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(Original Signature of Member)

115TH CONGRESS
1ST SESSION

H. R. _____

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

IN THE HOUSE OF REPRESENTATIVES

Mr. DOGGETT introduced the following bill; which was referred to the
Committee on _____

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 “Expand American
5 Educational Opportunity Act of 2017”.

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

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

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

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

12 “(b) AMOUNT OF CREDIT.—

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

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

19 “(A) 100 percent of so much of the quali-
20 fied tuition and related expenses paid by the
21 taxpayer during the taxable year (for education
22 furnished to the eligible student during any
23 academic period beginning in such taxable year)
24 as does not exceed \$2,000, plus

25 “(B) 25 percent of such expenses so paid
26 as exceeds \$2,000 but does not exceed \$4,000.

1 “(2) OTHER STUDENTS.—In the case of an eli-
2 gible student not described in paragraph (1), the
3 amount determined under this subsection with re-
4 spect to such individual is 25 percent of so much of
5 the qualified tuition and related expenses paid by
6 the taxpayer during the taxable year (for education
7 furnished to the eligible student during any aca-
8 demic period beginning in such taxable year) as does
9 not exceed \$10,000.

10 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
11 GROSS INCOME.—

12 “(1) IN GENERAL.—The amount which would
13 (but for this paragraph) be taken into account under
14 this section for the taxable year shall be reduced
15 (but not below zero) by the amount determined
16 under paragraph (2).

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

21 “(A) the excess of—

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

24 “(ii) \$80,000 (\$160,000 in the case of
25 a joint return), bears to

1 “(B) \$10,000 (\$20,000 in the case of a
2 joint return).

3 “(3) MODIFIED ADJUSTED GROSS INCOME.—

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

9 “(d) OTHER LIMITATIONS AND SPECIAL RULES.—

10 For purposes of this section:

11 “(1) LIFETIME DOLLAR LIMITATION.—In the
12 case of qualified tuition and related expenses with
13 respect to any eligible student, the aggregate
14 amount of the credits allowed in the taxable year
15 and any prior taxable year for such eligible student
16 (whether beginning before or after Expand American
17 Educational Opportunity Act of 2017) shall not ex-
18 ceed \$15,000, determined without regard to wheth-
19 er—

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

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

1 If, in any taxable year, the aggregate amount of
2 such credits equals or exceeds \$15,000, the amount
3 allowed as a credit under subsection (a) in any sub-
4 sequent taxable year with respect to such student
5 shall be zero.

6 “(2) IDENTIFICATION REQUIREMENTS.—

7 “(A) STUDENTS.—

8 “(i) IN GENERAL.—No credit shall be
9 allowed under this section to a taxpayer
10 with respect to the qualified tuition and re-
11 lated expenses of an eligible student unless
12 the taxpayer includes the name and tax-
13 payer identification number of such eligible
14 student on the return of tax for the taxable
15 year.

16 “(ii) ISSUANCE.—The requirements of
17 clause (i) shall not be treated as met un-
18 less the individual’s taxpayer identification
19 number was issued on or before the due
20 date for filing the return of tax for the tax-
21 able year.

22 “(B) TAXPAYER.—No credit shall be al-
23 lowed under this section if the identifying num-
24 ber of the taxpayer was issued after the due
25 date for filing the return for the taxable year.

1 “(C) INSTITUTION.—No credit shall be al-
2 lowed under this section unless the taxpayer in-
3 cludes the employer identification number of
4 any institution to which qualified tuition and
5 related expenses were paid with respect to the
6 individual.

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 Expand American Educational Oppor-
23 tunity Act of 2017) of such individual at an eli-
24 gible educational institution for the academic

1 period for which the credit under this section is
2 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 Expand American Educational Opportunity Act
3 of 2017.

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 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
5 The term ‘eligible educational institution’ means an
6 institution—

7 “(A) which is described in section 481 of
8 the Higher Education Act of 1965, as in effect
9 on the date of the enactment of the Expand
10 American Educational Opportunity Act of
11 2017, and

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

14 “(g) PORTION OF CREDIT REFUNDABLE.—The less-
15 er of—

16 “(1) the credit allowed under this section for a
17 taxable year (determined after application of sub-
18 sections (c)(1) and (d) and without regard to this
19 subsection and section 26(a)(2), as the case may
20 be), or

21 “(2) \$1,500,
22 shall be treated as a credit allowable under subpart C (and
23 not allowed under this section). The preceding sentence
24 shall not apply to any taxpayer for any taxable year if

1 such taxpayer is a child to whom subsection (g) of section
2 1 applies for such taxable year.

3 “(h) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
4 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

5 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
6 OR RECKLESS CLAIMS.—

7 “(A) IN GENERAL.—No credit shall be al-
8 lowed under this section for any taxable year in
9 the disallowance period.

10 “(B) DISALLOWANCE PERIOD.—For pur-
11 poses of clause (i), the disallowance period is—

12 “(i) the period of 10 taxable years
13 after the most recent taxable year for
14 which there was a final determination that
15 the taxpayer’s claim of credit under this
16 section was due to fraud, and

17 “(ii) the period of 2 taxable years
18 after the most recent taxable year for
19 which there was a final determination that
20 the taxpayer’s claim of credit under this
21 section was due to reckless or intentional
22 disregard of rules and regulations (but not
23 due to fraud).

