1 “(i) funds for—

2 “(I) student aid programs that  
3 provide grants to students attending  
4 in-State private nonprofit institutions  
5 of higher education, in-State propri-  
6 etary institutions of higher education,  
7 independent institutions, in-State pub-  
8 lic institutions, and out-of-State insti-  
9 tutions;

10 “(II) capital outlay;

11 “(III) deferred maintenance; or

12 “(IV) research and development;

13 or

14 “(ii) any other funds that the Sec-  
15 retary may exclude.

16 “(5) NET STATE OPERATING SUPPORT PER FTE  
17 STUDENT.—The term ‘net State operating support  
18 per FTE student’ means, for a fiscal year—

19 “(A) the net State operating support for  
20 the previous fiscal year; divided by

21 “(B) the full-time equivalent student num-  
22 ber for the previous fiscal year.

23 “(6) PUBLIC INSTITUTION.—The term ‘public  
24 institution’ means an institution of higher education  
25 (as defined in section 101) whose liabilities are

1 backed by the full faith and credit of the State or  
2 its equivalent, as determined in accordance with sec-  
3 tion 668.15 of title 34, Code of Federal Regulations,  
4 or any successor regulation.

5 “(7) PRIVATE NONPROFIT INSTITUTION OF  
6 HIGHER EDUCATION.—The term ‘private nonprofit  
7 institution of higher education’ means an institution  
8 of higher education, as defined in section 102, that  
9 is a private nonprofit institution.

10 “(8) PROPRIETARY INSTITUTION OF HIGHER  
11 EDUCATION.—The term ‘proprietary institution of  
12 higher education’ has the meaning given the term in  
13 section 102(b).

14 **“SEC. 499-3. AUTHORIZATION; USE OF FUNDS.**

15 “(a) AUTHORIZATION.—The Secretary shall award  
16 annual block grants to eligible States to encourage States  
17 to provide additional funding for public higher education.

18 “(b) USE OF FUNDS BY STATES.—An eligible State  
19 receiving a block grant under this part shall allocate 100  
20 percent of block grant funding to public institutions for  
21 public higher education expenditures in accordance with  
22 subsection (c).

23 “(c) USE OF FUNDS BY PUBLIC INSTITUTIONS.—A  
24 public institution that receives funds under this part  
25 shall—

1           “(1) use a portion of such funds to directly re-  
2           duce tuition costs or mitigate the need to raise tui-  
3           tion and fees for students residing in the State;

4           “(2) use a portion of such funds to support the  
5           enrollment of low-income students in the institution;

6           “(3) use a portion of such funds to support re-  
7           tention and degree completion of low-income stu-  
8           dents; and

9           “(4) create a publicly available report that doc-  
10          uments the institution’s efforts to satisfy the re-  
11          quirements described in paragraphs (1) through (3).

12         “(d) PROHIBITIONS.—

13                 “(1) NO USE FOR ENDOWMENTS.—A public in-  
14                 stitution may not use funds received under this part  
15                 to increase the endowment of the public institution.

16                 “(2) NO USE FOR ATHLETIC OR COMMERCIAL  
17                 VENUES.—No funds awarded under this part may be  
18                 used for the modernization, renovation, or repair of  
19                 stadiums or other facilities of a public institution  
20                 primarily used for athletic contests or events for  
21                 which admission is charged to the general public.

22                 “(e) STATE LIMITATIONS ON INSTITUTIONS.—Noth-  
23                 ing in this section shall be construed to prohibit a State  
24                 from establishing additional requirements for public insti-

1 tutions in the State for the purpose of increasing the af-  
2 fordability of higher education.

3 **“SEC. 499–4. GRANT FORMULA.**

4 “(a) GRANT FORMULA.—The Secretary shall award  
5 a block grant to an eligible State for a fiscal year in an  
6 amount equal to the product of—

7 “(1) the marginal Federal match amount for  
8 the fiscal year, as determined under subsection (b);  
9 multiplied by

10 “(2) the full-time equivalent student number for  
11 the previous fiscal year.

12 “(b) FEDERAL MATCH AMOUNT FOR ELIGIBLE  
13 STATES.—The marginal Federal match amount shall be  
14 the following:

15 “(1) ELIGIBLE STATES WITH NET STATE OPER-  
16 ATING SUPPORT PER FTE STUDENT BETWEEN 50  
17 PERCENT AND 130 PERCENT OF THE MAXIMUM FED-  
18 ERAL PELL GRANT.—The marginal Federal match  
19 amount for an eligible State with a net State oper-  
20 ating support per FTE student for the fiscal year  
21 that is equal to or more than 50 percent of the  
22 amount of the maximum Federal Pell Grant under  
23 section 401 for the most recent fiscal year but is less  
24 than 130 percent of such amount, shall be equal to  
25 the product of—



1           “(A) the amount of the maximum Federal  
2 Pell Grant for the most recent fiscal year; mul-  
3 tiplied by

4           “(B) the result of the mathematical ex-  
5 pression  $0.26x^2 - 0.14x + 0.005$ , where  $x$  rep-  
6 represents the ratio obtained by dividing the eligi-  
7 ble State’s net State operating support per  
8 FTE student by the amount of the maximum  
9 Federal Pell Grant for the most recent fiscal  
10 year.

11           “(2) ELIGIBLE STATES WITH NET STATE OPER-  
12 ATING SUPPORT EQUAL TO OR GREATER THAN 130  
13 PERCENT OF THE MAXIMUM FEDERAL PELL  
14 GRANT.—The marginal Federal match amount for  
15 an eligible State with a net State operating support  
16 per FTE student for the fiscal year equal to or  
17 greater than 130 percent of the amount of the max-  
18 imum Federal Pell Grant for the most recent fiscal  
19 year, shall be equal to the sum of—

20           “(A) the amount calculated under para-  
21 graph (1) for a State with a net State operating  
22 support per FTE student equal to 130 percent  
23 of the amount of the maximum Federal Pell  
24 Grant for the most recent fiscal year; and

1           “(B) 10 percent of the amount by which  
2           the eligible State’s net State operating support  
3           per FTE student exceeds 130 percent of such  
4           maximum Federal Pell Grant,  
5           except that in no case shall the marginal Federal  
6           match under this paragraph exceed an amount equal  
7           to 30 percent of the amount of the maximum Fed-  
8           eral Pell Grant for the most recent fiscal year.

