

115TH CONGRESS
1ST SESSION

H. R. 2378

To amend the Internal Revenue Code of 1986 to reform the American opportunity tax credit to support college savings.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 2017

Mr. BEN RAY LUJÁN of New Mexico (for himself, Mrs. DINGELL, Ms. MICHELLE LUJAN GRISHAM of New Mexico, Ms. JAYAPAL, and Ms. NORTON) 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 reform the American opportunity tax credit to support college savings.

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 “Save for Success Act”.

1 **SEC. 2. AMERICAN OPPORTUNITY TAX CREDIT SAVINGS**

2 **CREDIT.**

3 (a) IN GENERAL.—Section 25A of the Internal Rev-
 4 enue Code of 1986 is amended by redesignating subsection
 5 (j) as subsection (k) and by inserting after subsection (i)
 6 the following:

7 “(j) SPECIAL RULES RELATING TO AOTC SAVINGS
 8 CREDIT.—

9 “(1) IN GENERAL.—For purposes of this sec-
 10 tion, the term ‘qualified tuition and related expenses’
 11 with respect to any individual includes eligible col-
 12 lege savings contributions for such individual. Such
 13 contributions shall be taken into account for pur-
 14 poses of subsection (i)(1)(A) before tuition and fees.

15 “(2) LIMITATION.—

16 “(A) IN GENERAL.—The aggregate
 17 amount of contributions with respect to an indi-
 18 vidual which may be taken into account under
 19 paragraph (1) for a taxable year is \$250.

20 “(B) PHASE OUT.—The dollar amount in
 21 subparagraph (A) shall be reduced (but not
 22 below zero) by the amount which bears the
 23 same ratio to such dollar amount as—

24 “(i) the number of percentage points
 25 (if any) in excess of 133 percent that the
 26 taxpayer’s household income for the tax-

1 able year is of the poverty line for a family
2 of the size involved, bears to
3 “(ii) 400 percentage points.

4 “(3) TERMS RELATING TO INCOME AND FAMI-
5 LIES.—The terms ‘family size’, ‘household income’,
6 and ‘poverty line’ shall have the meanings given
7 such terms by section 36B(d).

8 “(4) ELIGIBLE HIGHER EDUCATION CONTRIBU-
9 TION.—For purposes of paragraph (1), the term ‘eli-
10 gible college savings contribution’ with respect to an
11 individual means the excess of—

12 “(A) contributions by the taxpayer in the
13 taxable year to qualified college savings ac-
14 counts of which the individual is the bene-
15 ficiary, over

16 “(B) distributions from all such qualified
17 college savings accounts for the taxable year.

18 “(5) QUALIFIED COLLEGE SAVINGS AC-
19 COUNTS.—The term ‘qualified college savings ac-
20 count’ with respect to which such individual is the
21 beneficiary means—

22 “(A) an account under a qualified tuition
23 program (as defined by section 529), and

24 “(B) an account under a program of a
25 State (or political jurisdiction thereof) estab-

1 lished exclusively for the purpose of paying for
 2 college tuition and other post-secondary edu-
 3 cational expenses.

4 “(6) PORTION OF CREDIT MADE REFUND-
 5 ABLE.—So much of the credit allowed under sub-
 6 section (a) as is attributable to this subsection (de-
 7 termined after the application of subsection (i) and
 8 without regard to this subsection and section 26(a))
 9 shall be treated as a credit allowable under subpart
 10 C (and not allowed under subsection (a)). The pre-
 11 ceding sentence shall not apply to any taxpayer for
 12 any taxable year if such taxpayer is a child to whom
 13 subsection (g) of section 1 applies for such taxable
 14 year.”.

15 (b) AOTC LIFETIME LIMITATION.—Section
 16 25A(i)(2) of such Code is amended to read as follows:

17 “(2) LIMITATION.—In lieu of subparagraphs
 18 (A) and (C) of subsection (b)(2), the amount allowed
 19 as a credit under this section for the taxable year
 20 with respect to an individual shall not exceed—

21 “(A) \$10,000, reduced

22 “(B) by the amount allowed under this
 23 section with respect to such individual for all
 24 prior taxable years.”.

1 (c) PILOT PROGRAM TO MAKE PERIODIC PAYMENTS
2 AS COLLEGE EXPENSES INCURRED.—Section 25A(i) of
3 such Code is amended by adding at the end the following:

4 “(8) PILOT PROGRAM TO MAKE PERIODIC PAY-
5 MENTS AS COLLEGE EXPENSES INCURRED.—

6 “(A) IN GENERAL.—The Secretary of the
7 Treasury and the Secretary of Education shall
8 jointly establish a program designed to make
9 payments periodically to or on behalf of an eli-
10 gible student as the student incurs qualified ex-
11 penses during the taxable year. The total
12 amount that may be so paid to or on behalf of
13 an eligible student through this program shall
14 not exceed the credit which would (but for sub-
15 paragraph (B)) be allowable under this section
16 if subsection (d) were applied by using the tax-
17 payer’s modified adjusted gross income for the
18 preceding taxable year.

