

112TH CONGRESS  
2D SESSION

# H. R. 6522

To amend the Internal Revenue Code of 1986 to extend and modify the American Opportunity Tax Credit, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 21, 2012

Mr. ISRAEL introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to extend and modify the American Opportunity Tax Credit, 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 “Middle Class College  
5 Tuition Tax Credit Expansion Act of 2012”.

6 **SEC. 2. EXTENSION AND MODIFICATION OF AMERICAN OP-**  
7 **PORTUNITY TAX CREDIT.**

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

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

2       “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
3 dividual who is an eligible student for any taxable year,  
4 there shall be allowed as a credit against the tax imposed  
5 by this chapter for such taxable year the amount deter-  
6 mined under subsection (b) with respect to such indi-  
7 vidual.

8       “(b) AMOUNT OF CREDIT.—

9               “(1) STUDENT ENROLLED AT LEAST  $\frac{1}{2}$  TIME.—

10       In the case of an eligible student who is carrying at  
11       least  $\frac{1}{2}$  the normal full-time workload for the course  
12       of study the student is pursuing, the amount deter-  
13       mined under this subsection with respect to such in-  
14       dividual is the sum of—

15               “(A) 100 percent of so much of the quali-  
16       fied tuition and related expenses paid by the  
17       taxpayer during the taxable year (for education  
18       furnished to the eligible student during any  
19       academic period beginning in such taxable year)  
20       as does not exceed \$2,500, plus

21               “(B) 50 percent of such expenses so paid  
22       as exceeds \$2,500 but does not exceed \$7,500.

23       “(2) OTHER STUDENTS.—In the case of an eli-  
24       gible student not described in paragraph (1), the  
25       amount determined under this subsection with re-  
26       spect to such individual is 50 percent of so much of

1 the qualified tuition and related expenses paid by  
2 the taxpayer during the taxable year (for education  
3 furnished to the eligible student during any aca-  
4 demic period beginning in such taxable year) as does  
5 not exceed \$10,000.

6 “(c) DOLLAR LIMITATIONS.—

7 “(1) LIMITATION BASED ON MODIFIED AD-  
8 JUSTED GROSS INCOME.—

9 “(A) IN GENERAL.—The amount which  
10 would (but for this paragraph) be taken into ac-  
11 count under this section for the taxable year  
12 shall be reduced (but not below zero) by the  
13 amount determined under paragraph (2).

14 “(B) AMOUNT OF REDUCTION.—The  
15 amount determined under this paragraph is the  
16 amount which bears the same ratio to the  
17 amount which would be so taken into account  
18 as—

19 “(i) the excess of—

20 “(I) the taxpayer’s modified ad-  
21 justed gross income for such taxable  
22 year, over

23 “(II) \$160,000 (twice such  
24 amount in the case of a joint return),  
25 bears to

1                   “(ii) \$20,000 (\$40,000 in the case of  
2                   a joint return).

3                   “(C) MODIFIED ADJUSTED GROSS IN-  
4                   COME.—For purposes of this paragraph, the  
5                   term ‘modified adjusted gross income’ means  
6                   the adjusted gross income of the taxpayer for  
7                   the taxable year increased by any amount ex-  
8                   cluded from gross income under section 911,  
9                   931, or 933.

10                  “(D) INFLATION ADJUSTMENT.—In the  
11                  case of any taxable year beginning after 2012,  
12                  the \$160,000 amount in subparagraph  
13                  (B)(i)(II) shall be increased by an amount  
14                  equal to—

15                         “(i) such dollar amount, multiplied by

16                                 “(ii) the cost-of-living adjustment de-  
17                                 termined under section 1(f)(3) for the cal-  
18                                 endar year in which the taxable year be-  
19                                 gins, determined by substituting ‘calendar  
20                                 year 2011’ for ‘calendar year 1992’ in sub-  
21                                 paragraph (B) thereof.

22                  Any increase determined under the preceding  
23                  sentence shall be rounded to the nearest mul-  
24                  tiple of \$1,000.