9           “(c) RATABLE REDUCTION.—If the sums made avail-  
10          able under this part for any fiscal year are insufficient  
11          to pay the full amounts that all States are eligible to re-  
12          ceive in accordance with this section for such year, the  
13          Secretary shall establish procedures for ratably reducing  
14          each State’s award amount.

15        **“SEC. 499-5. ACCOUNTABILITY AND ENFORCEMENT.**

16          “(a) ANNUAL REPORT.—

17                “(1) IN GENERAL.—Beginning for the first fis-  
18                cal year after a State receives a block grant under  
19                this part, the State shall prepare and submit an an-  
20                nual report to the Secretary, which shall include de-  
21                tailed information about the State’s use of the grant  
22                funds to increase the affordability of public higher  
23                education and increase the enrollment and comple-  
24                tion rates of low-income students (as measured by  
25                eligibility for a Federal Pell Grant).

1           “(2) CONTENTS.—A report described in para-  
2 graph (1) shall—

3           “(A) describe the cause of any increases in  
4 public higher education costs and the sources of  
5 new funding to address such increases;

6           “(B) describe all actions taken to  
7 incentivize public institutions to reduce tuition  
8 costs, or mitigate the need to raise tuition and  
9 fees for in-State students;

10           “(C) explain the extent to which public in-  
11 stitutions supported the enrollment of low-in-  
12 come students who are eligible for Federal Pell  
13 Grants or other need-based financial assistance;

14           “(D) disclose how the State distributed the  
15 allotment provided under this part to all public  
16 institutions, and the rationale for such distribu-  
17 tion;

18           “(E) include the aggregated graduation  
19 rates for low-income students (based on eligi-  
20 bility for Federal Pell Grants), part-time stu-  
21 dents, and transfer students, disaggregated by  
22 type of degree or credential;

23           “(F) detail State efforts to improve the re-  
24 tention and graduation rates of low-income stu-

1           dents at both 2-year and 4-year institutions of  
2           higher education; and

3                   “(G) be publicly available in a manner that  
4           is easily accessible to parents, students, and  
5           consumer advocates.

6           “(b) MAINTAINING NET STATE OPERATING SUP-  
7   PORT PER FTE STUDENT.—

8                   “(1) IN GENERAL.—Each State receiving an al-  
9           lotment under this part for a fiscal year shall—

10                   “(A) ensure that the amount expended by  
11           the State, from funds derived from non-Federal  
12           sources, for net State operating support per  
13           FTE student for the preceding fiscal year was  
14           not less than the amount expended by the State  
15           for net State operating support per FTE stu-  
16           dent for the second preceding fiscal year; and

17                   “(B) demonstrate the State’s compliance  
18           with subparagraph (A) by providing the Sec-  
19           retary with a written assurance and detailed  
20           documentation.

21                   “(2) PENALTY.—If a State does not comply  
22           with paragraph (1), the State’s grant award under  
23           this part shall be reduced by an amount equal to the  
24           product of—

25                   “(A) the difference between—

1                   “(i) the net State operating support  
2                   per FTE student for the second preceding  
3                   fiscal year; minus

4                   “(ii) the net State operating support  
5                   per FTE student for the preceding fiscal  
6                   year; multiplied by

7                   “(B) the full-time equivalent student num-  
8                   ber for the previous fiscal year.

9                   “(c) MAINTENANCE OF EFFORT FOR STATE-BASED  
10 FINANCIAL AID AND AVOIDANCE OF TUITION INFLA-  
11 TION.—Each State receiving an allotment under this part  
12 for a fiscal year shall, as a condition of receiving the allot-  
13 ment—

14                   “(1) maintain the level of State student need-  
15                   based financial aid support provided for costs associ-  
16                   ated with postsecondary education at not less than  
17                   the average annual level of such support provided  
18                   for the 3 academic years immediately preceding the  
19                   year for which the State is receiving the allotment;  
20                   and

21                   “(2) ensure that for the academic year imme-  
22                   diately following the academic year for which the  
23                   State is receiving the allotment, all public institu-  
24                   tions of higher education in the State will not in-  
25                   crease tuition for in-State students by a percentage

1 greater than the estimated percentage increase in  
2 the Consumer Price Index (as determined by the  
3 Secretary, using the definition in section 478(f)) for  
4 the calendar year for which the State is receiving the  
5 allotment.

6 “(d) AUTHORITY TO COMPROMISE.—Notwith-  
7 standing subsections (b) and (c), the Secretary may waive  
8 any maintenance of support and effort requirement de-  
9 scribed in such subsections for a State if there is a clear  
10 case of a significant economic downturn in the State as  
11 evidenced by a reduction in State domestic product, real  
12 per capita income, and employment. Such determination  
13 shall only be made by the Secretary following a written  
14 appeal by the State that documents recent and significant  
15 decreases in economic activity in the State.

16 **“SEC. 499-6. AUTHORIZATION OF APPROPRIATIONS.**

17 “There are authorized to be appropriated to carry out  
18 this part such sums as may be necessary for fiscal year  
19 2016 and each of the five succeeding fiscal years.”.

20 **TITLE II—TAX PROVISIONS**

21 **SEC. 201. PERMANENT EXTENSION AND MODIFICATION OF**  
22 **AMERICAN OPPORTUNITY AND LIFETIME**  
23 **LEARNING CREDITS.**

24 (a) IN GENERAL.—Section 25A of the Internal Rev-  
25 enue Code of 1986 is amended to read as follows:

1 **“SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.**

2 “(a) IN GENERAL.—In the case of an individual,  
3 there shall be allowed as a credit against the tax imposed  
4 by this chapter for the taxable year, with respect to each  
5 eligible student, an amount equal to the sum of—

6 “(1) 100 percent of so much of the qualified  
7 tuition and related expenses paid by the taxpayer  
8 during the taxable year (for education furnished to  
9 the eligible student during any academic period be-  
10 ginning in such taxable year) as does not exceed  
11 \$2,000, plus

12 “(2) 25 percent of so much of such expenses so  
13 paid as exceeds the dollar amount in effect under  
14 paragraph (1) but does not exceed twice such dollar  
15 amount.