19 “(B) CREDIT REDUCED BY PILOT PRO-
20 GRAM PAYMENTS.—The credit allowable under
21 this section (without regard to this subpara-
22 graph) for any taxable year shall be reduced
23 (but not below zero) by the payments made
24 with respect to a student under subparagraph
25 (A) for expenses which would otherwise be

1 taken into account in determining the credit
2 under this section for such year.

3 “(C) PROGRAM PARTICIPATION.—Partici-
4 pation in the program established under this
5 paragraph shall be voluntary with respect to
6 both students and educational institutions; ex-
7 cept that, institutions which are taxable under
8 this chapter (other than by reason of section
9 511) may not participate in such program.

10 “(D) PROGRAM PERIOD.—The program es-
11 tablished under this paragraph shall apply to
12 expenses for academic periods beginning during
13 the 5-year period which begins on the date
14 which is 1 year after the date of the enactment
15 of this paragraph.

16 “(E) PAYMENTS NOT TREATED AS RE-
17 SOURCES FOR FINANCIAL AID.—Payments
18 made under this paragraph shall not be treated
19 as resources for purposes of determining the
20 amount of any financial aid which is funded in
21 whole or part with Federal funds. Payments
22 under the program shall not be made in a man-
23 ner that would reduce the State, private, or in-
24 stitutional aid available to an eligible student.

1 “(F) NOTICE OF PROGRAM.—Educational
2 institutions participating in the program estab-
3 lished under this paragraph shall provide appro-
4 priate notices to parents and students of the
5 option of payments under such program. Such
6 notices shall not be considered tax advice for
7 purposes of any Federal law or regulation.

8 “(G) REPORTING.—The Secretary of the
9 Treasury and the Secretary of Education shall
10 jointly submit annual reports to Congress on
11 the program established under this subsection,
12 together with any recommendations with re-
13 spect to such program.”.

14 (d) CONFORMING AMENDMENT.—Section
15 6211(b)(4)(A) of such Code is amended by inserting “or
16 (j)(6)” after “subsection (i)(6)”.

17 (e) INCREASED PUBLIC AWARENESS OF AMERICAN
18 OPPORTUNITY TAX CREDIT.—

19 (1) IN GENERAL.—The Secretary of the Treas-
20 ury, or the Secretary’s delegate, in consultation with
21 the Secretary of Education, shall establish a tax-
22 payer awareness program to inform the taxpaying
23 public of the availability of the American Oppor-
24 tunity Tax Credit allowed under section 25A of the
25 Internal Revenue Code of 1986. Such public aware-

1 ness program shall be designed to assure that indi-
2 viduals who may be eligible are informed of the
3 availability of such credit and filing procedures.

4 (2) MEANS OF COMMUNICATIONS.—

5 (A) IN GENERAL.—The Secretary of the
6 Treasury, or the Secretary's delegate, in con-
7 sultation with the Secretary of Education, shall
8 use appropriate means of communication to
9 carry out the provisions of this section. The
10 taxpayer awareness program shall include, but
11 not be limited to, prominent display of informa-
12 tion about the availability of the American Op-
13 portunity Tax Credit on information return
14 forms specified by such Secretary for use by
15 educational institutions to report qualified tui-
16 tion and related expenses incurred.

17 (B) ADDITIONAL STEPS.—In addition, the
18 Secretary of the Treasury, or the Secretary's
19 delegate, in consultation with the Secretary of
20 Education, should—

21 (i) make students aware of the Amer-
22 ican Opportunity Tax Credit through the
23 data retrieval tool and the student aid re-
24 port of the Department of Education;

1 (ii) include information on the finan-
2 cial aid shopping sheet;

3 (iii) include the American Opportunity
4 Tax Credit in the volunteer income tax as-
5 sistance program; and

6 (iv) bring awareness of the American
7 Opportunity Tax Credit in the Federal
8 TRIO Programs (commonly known as
9 “TRIO”) under chapter 1 of subpart 2 of
10 part A of title IV of the Higher Education
11 Act of 1965 (20 U.S.C. 1070a–11 et seq.)
12 and in the Gaining Early Awareness and
13 Readiness for Undergraduate Programs
14 (commonly known as “GEAR UP”) under
15 chapter 2 of subpart 2 of part A of title
16 IV of such Act (20 U.S.C. 1070a–21 et
17 seq.).

18 (f) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2016.

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