1           “(2) LIMITATION BASED ON AMOUNT OF  
2 TAX.—In the case of a taxable year to which section  
3 26(a)(2) does not apply, the credit allowed under  
4 this section shall not exceed the excess of—

5           “(A) the sum of the regular tax liability  
6 (as defined in section 26(b)) plus the tax im-  
7 posed by section 55, over

8           “(B) the sum of the credits allowable  
9 under this subpart (other than this subsection  
10 and sections 23, 25D, and 30D) and section 27  
11 for the taxable year.

12       “(d) OTHER LIMITATIONS AND SPECIAL RULES.—  
13 For purposes of this section:

14       “(1) LIFETIME DOLLAR LIMITATION.—In the  
15 case of qualified tuition and related expenses with  
16 respect to any individual, the aggregate amount of  
17 the credits claimed under this section for all taxable  
18 years shall not exceed \$25,000, determined without  
19 regard to whether—

20           “(A) such credits are claimed on the re-  
21 turn of tax filed by the individual or by another  
22 taxpayer, or

23           “(B) such expenses are treated as paid by  
24 the individual or by another taxpayer.

1           “(2) REPORTING.—No credit shall be allowed  
2           under this section to a taxpayer with respect to the  
3           qualified tuition and related expenses of an eligible  
4           student unless the taxpayer includes the name and  
5           taxpayer identification number of such eligible stu-  
6           dent on the return of tax for the taxable year.

7           “(3) ADJUSTMENT FOR CERTAIN SCHOLAR-  
8           SHIPS, ETC.—

9           “(A) IN GENERAL.—The amount of quali-  
10          fied tuition and related expenses otherwise  
11          taken into account under this section with re-  
12          spect to an individual for an academic period  
13          shall be reduced (before the application of sub-  
14          sections (b) and (c)) by the sum of any  
15          amounts paid for the benefit of such individual  
16          which are allocable to such period as—

17               “(i) a qualified scholarship which is  
18               excludable from gross income under section  
19               117,

20               “(ii) an educational assistance allow-  
21               ance under chapter 30, 31, 32, 34, or 35  
22               of title 38, United States Code, or under  
23               chapter 1606 of title 10, United States  
24               Code, and

1           “(iii) a payment (other than a gift,  
2           bequest, devise, or inheritance within the  
3           meaning of section 102(a)) for such indi-  
4           vidual’s educational expenses, or attrib-  
5           utable to such individual’s enrollment at an  
6           eligible educational institution, which is ex-  
7           cludable from gross income under any law  
8           of the United States.

9           “(B) COORDINATION WITH PELL GRANTS  
10          NOT USED FOR QUALIFIED TUITION AND RE-  
11          LATED EXPENSES.—Any amount determined  
12          with respect to an individual under subpara-  
13          graph (A) which is attributable to a Federal  
14          Pell Grant under section 401 of the Higher  
15          Education Act of 1965 shall be reduced (but  
16          not below zero) by the amount of the expenses  
17          (other than qualified tuition and related ex-  
18          penses) which are taken into account in deter-  
19          mining the cost of attendance (as defined in  
20          section 472 of the Higher Education Act of  
21          1965, as in effect on the date of the enactment  
22          of the Middle Class College Tuition Tax Credit  
23          Expansion Act of 2012) of such individual at  
24          an eligible educational institution for the aca-

1           demic period for which the credit under this  
2           section is being determined.

3           “(4) TREATMENT OF EXPENSES PAID BY DE-  
4           PENDENT.—If a deduction under section 151 with  
5           respect to an individual is allowed to another tax-  
6           payer for a taxable year beginning in the calendar  
7           year in which such individual’s taxable year begins—

8                   “(A) no credit shall be allowed under this  
9                   section to such individual for such individual’s  
10                  taxable year, and

11                   “(B) qualified tuition and related expenses  
12                   paid by such individual during such individual’s  
13                   taxable year shall be treated for purposes of  
14                   this section as paid by such other taxpayer.

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

22           “(6) DENIAL OF DOUBLE BENEFIT.—No credit  
23           shall be allowed under this section for any expense  
24           for which a deduction is allowed under any other  
25           provision of this chapter.



1           “(7) NO CREDIT FOR MARRIED INDIVIDUALS  
2           FILING SEPARATE RETURNS.—If the taxpayer is a  
3           married individual (within the meaning of section  
4           7703), this section shall apply only if the taxpayer  
5           and the taxpayer’s spouse file a joint return for the  
6           taxable year.