16 “(b) PORTION OF CREDIT REFUNDABLE.—60 per-  
17 cent of the credit allowable under subsection (a) with re-  
18 spect to each eligible student (determined without regard  
19 to this subsection and section 26(a) and after application  
20 of all other provisions of this section) shall be treated as  
21 a credit allowable under subpart C (and not under this  
22 part). The preceding sentence shall not apply to any tax-  
23 payer for any taxable year if such taxpayer is a child to  
24 whom section 1(g) applies for such taxable year.

25 “(c) 5-YEAR LIMITATION.—No credit shall be allowed  
26 under subsection (a) with respect to any eligible student

1 for any taxable year if such student was taken into ac-  
2 count in determining the credit allowed under such sub-  
3 section (by the taxpayer or any other individual) for any  
4 5 prior taxable years.

5 “(d) LIFETIME LEARNING CREDIT.—

6 “(1) IN GENERAL.—In the case of an indi-  
7 vidual, there shall be allowed as a credit against the  
8 tax imposed by this chapter an amount equal to 20  
9 percent of so much of the qualified tuition and re-  
10 lated expenses paid by the taxpayer during the tax-  
11 able year (for education furnished during any aca-  
12 demic period beginning in such taxable year) as does  
13 not exceed \$10,000.

14 “(2) SPECIAL RULES FOR DETERMINING EX-  
15 PENSES.—

16 “(A) COORDINATION WITH AMERICAN OP-  
17 PORTUNITY TAX CREDIT.—The qualified tuition  
18 and related expenses with respect to an indi-  
19 vidual who is an eligible student for whom a  
20 credit under subsection (a) is allowed for the  
21 taxable year shall not be taken into account  
22 under this subsection.

23 “(B) EXPENSES ELIGIBLE FOR LIFETIME  
24 LEARNING CREDIT.—For purposes of paragraph  
25 (1), qualified tuition and related expenses shall



1 include expenses described in subsection (f)(2)  
2 with respect to any course of instruction at an  
3 eligible educational institution to acquire or im-  
4 prove job skills of the individual.

5 “(e) LIMITATION BASED ON MODIFIED ADJUSTED  
6 GROSS INCOME.—

7 “(1) IN GENERAL.—The amount allowable as a  
8 credit under subsection (a) or (d) for any taxable  
9 year shall be reduced (but not below zero) by an  
10 amount which bears the same ratio to the amount  
11 so allowable (determined without regard to this sub-  
12 section and subsection (b) but after application of all  
13 other provisions of this section) as—

14 “(A) the excess of—

15 “(i) the taxpayer’s modified adjusted  
16 gross income for such taxable year, over

17 “(ii) \$80,000 in the case of the credit  
18 under subsection (a), or \$40,000 in the  
19 case of the credit under subsection (d),  
20 bears to

21 “(B) \$10,000.

22 “(2) JOINT RETURNS.—In the case of a joint  
23 return, each of the dollar amounts in effect under  
24 paragraph (1) shall be increased to twice such  
25 amount.

1           “(3) MODIFIED ADJUSTED GROSS INCOME.—

2           For purposes of this subsection, the term ‘modified  
3           adjusted gross income’ means the adjusted gross in-  
4           come of the taxpayer for the taxable year increased  
5           by any amount excluded from gross income under  
6           section 911, 931, or 933.

7           “(4) INFLATION ADJUSTMENT FOR LIFETIME  
8           LEARNING CREDIT PHASEOUT.—

9           “(A) IN GENERAL.—In the case of a tax-  
10           able year beginning after 2001, the \$40,000  
11           amount in paragraph (1)(A)(ii) shall be in-  
12           creased by an amount equal to—

13                   “(i) such dollar amount, multiplied by

14                   “(ii) the cost-of-living adjustment de-  
15                   termined under section 1(f)(3) for the cal-  
16                   endar year in which the taxable year be-  
17                   gins, determined by substituting ‘calendar  
18                   year 2000’ for ‘calendar year 1992’ in sub-  
19                   paragraph (B) thereof.

20           “(B) ROUNDING.—If any amount as ad-  
21           justed under subparagraph (A) is not a multiple  
22           of \$1,000, such amount shall be rounded to the  
23           next lowest multiple of \$1,000.

24           “(f) DEFINITIONS.—For purposes of this section—

1           “(1) ELIGIBLE STUDENT.—The term ‘eligible  
2 student’ means, with respect to any academic period,  
3 a student who—

4           “(A) meets the requirements of section  
5 484(a)(1) of the Higher Education Act of 1965  
6 (20 U.S.C. 1091(a)(1)), as in effect on August  
7 5, 1997, and

8           “(B) is carrying at least  $\frac{1}{2}$  the normal  
9 full-time work load for the course of study the  
10 student is pursuing.

11           “(2) QUALIFIED TUITION AND RELATED EX-  
12 PENSES.—

13           “(A) IN GENERAL.—The term ‘qualified  
14 tuition and related expenses’ means tuition,  
15 fees, and course materials, required for enroll-  
16 ment or attendance of—

17           “(i) the taxpayer,

18           “(ii) the taxpayer’s spouse, or

19           “(iii) any dependent of the taxpayer

20           with respect to whom the taxpayer is al-

21           lowed a deduction under section 151,

22           at an eligible educational institution for courses

23           of instruction of such individual at such institu-

24           tion.

1           “(B) COMPUTER-RELATED EXPENSES IN-  
2           CLUDED.—Except as provided in subsection  
3           (g)(9), such term includes expenses for the pur-  
4           chase of computer or peripheral equipment (as  
5           defined in section 168(i)(2)(B)), computer soft-  
6           ware (as defined in section 197(e)(3)(B)), or  
7           Internet access and related services, if such  
8           equipment, software, or services are to be used  
9           primarily by the eligible student during any of  
10          the years the student is enrolled at an eligible  
11          educational institution.

