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 “American Opportunity Student Tax Relief Act of 2020”.

6 SEC. 2. COVID RELIEF.

7 (a) AMERICAN OPPORTUNITY AND LIFETIME LEARN-
8 ING CREDITS.—Section 25A of the Internal Revenue Code
of 1986 is amended by adding at the end the following new subsection:

“(j) COVID RELIEF.—In the case of any taxable year beginning in 2020:

“(1) Subsection (b)(1)(A) shall be applied by substituting ‘$2,500’ for ‘$2,000’.

“(2) Subsection (b)(1)(B) shall be applied—

“(A) by substituting ‘$2,500’ for ‘$2,000’, and

“(B) by substituting ‘$4,500’ for ‘$4,000’.

“(3) Subsection (i) shall be applied by substituting ‘Sixty percent’ for ‘Forty percent’.

“(4) The amount determined under subsection (e)(1) shall be the sum of—

“(A) 100 percent of so much of the qualified tuition and related expenses paid the taxpayer during the taxable year (for education furnished during any academic period beginning in such taxable year) as does not exceed $2,000, plus

“(B) 20 percent of such expenses so paid as exceeds $2,000 but does not exceed $10,000.

“(5) So much of the credit allowable under subsection (a) as is attributable to the Lifetime Learning Credit (determined after application of sub-
section (d) and without regard to this paragraph and section 26(a)) and does not exceed $1,500 shall be treated as a credit allowable under subpart C (and not allowed under subsection (a)).”.

(b) Expansion of Pell Grant Exclusion From Gross Income.—Section 4(b) of this Act is amended by striking “December 31, 2020” and inserting “December 31, 2019”.

d) Exclusion of Emergency Financial Aid Grants.—For purposes of the Internal Revenue Code of 1986, in the case of any taxable year beginning in 2020, gross income shall not include any emergency financial aid grant received by a student under section 18004(c) of the CARES Act.

SEC. 3. EXTENSION AND MODIFICATION OF AMERICAN OPPORTUNITY TAX CREDIT.

(a) In General.—Section 25A of the Internal Revenue Code of 1986, as amended by section 2, is amended to read as follows:

“SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.

“(a) Allowance of Credit.—In the case of an individual who is an eligible student for any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount deter-
mined under subsection (b) with respect to such individual.

“(b) AMOUNT OF CREDIT.—

“(1) STUDENT ENROLLED AT LEAST ½ TIME.—

In the case of an eligible student who is carrying at least ½ the normal full-time workload for the course of study the student is pursuing, the amount determined under this subsection with respect to such individual is the sum of—

“(A) 100 percent of so much of the qualified tuition and related expenses paid by the taxpayer during the taxable year (for education furnished to the eligible student during any academic period beginning in such taxable year) as does not exceed $2,000, plus

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

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

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

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

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

“(A) the excess of—

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

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

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

“(3) MODIFIED ADJUSTED GROSS INCOME.—

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

“(d) Other Limitations and Special Rules.—

For purposes of this section:

“(1) Lifetime Dollar Limitation.—In the case of qualified tuition and related expenses with respect to any eligible student, the aggregate amount of the credits allowed in the taxable year and any prior taxable year for such eligible student (whether beginning before or after American Opportunity Student Tax Relief Act of 2020) shall not exceed $15,000, determined without regard to whether—

“(A) such credits are claimed on the return of tax filed by the eligible student or by another taxpayer, or

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

If, in any taxable year, the aggregate amount of such credits equals or exceeds $15,000, the amount allowed as a credit under subsection (a) in any subsequent taxable year with respect to such student shall be zero.

“(2) Identification Requirements.—

“(A) Students.—
“(i) IN GENERAL.—No credit shall be allowed under this section to a taxpayer with respect to the qualified tuition and related expenses of an eligible student unless the taxpayer includes the name and taxpayer identification number of such eligible student on the return of tax for the taxable year.

“(ii) ISSUANCE.—The requirements of clause (i) shall not be treated as met unless the individual’s taxpayer identification number was issued on or before the due date for filing the return of tax for the taxable year.

“(B) TAXPAYER.—No credit shall be allowed under this section if the identifying number of the taxpayer was issued after the due date for filing the return for the taxable year.

“(C) INSTITUTION.—No credit shall be allowed under this section unless the taxpayer includes the employer identification number of any institution to which qualified tuition and related expenses were paid with respect to the individual.
“(3) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS, ETC.—

“(A) IN GENERAL.—The amount of qualified tuition and related expenses otherwise taken into account under this section with respect to an individual for an academic period shall be reduced (before the application of subsections (b) and (c)) by the sum of any amounts paid for the benefit of such individual which are allocable to such period as—

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

“(ii) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or under chapter 1606 of title 10, United States Code, and

“(iii) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for such individual’s educational expenses, or attributable to such individual’s enrollment at an eligible educational institution, which is ex-
cludable from gross income under any law of the United States.

“(B) COORDINATION WITH PELL GRANTS NOT USED FOR QUALIFIED TUITION AND RELATED EXPENSES.—Any amount determined with respect to an individual under subparagraph (A) which is attributable to a Federal Pell Grant under section 401 of the Higher Education Act of 1965 shall be reduced (but not below zero) by the amount of the expenses (other than qualified tuition and related expenses) which are taken into account in determining the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, as in effect on the date of the enactment of the American Opportunity Student Tax Relief Act of 2020) of such individual at an eligible educational institution for the academic period for which the credit under this section is being determined.

