AMENDMENT

OFFERED BY MS. SCHWARTZ OF PENNSYLVANIA

At the end of section 25A of the Internal Revenue Code of 1986, as proposed to be amended by section 2(a), add the following:

“(i) PILOT PROGRAM TO MAKE PERIODIC PAYMENTS AS COLLEGE EXPENSES INCURRED.—

“(1) IN GENERAL.—The Secretary of the Treasury and the Secretary of Education shall jointly establish a program designed to make payments periodically to or on behalf of an eligible student as the student incurs qualified tuition and related expenses during the taxable year. The total amount that may be so paid to or on behalf of an eligible student through this program shall not exceed the credit which would (but for paragraph (2)) be allowable under this section if subsection (c) were applied by using the taxpayer’s modified adjusted gross income for the preceding taxable year.

“(2) CREDIT REDUCED BY PILOT PROGRAM PAYMENTS.—The credit allowable under this section (without regard to this paragraph) for any taxable year shall be reduced (but not below zero) by the
payments made with respect to a student under paragraph (1) for expenses which would otherwise be taken into account in determining the credit under this section for such year.

“(3) PROGRAM PARTICIPATION.—Participation in the program established under this subsection shall be voluntary with respect to both students and educational institutions; except that, institutions which are taxable under this chapter (other than by reason of section 511) may not participate in such program.

“(4) PROGRAM PERIOD.—The program established under this subsection shall apply to expenses for academic periods beginning during the 5-year period which begins on the date which is 1 year after the date of the enactment of this subsection.

“(5) PAYMENTS NOT TREATED AS RESOURCES FOR FINANCIAL AID.—Payments made under this subsection shall not be treated as resources for purposes of determining the amount of any financial aid which is funded in whole or part with Federal funds. Payments under the program shall not be made in a manner that would reduce the State, private, or institutional aid available to an eligible student.
“(6) NOTICE OF PROGRAM.—Educational institutions participating in the program established under this subsection shall provide appropriate notices to parents and students of the option of payments under such program. Such notices shall not be considered tax advice for purposes of any Federal law or regulation.

“(7) REPORTING.—The Secretary of the Treasury and the Secretary of Education shall jointly submit annual reports to Congress on the program established under this subsection, together with any recommendations with respect to such program.”.