12          “(C) SPECIAL NEEDS SERVICES IN-  
13          CLUDED.—Such term includes expenses for spe-  
14          cial needs services in the case of a special needs  
15          beneficiary (within the meaning of section  
16          529(e)(3)(A)(ii) as in effect on the day before  
17          the date of the enactment of the Promoting Ac-  
18          cess and Retention Through New Efforts to Re-  
19          quire Shared Higher Investments in Postsec-  
20          ondary Success Act) which are incurred in con-  
21          nection with the enrollment or attendance of  
22          the student at an eligible educational institu-  
23          tion.

24          “(D) EXCEPTION FOR EDUCATION INVOLV-  
25          ING SPORTS, ETC.—Such term does not include

1 expenses with respect to any course or other  
2 education involving sports, games, or hobbies,  
3 unless such course or other education is part of  
4 the individual's degree program.

5 “(E) EXCEPTION FOR NONACADEMIC  
6 FEES.—Such term does not include student ac-  
7 tivity fees, athletic fees, insurance expenses, or  
8 other expenses unrelated to an individual's aca-  
9 demic course of instruction.

10 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—  
11 The term ‘eligible educational institution’ means an  
12 institution—

13 “(A) which is described in section 481 of  
14 the Higher Education Act of 1965 (20 U.S.C.  
15 1088), as in effect on August 5, 1997, and

16 “(B) which is eligible to participate in a  
17 program under title IV of such Act.

18 “(g) SPECIAL RULES.—

19 “(1) IDENTIFICATION REQUIREMENT.—No  
20 credit shall be allowed under this section to a tax-  
21 payer with respect to the qualified tuition and re-  
22 lated expenses of an individual unless the taxpayer  
23 includes the name and taxpayer identification num-  
24 ber of such individual, and the employer identifica-  
25 tion number of any institution to which such ex-

1       penses were paid, on the return of tax for the tax-  
2       able year.

3               “(2) ADJUSTMENT FOR CERTAIN SCHOLAR-  
4       SHIPS, ETC.—

5               “(A) IN GENERAL.—The amount of quali-  
6       fied tuition and related expenses otherwise  
7       taken into account under subsection (a) or (d)  
8       with respect to an individual for an academic  
9       period shall be reduced (before the application  
10      of subsection (e)) by the sum of any amounts  
11      paid for the benefit of such individual which are  
12      allocable to such period as—

13              “(i) a qualified scholarship which is  
14              excludable from gross income under section  
15              117,

16              “(ii) an educational assistance allow-  
17              ance under chapter 30, 31, 32, 34, or 35  
18              of title 38, United States Code, or under  
19              chapter 1606 of title 10, United States  
20              Code, and

21              “(iii) a payment (other than a gift,  
22              bequest, devise, or inheritance within the  
23              meaning of section 102(a)) for such indi-  
24              vidual’s educational expenses, or attrib-  
25              utable to such individual’s enrollment at an

1 eligible educational institution, which is ex-  
2 cludable from gross income under any law  
3 of the United States.

4 “(B) COORDINATION WITH PELL GRANTS  
5 NOT USED FOR QUALIFIED TUITION AND RE-  
6 LATED EXPENSES.—For purposes of subpara-  
7 graph (A), the amount of any Federal Pell  
8 Grant under section 401 of the Higher Edu-  
9 cation Act of 1965 (20 U.S.C. 1070a) shall be  
10 reduced (but not below zero) by the amount of  
11 expenses (other than qualified tuition and re-  
12 lated expenses) which are taken into account in  
13 determining the cost of attendance (as defined  
14 in section 472 of the Higher Education Act of  
15 1965, as in effect on the date of the enactment  
16 of the Promoting Access and Retention  
17 Through New Efforts to Require Shared High-  
18 er Investments in Postsecondary Success Act)  
19 of such individual at an eligible educational in-  
20 stitution for the academic period for which the  
21 credit under subsection (a) or (d) (whichever is  
22 applicable) is being determined.

23 “(3) TREATMENT OF EXPENSES PAID BY DE-  
24 PENDENT.—If a deduction under section 151 with  
25 respect to an individual is allowed to another tax-

1 payer for a taxable year beginning in the calendar  
2 year in which such individual's taxable year begins—

3 “(A) no credit shall be allowed under this  
4 section to such individual for such individual's  
5 taxable year,

6 “(B) qualified tuition and related expenses  
7 paid by such individual during such individual's  
8 taxable year shall be treated for purposes of  
9 this section as paid by such other taxpayer, and

10 “(C) a statement described in paragraph  
11 (8) and received by such individual shall be  
12 treated as received by the taxpayer.

13 “(4) TREATMENT OF CERTAIN PREPAY-  
14 MENTS.—If qualified tuition and related expenses  
15 are paid by the taxpayer during a taxable year for  
16 an academic period which begins during the first 3  
17 months following such taxable year, such academic  
18 period shall be treated for purposes of this section  
19 as beginning during such taxable year.

20 “(5) DENIAL OF DOUBLE BENEFIT.—No credit  
21 shall be allowed under this section for any amount  
22 for which a deduction is allowed under any other  
23 provision of this chapter.

24 “(6) NO CREDIT FOR MARRIED INDIVIDUALS  
25 FILING SEPARATE RETURNS.—If the taxpayer is a



1 married individual (within the meaning of section  
2 7703), this section shall apply only if the taxpayer  
3 and the taxpayer's spouse file a joint return for the  
4 taxable year.

5 “(7) NONRESIDENT ALIENS.—If the taxpayer is  
6 a nonresident alien individual for any portion of the  
7 taxable year, this section shall apply only if such in-  
8 dividual is treated as a resident alien of the United  
9 States for purposes of this chapter by reason of an  
10 election under subsection (g) or (h) of section 6013.

11 “(8) PAYEE STATEMENT REQUIREMENT.—Ex-  
12 cept as otherwise provided by the Secretary, no cred-  
13 it shall be allowed under this section unless the tax-  
14 payer receives a statement furnished under section  
15 6050S(d) which contains all of the information re-  
16 quired by paragraph (2) thereof.