24 “(2) TAXPAYERS MAKING IMPROPER PRIOR
25 CLAIMS.—In the case of a taxpayer who is denied

1 credit under this section for any taxable year as a
2 result of the deficiency procedures under subchapter
3 B of chapter 63, no credit shall be allowed under
4 this section for any subsequent taxable year unless
5 the taxpayer provides such information as the Sec-
6 retary may require to demonstrate eligibility for
7 such credit.

8 “(i) INFLATION ADJUSTMENT.—In the case of any
9 taxable year beginning in a calendar year after 2018, each
10 dollar amount in subsections (b) and (c)(2), and (d)(1)
11 shall be increased by an amount equal to—

12 “(1) such dollar amount, multiplied by

13 “(2) the cost-of-living adjustment determined
14 under section 1(f)(3) for the calendar year in which
15 the taxable year begins, determined by substituting
16 ‘calendar year 2017’ for ‘calendar year 1992’ in sub-
17 paragraph (B) thereof.

18 In the case of subsections (b) and (d)(1), any increase de-
19 termined under the preceding sentence shall be rounded
20 to the nearest multiple of \$50. In the case of subsection
21 (c)(2), any increase determined under the preceding sen-
22 tence shall be rounded to the nearest multiple of \$500.

23 “(j) REGULATIONS.—The Secretary may prescribe
24 such regulations as may be necessary or appropriate to
25 carry out this section, including regulations providing for

1 a recapture of the credit allowed under this section in
2 cases where there is a refund in a subsequent taxable year
3 of any amount which was taken into account in deter-
4 mining the amount of such credit.”.

5 (b) RETENTION OF LIMITATION.—

6 (1) IN GENERAL.—Subparagraph (D) of section
7 25A(b)(2) of the Internal Revenue Code of 1986, as
8 in effect before the enactment of the Expand Amer-
9 ican Educational Opportunity Act of 2017 hereby
10 transferred to section 25A of such Code, as amended
11 by subsection (a), and is inserted as a new sub-
12 section (d)(9) of section 25A, as so amended.

13 (2) CONFORMING AMENDMENT.—Paragraph (9)
14 of section 25A(d) of such Code, as transferred and
15 inserted by paragraph (1), is amended by striking
16 “The Hope Scholarship Credit under subsection
17 (a)(1)” and inserting “The credit under subsection
18 (a)”.

19 (c) CONFORMING AMENDMENTS.—

20 (1) Subparagraph (B) of section 72(t)(7) of
21 such Code is amended by striking “25A(g)(2)” and
22 inserting “25A(d)(3)”.

23 (2) Paragraph (2) of section 221(d) of such
24 Code is amended—

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

3 (B) by striking “25A(f)(2)” and inserting
4 “25A(f)(3)”.

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

11 (4) Clause (v) of section 529(c)(3)(B) of such
12 Code is amended—

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

15 (B) by striking “HOPE AND LIFETIME
16 LEARNING CREDITS” in the heading and
17 inserting “AMERICAN OPPORTUNITY
18 CREDIT”.

19 (5) Clause (i) of section 529(e)(3)(B) of such
20 Code is amended by striking “25A(b)(3)” and in-
21 serting “25A(f)(1) (but only with respect to a stu-
22 dent who is carrying at least $\frac{1}{2}$ the normal full-time
23 workload for the course of study the student is pur-
24 suing)”.

1 (6) Subparagraph (C) of section 530(d)(2) of
2 such Code is amended—

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

5 (B) by striking “HOPE AND LIFETIME
6 LEARNING CREDITS” in the heading and
7 inserting “AMERICAN OPPORTUNITY
8 CREDIT”.

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

12 (8) Section 1400O of such Code is amended—

13 (A) by striking “25A(f)(2)” and inserting
14 “25A(f)(3)”,

15 (B) by inserting “(as in effect on the date
16 of the enactment of this section)” after
17 “25A(b)(1)” in paragraph (2), and

18 (C) by inserting “(as in effect on the date
19 of the enactment of this section)” after
20 “25A(c)(1)” in paragraph (3).

21 (9) Subsection (e) of section 6050S of such
22 Code is amended by striking “subsection (g)(2)” and
23 inserting “subsection (d)(3)”.

1 (10) Subparagraph (A) of section 6211(b)(4) of
2 such Code is amended by striking “subsection
3 (i)(6)” and inserting “subsection (g)”.

4 (11) Section 6213(g)(2) of such Code is amend-
5 ed—

6 (A) in subparagraph (J), by striking
7 “25A(g)(1)” and inserting “25A(d)(2)”, and

8 (B) in subparagraph (Q), by striking
9 “25A(i)(8)(B)” and inserting “25A(h)(2)” and
10 by striking “25A(i)” and inserting “25A”.

11 (12) Subsection (g) of section 6695(g) of such
12 Code is amended by striking “25A(a)(1)” and in-
13 serting “25A(a)”.

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

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

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

21 **SEC. 3. EXPANSION OF PELL GRANT EXCLUSION FROM**
22 **GROSS INCOME.**

23 (a) IN GENERAL.—Paragraph (1) of section 117(b)
24 of the Internal Revenue Code of 1986 is amended by strik-

1 ing “received by an individual” and all that follows and
2 inserting “received by an individual—

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

7 “(2) as a Federal Pell Grant under section 401
8 of the Higher Education Act of 1965 (as in effect
9 on the date of the enactment of the Expand Amer-
10 ican Educational Opportunity Act of 2017).”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to taxable years beginning after
13 December 31, 2016.