“(4) TREATMENT OF EXPENSES PAID BY DEPENDENT.—If a deduction under section 151 with respect to an individual is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins—
“(A) no credit shall be allowed under this section to such individual for such individual’s taxable year, and

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

“(5) Treatment of certain prepayments.—If qualified tuition and related expenses are paid by the taxpayer during a taxable year for an academic period which begins during the first 3 months following such taxable year, such academic period shall be treated for purposes of this section as beginning during such taxable year.

“(6) Denial of double benefit.—No credit shall be allowed under this section for any expense for which a deduction is allowed under any other provision of this chapter.

“(7) No credit for married individuals filing separate returns.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer’s spouse file a joint return for the taxable year.
“(8) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

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

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

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

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

“(B) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965, as in effect on the date of the enactment of the American Opportunity Student Tax Relief Act of 2020.

“(2) QUALIFIED TUITION AND RELATED EXPENSES.—
“(A) IN GENERAL.—The term ‘qualified tuition and related expenses’ means tuition, fees, and course materials required for the enrollment or attendance of—

“(i) the taxpayer,

“(ii) the taxpayer’s spouse, or

“(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151,

at an eligible educational institution for courses of instruction of such individual at such institution.

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

“(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual’s academic course of instruction.
“(3) Eligible Educational Institution.—

The term ‘eligible educational institution’ means an institution—

“(A) which is described in section 481 of the Higher Education Act of 1965, as in effect on the date of the enactment of the American Opportunity Student Tax Relief Act of 2020, and

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

“(g) Portion of Credit Refundable.—The lesser of—

“(1) the credit allowed under this section for a taxable year (determined after application of subsections (c)(1) and (d) and without regard to this subsection and section 26(a)(2), as the case may be), or

“(2) $1,500,

shall be treated as a credit allowable under subpart C (and not allowed under this section). The preceding sentence shall not apply to any taxpayer for any taxable year if such taxpayer is a child to whom subsection (g) of section 1 applies for such taxable year.

“(h) Restrictions on Taxpayers Who Improperly Claimed Credit in Prior Year.—
“(1) Taxpayers making prior fraudulent or reckless claims.—

“(A) In general.—No credit shall be allowed under this section for any taxable year in the disallowance period.

“(B) Disallowance period.—For purposes of clause (i), the disallowance period is—

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

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

“(2) Taxpayers making improper prior claims.—In the case of a taxpayer who is denied credit under this section for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year unless
the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.

“(i) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2020, each dollar amount in subsections (b) and (c)(2), and (d)(1) shall be increased by an amount equal to—

“(1) such dollar amount, multiplied by

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

In the case of subsections (b) and (d)(1), any increase determined under the preceding sentence shall be rounded to the nearest multiple of $50. In the case of subsection (c)(2), any increase determined under the preceding sentence shall be rounded to the nearest multiple of $500.

“(j) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of the credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.”.
(b) RETENTION OF LIMITATION.—

(1) IN GENERAL.—Subparagraph (D) of section 25A(b)(2) of the Internal Revenue Code of 1986, as in effect before the enactment of the American Opportunity Student Tax Relief Act of 2020, is hereby transferred to section 25A of such Code, as amended by subsection (a), and is inserted as a new subsection (d)(9) of section 25A, as so amended.

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

(c) CONFORMING AMENDMENTS.—

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

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

(A) by striking “25A(g)(2)” in subparagraph (B) and inserting “25A(d)(3)”, and

(B) by striking “25A(f)(2)” and inserting “25A(f)(3)”. 
Paragraph (3) of section 221(d) of such Code is amended by striking “25A(b)(3)” and inserting “25A(f)(1) (but only with respect to a student who is carrying at least ½ the normal full-time workload for the course of study the student is pursuing)”.

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

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

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

Clause (i) of section 529(e)(3)(B) of such Code is amended by striking “25A(b)(3)” and inserting “25A(f)(1) (but only with respect to a student who is carrying at least ½ the normal full-time workload for the course of study the student is pursuing)”.

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

(A) by striking “25A(g)(2)” in clause (i)(I) and inserting “25A(d)(3)”, and
(B) by striking “HOPE AND LIFETIME LEARNING CREDITS” in the heading and inserting “AMERICAN OPPORTUNITY CREDIT”.

(7) Clause (iii) of section 530(d)(4)(B)(iii) of such Code is amended by striking “25A(g)(2)” and inserting “25A(d)(3)”.

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

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

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

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

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

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

(11) Section 6213(g)(2) of such Code is amended—

(A) in subparagraph (J), by striking “25A(g)(1)” and inserting “25A(d)(2)”, and
(B) in subparagraph (Q), by striking “25A(i)(8)(B)” and inserting “25A(h)(2)” and by striking “25A(i)” and inserting “25A”.

(12) Subsection (g) of section 6695 of such Code is amended by striking “25A(a)(1)” and inserting “25A(a)”.

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

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

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

SEC. 4. EXPANSION OF PELL GRANT EXCLUSION FROM GROSS INCOME.

(a) IN GENERAL.—Paragraph (1) of section 117(b) of the Internal Revenue Code of 1986 is amended by striking “received by an individual” and all that follows and inserting “received by an individual—

“(A) as a scholarship or fellowship grant to the extent the individual establishes that, in accordance with the conditions of the grant, such amount was used for qualified tuition and related expenses, or
“(B) as a Federal Pell Grant under section 401 of the Higher Education Act of 1965 (as in effect on the date of the enactment of the American Opportunity Student Tax Relief Act of 2020).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2020.