17 “(9) REDUCED CREDIT IN CASE OF CERTAIN  
18 STUDENTS.—In the case of a student who is not an  
19 eligible student for the taxable year solely by reason  
20 of subparagraph (B) of subsection (f)(1), the stu-  
21 dent shall be treated as an eligible student for pur-  
22 poses of this section (other than subsection  
23 (f)(2)(B)) for such taxable year except that the dol-  
24 lar amount in effect under subsection (a)(1) shall be

1        ½ of the amount otherwise in effect for such taxable  
2        year.

3        “(h) REGULATIONS.—The Secretary may prescribe  
4        such regulations or other guidance as may be necessary  
5        or appropriate to carry out this section, including regula-  
6        tions providing for a recapture of the credit allowed under  
7        this section in cases where there is a refund in a subse-  
8        quent taxable year of any amount which was taken into  
9        account in determining the amount of such credit.”.

10        (b) REQUIREMENT TO REPORT TUITION PAID RATH-  
11        ER THAN TUITION BILLED.—Section 6050S(b)(2)(B)(i)  
12        of the Internal Revenue Code of 1986 is amended by strik-  
13        ing “or the aggregate amount billed”.

14        (c) REPEAL OF EDUCATION SAVINGS BONDS.—

15            (1) IN GENERAL.—Part III of subchapter B of  
16        chapter 1 of the Internal Revenue Code of 1986 is  
17        amended by striking section 135.

18            (2) TABLE OF CONTENTS.—The table of sec-  
19        tions for part III of subchapter B of chapter 1 of  
20        such Code is amended by striking the item relating  
21        to section 135.

22        (d) TERMINATION OF COVERDELL EDUCATION SAV-  
23        INGS ACCOUNTS.—

1           (1) IN GENERAL.—Section 530 of the Internal  
2           Revenue Code of 1986 is amended by adding at the  
3           end the following new subsection:

4           “(i) TERMINATION.—Subsection (a) shall not apply  
5           to the portion of any Coverdell education savings account  
6           that is attributable to a contribution made after the later  
7           of—

8           “(1) December 31, 2015, or

9           “(2) the date of the enactment of this sub-  
10          section.”.

11          (2) ROLLOVERS TO QUALIFIED TUITION PRO-  
12          GRAMS.—Subsection (b) of section 529 of such Code  
13          is amended by adding at the end the following new  
14          paragraph:

15          “(7) ROLLOVERS FROM COVERDELL EDU-  
16          CATION SAVINGS ACCOUNTS.—A program shall not  
17          be treated as a qualified tuition program for any  
18          taxable year beginning after December 31, 2015,  
19          and before January 1, 2017, unless it accepts (with-  
20          out regard to any contribution limitations otherwise  
21          applicable under the program) contributions made  
22          during such taxable year which are paid or distrib-  
23          uted from a Coverdell education savings account for  
24          the benefit of the same designated beneficiary as

1 such program or a member of the family of such  
2 beneficiary.”.

3 (e) CONFORMING AMENDMENTS.—

4 (1) Section 62(d)(2) of such Code is amended  
5 by striking “135,”.

6 (2) Sections 86(b)(2)(A), 137(b)(3)(B),  
7 199(d)(2)(A), 219(g)(3)(A)(ii), and 221(b)(2)(C)(ii)  
8 of such Code are each amended by striking “135,”.

9 (3) Section 221(d) of such Code is amended—

10 (A) by striking “25A(f)(2)” in paragraph  
11 (2) and inserting “25A(f)(3)”, and

12 (B) by striking “25A(b)(3)” in paragraph  
13 (3) and inserting “25A(f)(1)”.

14 (4) Section 222 of such Code is amended—

15 (A) by striking “elects to have section 25A  
16 apply” in subsection (c)(2)(A) and inserting  
17 “claims the credit under section 25A”,

18 (B) by striking “IF CREDIT ELECTED” in  
19 the heading of subparagraph (A) of subsection  
20 (c)(2) and inserting “FOR 25A EXPENSES”,

21 (C) by striking “135,” in subsection  
22 (c)(2)(B), and

23 (D) by striking “25A(f)” in subsection  
24 (d)(1) and inserting “25A(f)(2)”

1           (5) Section 469(i)(3)(F)(ii) of such Code is  
2 amended by striking “sections 135 and 137” and in-  
3 serting “section 137”.

4           (6) Section 530(d)(2)(C) of such Code is  
5 amended by striking “HOPE AND LIFETIME LEARN-  
6 ING CREDITS” in the heading and inserting “AMER-  
7 ICAN OPPORTUNITY TAX CREDIT”.

8           (7) Section 6103(l)(20)(A)(iv) is amended by  
9 striking “sections 135 and 911” and inserting “sec-  
10 tion 911”.

11           (8) Section 6211(b)(4)(A) of such Code is  
12 amended by striking “subsection (i)(6)” and insert-  
13 ing “subsection (b)”.

14           (9) Section 6213(g)(2)(J) of such Code is  
15 amended by striking “TIN required under section  
16 25A(g)(1)” and inserting “TIN or employer identi-  
17 fication number required under section 25A(g)(1)”.

18           (10) Section 1004(c) of division B of the Amer-  
19 ican Recovery and Reinvestment Tax Act of 2009 is  
20 amended—

21                   (A) in paragraph (1)—

22                           (i) by striking “section 25A(i)(6)”  
23 each place it appears and inserting “sec-  
24 tion 25A(b)”,

1 (ii) by striking “with respect to tax-  
2 able years beginning after 2008 and before  
3 2018” in subparagraph (A) and inserting  
4 “with respect to each taxable year”, and

5 (iii) by striking “for taxable years be-  
6 ginning after 2008 and before 2018” in  
7 subparagraph (B) and inserting “for each  
8 taxable year”,

9 (B) in paragraph (2), by striking “Section  
10 25A(i)(6)” and inserting “Section 25A(b)”, and

11 (C) in paragraph (3)(C), by striking “sub-  
12 section (i)(6)” and inserting “subsection (b)”.