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

13          “(e) ELECTION NOT TO HAVE SECTION APPLY.—A  
14          taxpayer may elect not to have this section apply with re-  
15          spect to the qualified tuition and related expenses of an  
16          individual for any taxable year.

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

18                  “(1) ELIGIBLE STUDENT.—The term ‘eligible  
19                  student’ means, with respect to any taxable year, an  
20                  individual who—

21                          “(A) is enrolled for at least one academic  
22                          period which begins during such taxable year at  
23                          an eligible educational institution, and

24                          “(B) meets the requirements of section  
25                          484(a)(1) of the Higher Education Act of 1965,

1 as in effect on the date of the enactment of the  
2 Middle Class College Tuition Tax Credit Ex-  
3 pansion Act of 2012.

4 “(2) QUALIFIED TUITION AND RELATED EX-  
5 PENSES.—

6 “(A) IN GENERAL.—The term ‘qualified  
7 tuition and related expenses’ means tuition,  
8 fees, and course materials required for the en-  
9 rollment or attendance of—

10 “(i) the taxpayer,

11 “(ii) the taxpayer’s spouse, or

12 “(iii) any dependent of the taxpayer  
13 with respect to whom the taxpayer is al-  
14 lowed a deduction under section 151,

15 at an eligible educational institution for courses  
16 of instruction of such individual at such institu-  
17 tion.

18 “(B) EXCEPTION FOR EDUCATION INVOLV-  
19 ING SPORTS, ETC.—Such term does not include  
20 expenses with respect to any course or other  
21 education involving sports, games, or hobbies,  
22 unless such course or other education is part of  
23 the individual’s degree program.

24 “(C) EXCEPTION FOR NONACADEMIC  
25 FEES.—Such term does not include student ac-

1           tivity fees, athletic fees, insurance expenses, or  
2           other expenses unrelated to an individual’s aca-  
3           demic course of instruction.

4           “(D) COMPUTER TECHNOLOGY AND  
5           EQUIPMENT.—Such term includes expenses for  
6           the purchase of computer technology or equip-  
7           ment (as defined in section 170(e)(6)(F)(i)), or  
8           Internet access and related services, only to the  
9           extent the purchase of such technology, equip-  
10          ment, or services is specifically required by the  
11          individual’s academic course of instruction or  
12          degree program.

13          “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—  
14          The term ‘eligible educational institution’ means an  
15          institution—

16                 “(A) which is described in section 481 of  
17                 the Higher Education Act of 1965, as in effect  
18                 on the date of the enactment of the Middle  
19                 Class College Tuition Tax Credit Expansion Act  
20                 of 2012, and

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

23          “(g) PORTION OF CREDIT REFUNDABLE.—Fifty per-  
24          cent of the credit allowed under this section (determined  
25          after application of subsections (e)(1) and (d) and without

1 regard to this subsection and section 26(a)(2) or sub-  
2 section (e)(2), as the case may be) shall be treated as a  
3 credit allowable under subpart C (and not allowed under  
4 this section). The preceding sentence shall not apply to  
5 any taxpayer for any taxable year if such taxpayer is a  
6 child to whom subsection (g) of section 1 applies for such  
7 taxable year.

8       “(h) REGULATIONS.—The Secretary may prescribe  
9 such regulations as may be necessary or appropriate to  
10 carry out this section, including regulations providing for  
11 a recapture of the credit allowed under this section in  
12 cases where there is a refund in a subsequent taxable year  
13 of any amount which was taken into account in deter-  
14 mining the amount of such credit.”.

15       (b) CLERICAL AMENDMENT.—The item relating to  
16 section 25A in the table of sections for subpart A of part  
17 IV of subchapter A of chapter 1 of the Internal Revenue  
18 Code of 1986 is amended to read as follows:

“Sec. 25A. American Opportunity Tax Credit.”.

19       (c) CONFORMING AMENDMENTS.—

20               (1) Subparagraph (B) of section 24(b)(3) of the  
21 Internal Revenue Code of 1986 is amended by strik-  
22 ing “25A(i)” and inserting “25A”.

23               (2) Clause (ii) of section 25(e)(1)(C) of such  
24 Code is amended by striking “25A(i)” and inserting  
25 “25A”.

