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(Original Signature of Member)

116TH CONGRESS  
2D SESSION

**H. R.**

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

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

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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 “American Opportunity  
5 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

1 of 1986 is amended by adding at the end the following  
2 new subsection:

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

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

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

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

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

11 “(3) Subsection (i) shall be applied by sub-  
12 stituting ‘Sixty percent’ for ‘Forty percent’.

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

15 “(A) 100 percent of so much of the quali-  
16 fied tuition and related expenses paid the tax-  
17 payer during the taxable year (for education  
18 furnished during any academic period beginning  
19 in such taxable year) as does not exceed  
20 \$2,000, plus

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

23 “(5) So much of the credit allowable under sub-  
24 section (a) as is attributable to the Lifetime Learn-  
25 ing Credit (determined after application of sub-

1 section (d) and without regard to this paragraph  
2 and section 26(a)) and does not exceed \$1,500 shall  
3 be treated as a credit allowable under subpart C  
4 (and not allowed under subsection (a)).”.

5 (b) EXPANSION OF PELL GRANT EXCLUSION FROM  
6 GROSS INCOME.—Section 4(b) of this Act is amended by  
7 striking “December 31, 2020” and inserting “December  
8 31, 2019”.

9 (c) EXCLUSION OF EMERGENCY FINANCIAL AID  
10 GRANTS.—For purposes of the Internal Revenue Code of  
11 1986, in the case of any taxable year beginning in 2020,  
12 gross income shall not include any emergency financial aid  
13 grant received by a student under section 18004(c) of the  
14 CARES Act.

15 **SEC. 3. EXTENSION AND MODIFICATION OF AMERICAN OP-**  
16 **PORTUNITY TAX CREDIT.**

17 (a) IN GENERAL.—Section 25A of the Internal Rev-  
18 enue Code of 1986, as amended by section 2, is amended  
19 to read as follows:

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

21 **“(a) ALLOWANCE OF CREDIT.—**In the case of an in-  
22 dividual who is an eligible student for any taxable year,  
23 there shall be allowed as a credit against the tax imposed  
24 by this chapter for such taxable year the amount deter-

1 mined under subsection (b) with respect to such indi-  
2 vidual.

3 “(b) AMOUNT OF CREDIT.—

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

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

10 “(A) 100 percent of so much of the quali-  
11 fied tuition and related expenses paid by the  
12 taxpayer during the taxable year (for education  
13 furnished to the eligible student during any  
14 academic period beginning in such taxable year)  
15 as does not exceed \$2,000, plus

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

18 “(2) OTHER STUDENTS.—In the case of an eli-  
19 gible student not described in paragraph (1), the  
20 amount determined under this subsection with re-  
21 spect to such individual is 25 percent of so much of  
22 the qualified tuition and related expenses paid by  
23 the taxpayer during the taxable year (for education  
24 furnished to the eligible student during any aca-

1       demic period beginning in such taxable year) as does  
2       not exceed \$10,000.

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

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

10          “(2) AMOUNT OF REDUCTION.—The amount  
11       determined under this paragraph is the amount  
12       which bears the same ratio to the amount which  
13       would be so taken into account 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 (\$160,000 in the case of  
18                  a joint return), bears to

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

21          “(3) MODIFIED ADJUSTED GROSS INCOME.—

22       For purposes of this paragraph, the term ‘modified  
23       adjusted gross income’ means the adjusted gross in-  
24       come of the taxpayer for the taxable year increased

1 by any amount excluded from gross income under  
2 section 911, 931, or 933.

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

4 For purposes of this section:

5 “(1) LIFETIME DOLLAR LIMITATION.—In the  
6 case of qualified tuition and related expenses with  
7 respect to any eligible student, the aggregate  
8 amount of the credits allowed in the taxable year  
9 and any prior taxable year for such eligible student  
10 (whether beginning before or after American Oppor-  
11 tunity Student Tax Relief Act of 2020) shall not ex-  
12 ceed \$15,000, determined without regard to wheth-  
13 er—

14 “(A) such credits are claimed on the re-  
15 turn of tax filed by the eligible student or by  
16 another taxpayer, or

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

19 If, in any taxable year, the aggregate amount of  
20 such credits equals or exceeds \$15,000, the amount  
21 allowed as a credit under subsection (a) in any sub-  
22 sequent taxable year with respect to such student  
23 shall be zero.

24 “(2) IDENTIFICATION REQUIREMENTS.—

25 “(A) STUDENTS.—

1                   “(i) IN GENERAL.—No credit shall be  
2                   allowed under this section to a taxpayer  
3                   with respect to the qualified tuition and re-  
4                   lated expenses of an eligible student unless  
5                   the taxpayer includes the name and tax-  
6                   payer identification number of such eligible  
7                   student on the return of tax for the taxable  
8                   year.

9                   “(ii) ISSUANCE.—The requirements of  
10                  clause (i) shall not be treated as met un-  
11                  less the individual’s taxpayer identification  
12                  number was issued on or before the due  
13                  date for filing the return of tax for the tax-  
14                  able year.

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

19                  “(C) INSTITUTION.—No credit shall be al-  
20                  lowed under this section unless the taxpayer in-  
21                  cludes the employer identification number of  
22                  any institution to which qualified tuition and  
23                  related expenses were paid with respect to the  
24                  individual.

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

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

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

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

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

1 cludable from gross income under any law  
2 of the United States.