13 (11) The table of sections for subpart A of part  
14 IV of subchapter A of chapter 1 of the Internal Rev-  
15 enue Code of 1986 is amended by striking the item  
16 relating to section 25A and inserting the following  
17 new item:

“Sec. 25A. American opportunity tax credit.”.

18 (f) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 December 31, 2017.

21 **SEC. 202. EXPANSION OF EXCLUSION FOR EDUCATIONAL**  
22 **ASSISTANCE PROGRAMS.**

23 (a) IN GENERAL.—Paragraph (2) of section 127(a)  
24 of the Internal Revenue Code of 1986 is amended—

1           (1) by striking “\$5,250” in the heading and in-  
2           serting “\$10,500”, and

3           (2) by striking “\$5,250” both places it appears  
4           and inserting “\$10,500”.

5           (b) EXPENSES OF EMPLOYEE’S SPOUSE AND DE-  
6           PENDENTS.—Paragraph (2) of section 127(c) of the Inter-  
7           nal Revenue Code of 1986 is amended by striking “in-  
8           cludes” and all that follows and inserting “includes, for  
9           any year—

10                   “(A) an individual who is an employee  
11                   within the meaning of section 401(c)(1) (relat-  
12                   ing to self-employed individuals), and

13                   “(B) any spouse or dependent of an em-  
14                   ployee.”.

15           (c) EMPLOYER-PROVIDED EDUCATIONAL LOAN RE-  
16           PAYMENT ASSISTANCE.—

17           (1) IN GENERAL.—Paragraph (1) of section  
18           127(c) of the Internal Revenue Code of 1986 is  
19           amended—

20                   (A) by striking “and” at the end of sub-  
21                   paragraph (A),

22                   (B) by striking the comma at the end of  
23                   subparagraph (B) and inserting “, and”, and

24                   (C) by inserting after subparagraph (B)  
25                   the following new subparagraph:

1           “(C) the payment by an employer of any  
2           portion of the indebtedness of an employee pur-  
3           suant to a student loan of the employee,”.

4           (2) STUDENT LOAN.—Section 127(c) of such  
5           Code is amended—

6                   (A) by redesignating paragraphs (4), (5),  
7                   (6), and (7) as paragraphs (5), (6), (7), and  
8                   (8), respectively, and

9                   (B) by inserting after paragraph (3) the  
10           following new paragraph:

11           “(4) STUDENT LOAN.—The term ‘student loan’  
12           means any loan to an individual to assist the indi-  
13           vidual in attending an educational organization de-  
14           scribed in section 170(b)(1)(A)(ii).”.

15           (3) CONFORMING AMENDMENT; DENIAL OF  
16           DOUBLE BENEFIT.—Paragraph (1) of section 221(e)  
17           of such Code is amended by inserting before the pe-  
18           riod the following: “, or for which an exclusion is al-  
19           lowable under section 127 to the taxpayer’s employer  
20           by reason of the payment by such employer of any  
21           indebtedness on a student loan of the taxpayer”.

22           (d) EFFECTIVE DATE.—The amendments made by  
23           this section shall apply to expenses paid or incurred and  
24           loan payments made in taxable years beginning after De-  
25           cember 31, 2015.



1 **SEC. 203. EXCLUSION OF CERTAIN STUDENT LOAN REPAY-**  
2 **MENTS AND LOAN FORGIVENESS.**

3 (a) IN GENERAL.—Paragraph (1) of section 108(f)  
4 of the Internal Revenue Code of 1986 is amended by strik-  
5 ing “(in whole or in part)” and all that follows and insert-  
6 ing “(in whole or in part) or, in the case of paragraph  
7 (3), the repayment of any student loan if such discharge  
8 or repayment meets the requirements of paragraph (2),  
9 (3), or (4).”.

10 (b) PUBLIC INTEREST STUDENT LOANS.—Para-  
11 graph (2) of section 108(f) of the Internal Revenue Code  
12 of 1986 is amended to read as follows:

13 “(2) CERTAIN PUBLIC INTEREST STUDENT  
14 LOANS.—

15 “(A) IN GENERAL.—A discharge meets the  
16 requirements of this paragraph if it is made  
17 pursuant to a provision of a student loan de-  
18 scribed in subparagraph (B) under which all or  
19 part of the indebtedness of an individual would  
20 be discharged if the individual worked for a cer-  
21 tain period of time in certain professions for  
22 any of a broad class of employers.

23 “(B) LIMITATION.—A student loan is de-  
24 scribed in this subparagraph if such loan is  
25 made—

1           “(i) by the United States, or an in-  
2           strumentality or agency thereof,

3           “(ii) by a State, territory, or posses-  
4           sion of the United States, or the District  
5           of Columbia, or any political subdivision  
6           thereof,

7           “(iii) by a public benefit corpora-  
8           tion—

9                   “(I) which is exempt from tax-  
10                  ation under section 501(c)(3),

11                  “(II) which has assumed control  
12                  over a State, county, or municipal  
13                  hospital, and

14                  “(III) whose employees have been  
15                  deemed to be public employees under  
16                  State law,

17           “(iv) by any educational organization  
18           described in section 170(b)(1)(A)(ii)—

19                   “(I) pursuant to an agreement  
20                  with any entity described in clause (i),  
21                  (ii), or (iii) under which the funds  
22                  from which the loan was made were  
23                  provided to such educational organiza-  
24                  tion, or

1                   “(II) pursuant to a program of  
2                   such educational organization which is  
3                   designed to encourage its students to  
4                   serve in occupations with unmet needs  
5                   or in areas with unmet needs and  
6                   under which the services provided by  
7                   the students (or former students) are  
8                   for or under the direction of a govern-  
9                   mental unit or an organization de-  
10                  scribed in section 501(c)(3) and ex-  
11                  empt from tax under section 501(a),  
12                  or

13                  “(v) by an educational organization  
14                  described in section 170(b)(1)(A)(ii) or an  
15                  organization exempt from tax under sec-  
16                  tion 501(a)—

17                  “(I) to refinance a loan that  
18                  meets the requirements of clause (i),  
19                  (ii), (iii), or (iv), or

20                  “(II) to refinance a loan to an in-  
21                  dividual to assist the individual in at-  
22                  tending any such educational organi-  
23                  zation, but only if the refinancing loan  
24                  is pursuant to a program of the refi-

1                   nancing organization which is de-  
2                   signed as described in clause (iv)(II).

