

116TH CONGRESS  
2D SESSION

# H. R. 6749

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

MAY 8, 2020

Mr. DOGGETT (for himself, Mr. FITZPATRICK, Mr. DANNY K. DAVIS of Illinois, Mr. BEYER, Mr. BISHOP of Georgia, Mrs. BEATTY, Mr. COHEN, Mr. CLAY, Mr. RUSH, Mr. TONKO, Ms. NORTON, Mr. THOMPSON of Mississippi, Mr. GREEN of Texas, Mr. VEASEY, Ms. ROYBAL-ALLARD, Mrs. WATSON COLEMAN, Mrs. CAROLYN B. MALONEY of New York, Mr. PASCRELL, Ms. KAPTUR, Ms. ESHOO, Ms. LEE of California, Ms. DELBENE, Mr. CASTRO of Texas, Mr. RASKIN, Mr. TAKANO, Mr. KRISHNAMOORTHY, Mr. LOWENTHAL, Mr. SUOZZI, Ms. SEWELL of Alabama, Mr. RYAN, Mr. PANETTA, Ms. JAYAPAL, Mrs. HAYES, Ms. SCHAKOWSKY, Ms. SÁNCHEZ, Mr. CICILLINE, Mr. LARSON of Connecticut, Mr. HIGGINS of New York, Mr. SWALWELL of California, and Ms. JUDY CHU of California) 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “American Opportunity  
3 Student Tax Relief Act of 2020”.

4 **SEC. 2. COVID RELIEF.**

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

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

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

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

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

15 and

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

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

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

21 “(A) 100 percent of so much of the quali-  
22 fied tuition and related expenses paid the tax-  
23 payer during the taxable year (for education  
24 furnished during any academic period beginning  
25 in such taxable year) as does not exceed  
26 \$2,000, plus

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

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

10          (b) EXPANSION OF PELL GRANT EXCLUSION FROM  
11 GROSS INCOME.—Section 4(b) of this Act is amended by  
12 striking “December 31, 2020” and inserting “December  
13 31, 2019”.

14          (c) EXCLUSION OF EMERGENCY FINANCIAL AID  
15 GRANTS.—For purposes of the Internal Revenue Code of  
16 1986, in the case of any taxable year beginning in 2020,  
17 gross income shall not include any emergency financial aid  
18 grant received by a student under section 18004(c) of the  
19 CARES Act.

20 **SEC. 3. EXTENSION AND MODIFICATION OF AMERICAN OP-**  
21 **PORTUNITY TAX CREDIT.**

22          (a) IN GENERAL.—Section 25A of the Internal Rev-  
23 enue Code of 1986, as amended by section 2, is amended  
24 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 \$2,000, plus

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

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 25 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) LIMITATION BASED ON MODIFIED ADJUSTED  
7 GROSS INCOME.—

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

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

17 “(A) the excess of—

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

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

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

24 “(3) MODIFIED ADJUSTED GROSS INCOME.—

25 For purposes of this paragraph, the term ‘modified

1       adjusted gross income’ means the adjusted gross in-  
2       come of the taxpayer for the taxable year increased  
3       by any amount excluded from gross income under  
4       section 911, 931, or 933.

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

6       For purposes of this section:

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

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

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

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

1 “(2) IDENTIFICATION REQUIREMENTS.—

2 “(A) STUDENTS.—

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

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

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

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

1 related expenses were paid with respect to the  
2 individual.

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

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

13 “(i) a qualified scholarship which is  
14 excludable from gross income under section  
15 117,

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

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



1 eligible educational institution, which is ex-  
2 cludable from gross income under any law  
3 of the United States.

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

22 “(4) TREATMENT OF EXPENSES PAID BY DE-  
23 PENDENT.—If a deduction under section 151 with  
24 respect to an individual is allowed to another tax-

1 payer for a taxable year beginning in the calendar  
2 year in which such individual's taxable year begins—

3 “(A) no credit shall be allowed under this  
4 section to such individual for such individual's  
5 taxable year, and

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

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

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

21 “(7) NO CREDIT FOR MARRIED INDIVIDUALS  
22 FILING SEPARATE RETURNS.—If the taxpayer is a  
23 married individual (within the meaning of section  
24 7703), this section shall apply only if the taxpayer

1 and the taxpayer's spouse file a joint return for the  
2 taxable year.

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

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

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

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

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

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

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

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

7                   “(i) the taxpayer,

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

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

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

21           “(C) EXCEPTION FOR NONACADEMIC  
22 FEES.—Such term does not include student ac-  
23 tivity fees, athletic fees, insurance expenses, or  
24 other expenses unrelated to an individual’s aca-  
25 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)”;

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.

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