

110TH CONGRESS  
1ST SESSION

# S. 97

To amend the Internal Revenue Code of 1986 to replace the Hope and Lifetime Learning credits with a partially refundable college opportunity credit.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to replace the Hope and Lifetime Learning credits with a partially refundable college opportunity credit.

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 “College Opportunity  
5 Tax Credit Act of 2007”.

6 **SEC. 2. COLLEGE OPPORTUNITY TAX CREDIT.**

7 (a) IN GENERAL.—

1           (1) ALLOWANCE OF CREDIT.—Section 25A(a)  
2 of the Internal Revenue Code of 1986 (relating to  
3 allowance of credit) is amended—

4           (A) in paragraph (1), by striking “the  
5 Hope Scholarship Credit” and inserting “the el-  
6 igible student credit amount determined under  
7 subsection (b)”, and

8           (B) in paragraph (2), by striking “the  
9 Lifetime Learning Credit” and inserting “the  
10 part-time, graduate, and other student credit  
11 amount determined under subsection (c)”.

12           (2) NAME OF CREDIT.—The heading for section  
13 25A of such Code is amended to read as follows:

14 **“SEC. 25A. COLLEGE OPPORTUNITY CREDIT.”.**

15           (3) CLERICAL AMENDMENT.—The table of sec-  
16 tions for subpart A of part IV of subchapter A of  
17 chapter 1 of such Code is amended by striking the  
18 item relating to section 25A and inserting the fol-  
19 lowing:

“Sec. 25A. College opportunity credit.”.

20           (b) ELIGIBLE STUDENTS.—

21           (1) IN GENERAL.—Paragraph (1) of section  
22 25A(b) of the Internal Revenue Code of 1986 is  
23 amended—

24           (A) by striking “the Hope Scholarship  
25 Credit” and inserting “the eligible student cred-

1           it amount determined under this subsection”,  
2           and

3                   (B) by striking “PER STUDENT CREDIT”  
4           in the heading and inserting “IN GENERAL”.

5           (2) AMOUNT OF CREDIT.—Paragraph (4) of  
6           section 25A(b) of such Code (relating to applicable  
7           limit) is amended by striking “2” and inserting “3”.

8           (3) CREDIT REFUNDABLE.—

9                   (A) IN GENERAL.—Section 25A of such  
10           Code is amended by redesignating subsection (i)  
11           as subsection (j) and by inserting after sub-  
12           section (h) the following new subsection:

13           “(i) PORTION OF CREDIT REFUNDABLE.—

14                   “(1) IN GENERAL.—The aggregate credits al-  
15           lowed under subpart C shall be increased by the  
16           amount of the credit which would be allowed under  
17           this section—

18                           “(A) by reason of subsection (b), and

19                           “(B) without regard to this subsection and  
20           the limitation under section 26(a) or subsection  
21           (j), as the case may be.

22                   “(2) TREATMENT OF CREDIT.—The amount of  
23           the credit allowed under this subsection shall not be  
24           treated as a credit allowed under this subpart and  
25           shall reduce the amount of credit otherwise allowable

1 under subsection (a) without regard to section 26(a)  
2 or subsection (j), as the case may be.”.

3 (B) TECHNICAL AMENDMENT.—Section  
4 1324(b) of title 31, United States Code, is  
5 amended by inserting “, or enacted by the Col-  
6 lege Opportunity Tax Credit Act of 2007” be-  
7 fore the period at the end.

8 (4) LIMITATIONS.—

9 (A) CREDIT ALLOWED FOR 4 YEARS.—  
10 Subparagraph (A) of section 25A(b)(2) of such  
11 Code is amended—

12 (i) by striking “2” in the text and in  
13 the heading and inserting “4”, and

14 (ii) by striking “the Hope Scholarship  
15 Credit” and inserting “the credit allow-  
16 able”.

17 (B) ELIMINATION OF LIMITATION ON  
18 FIRST 2 YEARS OF POSTSECONDARY EDU-  
19 CATION.—Section 25A(b)(2) of such Code is  
20 amended by striking subparagraph (C) and by  
21 redesignating subparagraph (D) as subpara-  
22 graph (C).

23 (5) CONFORMING AMENDMENTS.—

1 (A) The heading of subsection (b) of sec-  
2 tion 25A of such Code is amended to read as  
3 follows:

4 “(b) ELIGIBLE STUDENTS.—”.

5 (B) Section 25A(b)(2) of such Code is  
6 amended—

7 (i) in subparagraph (B), by striking  
8 “the Hope Scholarship Credit” and insert-  
9 ing “the credit allowable”, and

10 (ii) in subparagraph (C), as redesign-  
11 nated by paragraph (4)(B), by striking  
12 “the Hope Scholarship Credit” and insert-  
13 ing “the credit allowable”.