3                   “(C) EXCEPTION FOR DISCHARGES ON AC-  
4                   COUNT OF SERVICES PERFORMED FOR CERTAIN  
5                   LENDERS.—A discharge of a loan made by an  
6                   organization described in subparagraph (B)(iv)  
7                   does not meet the requirements of this para-  
8                   graph if the discharge is on account of services  
9                   performed for either such organization.”.

10               (c) INSTITUTION-PROVIDED LOAN REPAYMENTS.—  
11 Paragraph (3) of section 108(f) of the Internal Revenue  
12 Code of 1986 is amended to read as follows:

13               “(3) INSTITUTION-PROVIDED LOAN REPAY-  
14               MENTS.—A repayment meets the requirements of  
15               this paragraph if—

16                   “(A) it is made by an organization de-  
17                   scribed in section 501(c)(3) that is exempt from  
18                   tax under section 501(a),

19                   “(B) it is made pursuant to a program  
20                   that repays all or a portion of the student loans  
21                   of individuals on the condition that at the time  
22                   of the repayment the individuals are working  
23                   for or under the direction of a governmental  
24                   unit or an organization described in section

1           501(c)(3) and exempt from tax under section  
2           501(a), and

3           “(C) it is not made on account of services  
4           performed for the organization described in  
5           subparagraph (A).”.

6           (d) CERTAIN OTHER STUDENT LOAN FORGIVE-  
7   NESS.—Subsection (f) of section 108 of the Internal Rev-  
8   enue Code of 1986 is amended—

9           (1) by redesignating paragraph (4) as para-  
10          graph (5), and

11          (2) by inserting after paragraph (3) the fol-  
12          lowing new paragraph:

13           “(4) CERTAIN OTHER STUDENT LOAN FORGIVE-  
14          NESS.—A discharge meets the requirements of this  
15          paragraph if it is made—

16           “(A) in the case of a loan made by the  
17          United States or an instrumentality or agency  
18          thereof, pursuant to—

19           “(i) an income-based repayment plan  
20          under section 493C of the Higher Edu-  
21          cation Act of 1965, or

22           “(ii) an income contingent repayment  
23          plan in accordance with section 455 of  
24          such Act, or

1                   “(B) because of the death or disability of  
2                   the student.”.

3           (e) STUDENT LOAN.—Subsection (f) of section 108  
4 of the Internal Revenue Code of 1986, as amended by sub-  
5 section (d), is amended—

6           (1) by redesignating paragraph (5) as para-  
7           graph (6), and

8           (2) by inserting after paragraph (4) the fol-  
9           lowing new paragraph:

10           “(5) STUDENT LOAN.—For purposes of this  
11           subsection, the term ‘student loan’ means any loan  
12           to an individual to assist the individual in attending  
13           an educational organization described in section  
14           170(b)(1)(A)(ii).”.

15           (f) CONFORMING AMENDMENTS.—

16           (1) Section 127(c)(4) of the Internal Revenue  
17           Code of 1986, as added by this Act, is amended by  
18           striking “means any loan” and all that follows and  
19           inserting “has the meaning given such term by sec-  
20           tion 108(f)(5).”.

21           (2) Sections 3121(a)(20), 3231(e)(5),  
22           3306(b)(16), and 3401(a)(19) of such Code are each  
23           amended by striking “108(f)(4)” and inserting  
24           “108(f)(6)”.

1 (g) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to discharges of indebtedness after  
3 December 31, 2015.

4 **SEC. 204. UNIFORM DEFINITION OF QUALIFYING EDU-**  
5 **CATION EXPENSES.**

6 (a) EDUCATIONAL ASSISTANCE PROGRAMS.—Para-  
7 graph (1) of section 127(c) of the Internal Revenue Code  
8 of 1986 is amended—

9 (1) by striking “(including, but not limited to,  
10 tuition, fees, and similar payments, books, supplies,  
11 and equipment)” in subparagraph (A) and inserting  
12 “(including qualified tuition and related expenses, as  
13 defined in section 25A(f)(2))”, and

14 (2) by striking the second sentence.

15 (b) QUALIFIED SCHOLARSHIPS.—Paragraph (2) of  
16 section 117(b) of the Internal Revenue Code of 1986 is  
17 amended by striking “means—” and all that follows and  
18 inserting “has the meaning given such term by section  
19 25A(f)(2).”.

20 (c) QUALIFIED TUITION PROGRAMS.—

21 (1) COMPUTER TECHNOLOGY AND EQUIPMENT  
22 ALLOWED AS A QUALIFIED HIGHER EDUCATION EX-  
23 PENSE FOR YEARS BEFORE 2018.—

1 (A) IN GENERAL.—Clause (iii) of section  
2 529(e)(3)(A) of the Internal Revenue Code of  
3 1986 is amended to read as follows:

4 “(iii) expenses for the purchase of  
5 computer or peripheral equipment (as de-  
6 fined in section 168(i)(2)(B)), computer  
7 software (as defined in section  
8 197(e)(3)(B)), or Internet access and re-  
9 lated services, if such equipment, software,  
10 or services are to be used primarily by the  
11 beneficiary during any of the years the  
12 beneficiary is enrolled at an eligible edu-  
13 cational institution.”.

14 (B) EFFECTIVE DATE.—The amendment  
15 made by this paragraph shall apply to taxable  
16 years beginning after December 31, 2015.

