To amend the Internal Revenue Code of 1986 to expand the exclusion of
Pell Grants from gross income, 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 expand
the exclusion of Pell Grants from gross income, 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 “Tax-Free Pell Grant
5 Act”.
SEC. 2. EXPANSION OF PELL GRANT EXCLUSION FROM GROSS INCOME.

(a) In general.—Paragraph section 117(b)(1) 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 Tax-Free Pell Grant Act).”.

(b) No adjustment under American Opportunity and Lifetime Learning Credits.—Section 25A(g)(2)(A) of such Code is amended by striking “a qualified scholarship which” and inserting “a qualified scholarship which is described in section 117(b)(1)(A) and which”.

(c) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2022.
SEC. 3. EXPANSION OF AMERICAN OPPORTUNITY AND LIFETIME LEARNING CREDITS.

(a) In General.—Section 25A of the Internal Revenue Code of 1986 is amended—

(1) in subsection (f)(1)—

(A) in subparagraph (A), by striking “tuition and fees” inserting “tuition, fees, computer or peripheral equipment, child and dependent care expenses, and course materials”,

(B) by striking subparagraph (D), and

(C) by adding at the end the following new subparagraphs:

“(D) Child and Dependent Care Expenses.—For purposes of this paragraph—

“(i) In General.—The term ‘child and dependent care expenses’ means amounts paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be enrolled in an eligible educational institution for any period for which there are 1 or more qualifying individuals with respect to the taxpayer:

“(I) expenses for household services, and

“(II) expenses for the care of a qualifying individual.
Such term shall not include any amount paid for services outside the taxpayer’s household at a camp where the qualifying individual stays overnight.

“(ii) QUALIFYING INDIVIDUAL.—The term ‘qualifying individual’ has the meaning given such term in section 21(b)(1).

“(iii) EXCEPTION, DEPENDENT CARE CENTERS.—Rules similar to the rules of subparagraphs (B), (C), and (D) of section 21(b)(2) shall apply, except the term ‘child and dependent care expenses’ shall be substituted for the term ‘employment-related expenses’ each place it appears in such subparagraphs.

“(E) CHILD AND DEPENDENT CARE EXPENSES ONLY QUALIFIED EXPENSES WHEN CLAIMED BY ELIGIBLE STUDENT.—Amounts paid for an expense described in subparagraph (E) may not be taken into account under this paragraph for a taxable year unless required for the enrollment or attendance of an individual described in subparagraph (A)(i) or subparagraph (A)(ii).
“(F) Computer or peripheral equipment.—

“(i) Defined.—For purposes of this paragraph, the term ‘computer or peripheral equipment’ means expenses for the purchase of computer or peripheral equipment (as defined in section 168(i)(2)(B), computer software (as defined in section 197(e)(3)(B))), or internet access and related services, if such equipment, software, or services are to be used primarily by the individual during any of the years the individual is enrolled at an eligible educational institution.

“(ii) Dollar limit on amount creditable.—The aggregate of the amounts paid or expenses incurred for computer or peripheral equipment which may be taken into account under this paragraph for a taxable year by the taxpayer shall not exceed $1,000.”, and

(2) in subsection (g)(5)—

(A) in the heading, by adding “or credit” at the end, and
(B) by inserting “or credit” after “a deduction”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2022.