1           (3) Paragraph (2) of section 25B(g) of such  
2 Code is amended by striking “25A(i)” and inserting  
3 “25A”.

4           (4) Paragraph (1) of section 26(a) of such Code  
5 is amended by striking “25A(i)” and inserting  
6 “25A”.

7           (5) Subparagraph (B) of section 72(t)(7) of  
8 such Code is amended by striking “25A(g)(2)” and  
9 inserting “25A(d)(3)”.

10           (6) Paragraph (2) of section 221(d) of such  
11 Code is amended—

12                   (A) by striking “25A(g)(2)” in subpara-  
13 graph (B) and inserting “25A(d)(3)”, and

14                   (B) by striking “25A(f)(2)” and inserting  
15 “25A(f)(3)”.

16           (7) Paragraph (3) of section 221(d) of such  
17 Code is amended by striking “25A(b)(3)” and in-  
18 serting “25A(f)(1) (but only with respect to a stu-  
19 dent who is carrying at least  $\frac{1}{2}$  the normal full-time  
20 workload for the course of study the student is pur-  
21 suing)”.

22           (8) Paragraph (1) of section 222(d) of such  
23 Code is amended—

24                   (A) by striking “25A(f)” and inserting  
25 “25A(f)(2)”, and

1 (B) by striking “25A(g)(2)” and inserting  
2 “25A(d)(3)”.

3 (9) Clause (v) of section 529(e)(3)(B) of such  
4 Code is amended—

5 (A) by striking “25A(g)(2)” in subclause  
6 (I) and inserting “25A(d)(3)”, and

7 (B) by striking “HOPE AND LIFETIME  
8 LEARNING CREDITS” in the heading and insert-  
9 ing “AMERICAN OPPORTUNITY CREDIT”.

10 (10) Clause (i) of section 529(e)(3)(B) of such  
11 Code is amended by striking “25A(b)(3)” and in-  
12 serting “25A(f)(1) (but only with respect to a stu-  
13 dent who is carrying at least ½ the normal full-time  
14 workload for the course of study the student is pur-  
15 suing)”.

16 (11) Subparagraph (C) of section 530(d)(2) of  
17 such Code is amended—

18 (A) by striking “25A(g)(2)” in clause (i)(I)  
19 and inserting “25A(d)(3)”, and

20 (B) by striking “HOPE AND LIFETIME  
21 LEARNING CREDITS” in the heading and insert-  
22 ing “AMERICAN OPPORTUNITY CREDIT”.

23 (12) Clause (iii) of section 530(d)(4)(B) of such  
24 Code is amended by striking “25A(g)(2)” and in-  
25 serting “25A(d)(3)”.

1           (13) Subsection (i) of section 904 of such Code  
2 is amended by striking “25A(i)” and inserting  
3 “25A”.

4           (14) Paragraph (2) of section 1400C(d) of such  
5 Code is amended by striking “25A(i)” and inserting  
6 “25A”.

7           (15) Section 1400O of such Code is amended—

8                 (A) by striking “25A(f)(2)” and inserting  
9 “25A(f)(3)”,

10                (B) by inserting “(as in effect on the date  
11 of the enactment of this section)” after  
12 “25A(b)(1)” in paragraph (2), and

13                (C) by inserting “(as in effect on the date  
14 of the enactment of this section)” after  
15 “25A(c)(1)” in paragraph (3).

16           (16) Subsection (e) of section 6050S of such  
17 Code is amended by striking “subsection (g)(2)” and  
18 inserting “subsection (d)(3)”.

19           (17) Subparagraph (A) of section 6211(b)(4) of  
20 such Code is amended by striking “subsection  
21 (i)(6)” and inserting “subsection (g)”.

22           (18) Subparagraph (J) of section 6213(g)(2) of  
23 such Code is amended by striking “25A(g)(1)” and  
24 inserting “25A(d)(2)”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**  
5 **GROSS INCOME.**

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

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

14 “(2) as a Federal Pell Grant under section 401  
15 of the Higher Education Act of 1965 (as in effect  
16 on the date of the enactment of the Middle Class  
17 College Tuition Tax Credit Expansion Act of  
18 2012).”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall apply to taxable years beginning after  
21 December 31, 2011.

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