17 (2) PERMANENT DEFINITION.—Paragraph (3)  
18 of section 529(e) of such Code, as amended by para-  
19 graph (1), is amended—

20 (A) by striking subparagraph (A) and in-  
21 serting the following new subparagraph:

22 “(A) IN GENERAL.—Except as provided in  
23 subparagraph (B), the term ‘qualified higher  
24 education expenses’ has the same meaning as



1 the term ‘qualified tuition and related expenses’  
2 as defined in section 25A(f)(2).’,

3 (B) by striking “section 25A(b)(3)” in  
4 clause (i) of subparagraph (B) and inserting  
5 “section 25A(f)(1) (not including any individual  
6 treated as an eligible student solely by reason  
7 of section 25A(g)(9))”, and

8 (C) by striking “such institution” in clause  
9 (i) of subparagraph (B) and inserting “an eligi-  
10 ble educational institution”.

11 (d) TECHNICAL AMENDMENT.—Clause (iii) of section  
12 530(b)(3)(A) of the Internal Revenue Code of 1986 is  
13 amended by striking “(as defined in section  
14 170(e)(6)(F)(i)) or” and inserting “described in section  
15 25A(f)(2)(B) or any”.

16 (e) REPEAL OF DEADWOOD.—

17 (1) IN GENERAL.—Part II of subchapter Y of  
18 chapter 1 of the Internal Revenue Code of 1986 is  
19 amended by striking section 1400O.

20 (2) CLERICAL AMENDMENT.—The table of sec-  
21 tions for part II of subchapter Y of chapter 1 of  
22 such Code is amended by striking the item relating  
23 to section 1400O.

24 (f) EFFECTIVE DATE.—Except as provided in sub-  
25 section (d)(1)(B), the amendments made by this section

1 shall apply to taxable years beginning after December 31,  
2 2017.

3 **SEC. 205. EXPANSION OF PELL GRANT EXCLUSION FROM**  
4 **GROSS INCOME; TREATMENT UNDER HOPE**  
5 **SCHOLARSHIP AND LIFETIME LEARNING**  
6 **CREDITS.**

7 (a) IN GENERAL.—Paragraph (1) of section 117(b)  
8 of the Internal Revenue Code of 1986 is amended by strik-  
9 ing “received by an individual” and all that follows and  
10 inserting “received by an individual—

11 “(A) as a scholarship or fellowship grant  
12 to the extent the individual establishes that, in  
13 accordance with the conditions of the grant,  
14 such amount was used for qualified tuition and  
15 related expenses, or

16 “(B) as a Federal Pell Grant under section  
17 401 of the Higher Education Act of 1965 (as  
18 in effect on the date of the enactment of this  
19 subparagraph).”.

20 (b) COORDINATION WITH HOPE SCHOLARSHIP AND  
21 LIFETIME LEARNING CREDITS.—Paragraph (2) of section  
22 25A(g) of the Internal Revenue Code of 1986 is amend-  
23 ed—

1           (1) by redesignating subparagraphs (A), (B),  
2           and (C) as clauses (i), (ii), and (iii), respectively,  
3           and by moving such clauses 2 ems to the right,

4           (2) by striking “ETC.—The amount” and in-  
5           serting “ETC.—

6                       “(A) IN GENERAL.—The amount”, and

7           (3) by adding at the end the following new sub-  
8           paragraph:

9                       “(B) COORDINATION WITH PELL GRANTS  
10                      NOT USED FOR QUALIFIED TUITION AND RE-  
11                      LATED EXPENSES.—For purposes of subpara-  
12                      graph (A), the amount of any Federal Pell  
13                      Grant under section 401 of the Higher Edu-  
14                      cation Act of 1965 (20 U.S.C. 1070a) shall be  
15                      reduced (but not below zero) by the amount of  
16                      expenses (other than qualified tuition and re-  
17                      lated expenses) which are taken into account in  
18                      determining the cost of attendance (as defined  
19                      in section 472 of the Higher Education Act of  
20                      1965, as in effect on the date of the enactment  
21                      of the Promoting Access and Retention  
22                      Through New Efforts to Require Shared High-  
23                      er Investments in Postsecondary Success Act)  
24                      of such individual at an eligible educational in-  
25                      stitution for the academic period for which the

1 credit under subsection (a) is being deter-  
2 mined.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2015.

6 **SEC. 206. MODIFICATIONS TO QUALIFIED TUITION PRO-**  
7 **GRAMS.**

8 (a) ELIMINATION OF DISTRIBUTION AGGREGATION  
9 REQUIREMENTS.—

10 (1) IN GENERAL.—Section 529(c)(3) of the In-  
11 ternal Revenue Code of 1986 is amended by striking  
12 subparagraph (D).

13 (2) EFFECTIVE DATE.—The amendment made  
14 by this subsection shall apply to distributions after  
15 December 31, 2015.

16 (b) RECONTRIBUTION OF REFUNDED AMOUNTS.—

17 (1) IN GENERAL.—Section 529(c)(3) of the In-  
18 ternal Revenue Code of 1986, as amended by sub-  
19 section (a), is amended by adding at the end the fol-  
20 lowing new subparagraph:

21 “(D) SPECIAL RULE FOR CONTRIBUTIONS  
22 OF REFUNDED AMOUNTS.—In the case of a  
23 beneficiary who receives a refund of any quali-  
24 fied higher education expenses from an eligible  
25 educational institution, subparagraph (A) shall

1 not apply to that portion of any distribution for  
2 the taxable year which is recontributed to a  
3 qualified tuition program of which such indi-  
4 vidual is a beneficiary, but only to the extent  
5 such recontribution is made not later than 60  
6 days after the date of such refund and does not  
7 exceed the refunded amount.”.

8 (2) EFFECTIVE DATE.—

9 (A) IN GENERAL.—The amendment made  
10 by this subsection shall apply with respect to  
11 refunds of qualified higher education expenses  
12 after December 31, 2015.

13 (B) TRANSITION RULE.—In the case of a  
14 refund of qualified higher education expenses  
15 received after December 31, 2015, and before  
16 the date of the enactment of this Act (if later),  
17 section 529(c)(3)(D) of the Internal Revenue  
18 Code of 1986 (as added by this section) shall  
19 be applied by substituting “not later than 60  
20 days after the date of the enactment of this  
21 subparagraph” for “not later than 60 days  
22 after the date of such refund”.