3 “(B) COORDINATION WITH PELL GRANTS  
4 NOT USED FOR QUALIFIED TUITION AND RE-  
5 LATED EXPENSES.—Any amount determined  
6 with respect to an individual under subpara-  
7 graph (A) which is attributable to a Federal  
8 Pell Grant under section 401 of the Higher  
9 Education Act of 1965 shall be reduced (but  
10 not below zero) by the amount of the expenses  
11 (other than qualified tuition and related ex-  
12 penses) which are taken into account in deter-  
13 mining the cost of attendance (as defined in  
14 section 472 of the Higher Education Act of  
15 1965, as in effect on the date of the enactment  
16 of the American Opportunity Student Tax Re-  
17 lief Act of 2020) of such individual at an eligi-  
18 ble educational institution for the academic pe-  
19 riod for which the credit under this section is  
20 being determined.

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

1           “(A) no credit shall be allowed under this  
2           section to such individual for such individual’s  
3           taxable year, and

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

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

15          “(6) DENIAL OF DOUBLE BENEFIT.—No credit  
16          shall be allowed under this section for any expense  
17          for which a deduction is allowed under any other  
18          provision of this chapter.

19          “(7) NO CREDIT FOR MARRIED INDIVIDUALS  
20          FILING SEPARATE RETURNS.—If the taxpayer is a  
21          married individual (within the meaning of section  
22          7703), this section shall apply only if the taxpayer  
23          and the taxpayer’s spouse file a joint return for the  
24          taxable year.

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

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

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

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

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

18           “(B) meets the requirements of section  
19 484(a)(1) of the Higher Education Act of 1965,  
20 as in effect on the date of the enactment of the  
21 American Opportunity Student Tax Relief Act  
22 of 2020.

23           “(2) QUALIFIED TUITION AND RELATED EX-  
24 PENSES.—

1           “(A) IN GENERAL.—The term ‘qualified  
2           tuition and related expenses’ means tuition,  
3           fees, and course materials required for the en-  
4           rollment or attendance of—

5                     “(i) the taxpayer,

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

7                     “(iii) any dependent of the taxpayer  
8           with respect to whom the taxpayer is al-  
9           lowed a deduction under section 151,  
10          at an eligible educational institution for courses  
11          of instruction of such individual at such institu-  
12          tion.

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

19           “(C) EXCEPTION FOR NONACADEMIC  
20          FEES.—Such term does not include student ac-  
21          tivity fees, athletic fees, insurance expenses, or  
22          other expenses unrelated to an individual’s aca-  
23          demic course of instruction.

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

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

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

11          “(g) PORTION OF CREDIT REFUNDABLE.—The less-  
12          er of—

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

18                  “(2) \$1,500,  
19          shall be treated as a credit allowable under subpart C (and  
20          not allowed under this section). The preceding sentence  
21          shall not apply to any taxpayer for any taxable year if  
22          such taxpayer is a child to whom subsection (g) of section  
23          1 applies for such taxable year.

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

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

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

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

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

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

20          “(2) TAXPAYERS MAKING IMPROPER PRIOR  
21          CLAIMS.—In the case of a taxpayer who is denied  
22          credit under this section for any taxable year as a  
23          result of the deficiency procedures under subchapter  
24          B of chapter 63, no credit shall be allowed under  
25          this section for any subsequent taxable year unless

1 the taxpayer provides such information as the Sec-  
2 retary may require to demonstrate eligibility for  
3 such credit.

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

8 “(1) such dollar amount, multiplied by

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

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

19 “(j) REGULATIONS.—The Secretary may prescribe  
20 such regulations as may be necessary or appropriate to  
21 carry out this section, including regulations providing for  
22 a recapture of the credit allowed under this section in  
23 cases where there is a refund in a subsequent taxable year  
24 of any amount which was taken into account in deter-  
25 mining the amount of such credit.”.

1 (b) RETENTION OF LIMITATION.—

2 (1) IN GENERAL.—Subparagraph (D) of section  
3 25A(b)(2) of the Internal Revenue Code of 1986, as  
4 in effect before the enactment of the American Op-  
5 portunity Student Tax Relief Act of 2020, is hereby  
6 transferred to section 25A of such Code, as amended  
7 by subsection (a), and is inserted as a new sub-  
8 section (d)(9) of section 25A, as so amended.

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

15 (c) CONFORMING AMENDMENTS.—

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

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

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

23 (B) by striking “25A(f)(2)” and inserting  
24 “25A(f)(3)”.

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

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

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

11                   (B) by striking “HOPE AND LIFETIME  
12 LEARNING CREDITS” in the heading and insert-  
13 ing “AMERICAN OPPORTUNITY CREDIT”.

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

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

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

1 (B) by striking “HOPE AND LIFETIME  
2 LEARNING CREDITS” in the heading and insert-  
3 ing “AMERICAN OPPORTUNITY CREDIT”.

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

7 (8) 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 (9) Subsection (e) of section 6050S of such  
17 Code is amended by striking “subsection (g)(2)” and  
18 inserting “subsection (d)(3)”.

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

22 (11) Section 6213(g)(2) of such Code is amend-  
23 ed—

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

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

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

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

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

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

14 **SEC. 4. EXPANSION OF PELL GRANT EXCLUSION FROM**  
15 **GROSS INCOME.**

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

20 “(A) as a scholarship or fellowship grant  
21 to the extent the individual establishes that, in  
22 accordance with the conditions of the grant,  
23 such amount was used for qualified tuition and  
24 related expenses, or

1                   “(B) as a Federal Pell Grant under section  
2                   401 of the Higher Education Act of 1965 (as  
3                   in effect on the date of the enactment of the  
4                   American Opportunity Student Tax Relief Act  
5                   of 2020).”.

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