



**Legislative Bulletin.....July 24, 2014**

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**H.R. 3393 – Student and Family Tax Simplification Act**

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**H.R. 3393 – Student and Family Tax Simplification Act (Black, R-TN)**

**Order of Business:** The legislation is scheduled to be considered on the floor on Friday, July 23, 2014, subject to a closed rule.

**Summary:** [H.R. 3393](#) consolidates and modifies four existing higher education tax benefits (the American Opportunity Tax Credit, the Lifetime Learning Credit, the Hope Scholarship Credit, and the college tuition deduction) into a single, permanent American Opportunity Tax Credit (AOTC). The new American Opportunity Tax Credit allows:

- The first \$2,000 of qualified tuition and expenses to be 100 percent deductible from a taxpayer’s liability.
- 25 percent of the next \$2,000 of qualified tuition and expense is allowed to be deducted from a taxpayer’s liability with an overall cap of \$2,500 on the amount that can be deducted.
- It allows tax filers who do not have a tax liability to receive a refundable tax credit of up to \$1,500.

The credit would be phased out for a Modified Adjusted Gross Income between \$160,000 and \$180,000 for joint filers and \$80,000 and \$90,000 for other filers. The phase-out ranges and credit amounts would be indexed for inflation beginning in 2014. The AOTC would only be available for the first four calendar years of higher education and eligible expenses over that period include tuition, fees, and course materials. The legislation also excludes Pell Grants from being considered as income for tax purposes. In addition, the legislation requires individuals that are claiming a tax credit to provide the taxpayer identification number of the student and the employer identification number of the higher education institution.

**Additional Information:**

- The American Recovery and Reinvestment Act (ARRA) expanded the existing Hope Credit and renamed it as the American Opportunity Tax Credit. The Hope Credit, if it were in effect in 2014, would allow a 100 percent deduction on the first \$1,300 of qualified tuition and expense and 50 percent on the next \$1,300 of qualified tuition and expenses for a maximum credit of up to \$1,950. ARRA expanded the credit to people that owe no income tax and those with higher incomes. It also expanded the previous

credit available under the Hope Credit to be available for four post-secondary calendar years instead of two. Under ARRA the American Opportunity Tax Credit applied to tax years 2009 and 2010. The Tax Relief and Job Creation Act of 2010 extended the credit for tax years 2011 and 2012. The American Taxpayer Relief Act of 2012 extended the AOTC for five additional years through December 2017. More information is available on the Internal Revenue Service website [here](#).

- According to the [Committee report](#), the new AOTC “does not retain the rule that denies the credit with respect to qualified tuition and related expenses for the enrollment or attendance of any student who has been convicted of a felony offense consisting of the possession or distribution of a controlled substance.”
- The new AOTC permanently replaces the Hope credit and repeals the Lifetime Learning credit. The Lifetime Learning Credit allowed taxpayers to claim a tax credit for an unlimited number of years.
- Committee Report 113-526, available [here](#), contains a detailed explanation of the changes to current law.
- According the Department of Education, Pell Grants provide “need-based grants to low-income undergraduate and certain post-baccalaureate students to promote access to postsecondary education.” More information can be found [here](#).

**Committee Action:** The legislation was introduced on October 30, 2013, and referred to the House Committee on Ways and Means. On June 25, 2014, the Committee favorably reported the legislation by a [vote](#) of 22 to 13.

**Conservative Concerns:** Some conservatives may be concerned that this bill violates House Rule XXI, clause 10 (“Cut-Go” see page 570 of [House Rules](#)). Some conservatives may also be concerned that this bill results in an estimated spending increase by the Federal government of \$73.7 billion over 2015-24.

**Outside Groups in Support:**

- The National Association of College Stores
- The American Association of Community Colleges
- The Association of Community College Trustees

**Outside Groups with Concerns:**

- The American Council on Education expressed concerns about H.R. 3393. Their letter stated: “Even as reported, the bill would negatively impact many low- and middle-income students and families who benefit under current law. It also would harm graduate students and lifetime learners who utilize the tuition deduction or the LLC [Lifetime Learning Credit]. Because we continue to have serious concerns about the Student and Family Tax Simplification Act, we cannot support the bill as currently written, even in the form as reported.” Other groups joined on the letter were:
  - American Association of State Colleges and Universities
  - Association of American Universities
  - Association of Governing Boards
  - Association of Jesuit Colleges and Universities
  - Association of Public and Land-grant Universities

- College and University Professional Association for Human Resources
- Council for Christian Colleges & Universities
- Council of Graduate Schools
- Hispanic Association of Colleges and Universities (HACU)

**Administration Position:** A Statement of Administration Policy is not available.

**Cost to Taxpayers:** According to the estimate conducted by the Joint Committee on Taxation (JCT), implementing this bill will result in a loss of revenue of \$22.7 billion over 2015-24. In addition, JCT also estimates that implementing this bill will result in the Federal government spending an additional \$73.7 billion over 2015-24, when measured against the current-law baseline. Under a current-policy baseline the outlay effects would be lower. JCT conducts cost estimates on the basis of the current-law baseline rather than the current-policy baseline. The current-law baseline assumes that the AOTC will expire as currently scheduled on December 31, 2017. The JCT explanation of their cost estimate for H.R. 3393 is available on page 15 of the Committee report [here](#).

**Does the Bill Expand the Size and Scope of the Federal Government?:** The bill increases spending and reduces revenue against a current-law baseline.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:** No.

**Does the Bill Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?:** No.

**Constitutional Authority:** According to the sponsor, “Congress has the power to enact this legislation pursuant to the following: Article I, Section 8, Clause 1 The Congress shall have the Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debt and provide for the common Defense and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States.” Representative Black’s statement in the Congressional Record can be viewed [here](#).

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