14 (c) PART-TIME, GRADUATE, AND OTHER STU-  
15 DENTS.—

16 (1) IN GENERAL.—Subsection (c) of section  
17 25A of the Internal Revenue Code of 1986 is  
18 amended to read as follows:

19 “(c) PART-TIME, GRADUATE, AND OTHER STU-  
20 DENTS.—

21 “(1) IN GENERAL.—In the case of any student  
22 for whom an election is in effect under this section  
23 for any taxable year, the part-time, graduate, and  
24 other student credit amount determined under this

1 subsection for any taxable year is an amount equal  
2 to the sum of—

3 “(A) 40 percent of so much of the quali-  
4 fied tuition and related expenses paid by the  
5 taxpayer during the taxable year (for education  
6 furnished to the student during any academic  
7 period beginning in such taxable year) as does  
8 not exceed \$1,000, plus

9 “(B) 20 percent of such expenses so paid  
10 as exceeds \$1,000 but does not exceed the ap-  
11 plicable limit.

12 “(2) APPLICABLE LIMIT.—For purposes of  
13 paragraph (1)(B), the applicable limit for any tax-  
14 able year is an amount equal to 3 times the dollar  
15 amount in effect under paragraph (1)(A) for such  
16 taxable year.

17 “(3) SPECIAL RULES FOR DETERMINING EX-  
18 PENSES.—

19 “(A) COORDINATION WITH CREDIT FOR  
20 ELIGIBLE STUDENTS.—The qualified tuition  
21 and related expenses with respect to a student  
22 who is an eligible student for whom a credit is  
23 allowed under subsection (a)(1) for the taxable  
24 year shall not be taken into account under this  
25 subsection.

1           “(B) EXPENSES FOR JOB SKILLS COURSES  
 2 ALLOWED.—For purposes of paragraph (1),  
 3 qualified tuition and related expenses shall in-  
 4 clude expenses described in subsection (f)(1)  
 5 with respect to any course of instruction at an  
 6 eligible educational institution to acquire or im-  
 7 prove job skills of the student.”.

8           (2) INFLATION ADJUSTMENT.—

9           (A) IN GENERAL.—Subsection (h) of sec-  
 10 tion 25A of such Code (relating to inflation ad-  
 11 justments) is amended by adding at the end the  
 12 following new paragraph:

13           “(3) DOLLAR LIMITATION ON AMOUNT OF  
 14 CREDIT UNDER SUBSECTION (a)(2).—

15           (A) IN GENERAL.—In the case of a tax-  
 16 able year beginning after 2007, each of the  
 17 \$1,000 amounts under subsection (c)(1) shall  
 18 be increased by an amount equal to—

19                   “(i) such dollar amount, multiplied by

20                   “(ii) the cost-of-living adjustment de-  
 21 termined under section 1(f)(3) for the cal-  
 22 endar year in which the taxable year be-  
 23 gins, determined by substituting ‘calendar  
 24 year 2006’ for ‘calendar year 1992’ in sub-  
 25 paragraph (B) thereof.

1           “(B) ROUNDING.—If any amount as ad-  
 2           justed under subparagraph (A) is not a multiple  
 3           of \$100, such amount shall be rounded to the  
 4           next lowest multiple of \$100.”.

5           (B) CONFORMING AMENDMENT.—The  
 6           heading for paragraph (1) of section 25A(h) of  
 7           such code is amended by inserting “UNDER  
 8           SUBSECTION (a)(1)” after “CREDIT”.

9           (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
 10          IMUM TAX.—

11           (1) IN GENERAL.—Section 25A of the Internal  
 12          Revenue Code of 1986, as amended by subsection  
 13          (b)(3), is amended by redesignating subsection (j) as  
 14          subsection (k) and by inserting after subsection (h)  
 15          the following new subsection:

16          “(j) LIMITATION BASED ON AMOUNT OF TAX.—In  
 17          the case of a taxable year to which section 26(a)(2) does  
 18          not apply, the credit allowed under subsection (a) for the  
 19          taxable year shall not exceed the excess of—

20                 “(1) the sum of the regular tax liability (as de-  
 21                 fined in section 26(b)) plus the tax imposed by sec-  
 22                 tion 55, over

23                 “(2) the sum of the credits allowed under this  
 24                 subpart (other than this section and sections 23, 24,  
 25                 and 25B) and section 27 for the taxable year.”.

1           (2) CONFORMING AMENDMENT.—Section  
2           25(a)(1) of such Code is amended by inserting  
3           “25A,” after “24,”.

4           (e) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning after  
6 December 31, 2006.

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