

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:

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

3 “(1) IN GENERAL.—The Secretary of the
4 Treasury and the Secretary of Education shall joint-
5 ly establish a program designed to make payments
6 periodically to or on behalf of an eligible student as
7 the student incurs qualified tuition and related ex-
8 penses during the taxable year. The total amount
9 that may be so paid to or on behalf of an eligible
10 student through this program shall not exceed the
11 credit which would (but for paragraph (2)) be allow-
12 able under this section if subsection (c) were applied
13 by using the taxpayer’s modified adjusted gross in-
14 come for the preceding taxable year.

15 “(2) CREDIT REDUCED BY PILOT PROGRAM
16 PAYMENTS.—The credit allowable under this section
17 (without regard to this paragraph) for any taxable
18 year shall be reduced (but not below zero) by the

1 payments made with respect to a student under
2 paragraph (1) for expenses which would otherwise be
3 taken into account in determining the credit under
4 this section for such year.

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

12 “(4) PROGRAM PERIOD.—The program estab-
13 lished under this subsection shall apply to expenses
14 for academic periods beginning during the 5-year pe-
15 riod which begins on the date which is 1 year after
16 the date of the enactment of this subsection.

17 “(5) PAYMENTS NOT TREATED AS RESOURCES
18 FOR FINANCIAL AID.—Payments made under this
19 subsection shall not be treated as resources for pur-
20 poses of determining the amount of any financial aid
21 which is funded in whole or part with Federal funds.
22 Payments under the program shall not be made in
23 a manner that would reduce the State, private, or
24 institutional aid available to an eligible student.

1 “(6) NOTICE OF PROGRAM.—Educational insti-
2 tutions participating in the program established
3 under this subsection shall provide appropriate no-
4 tices to parents and students of the option of pay-
5 ments under such program. Such notices shall not
6 be considered tax advice for purposes of any Federal
7 law or regulation.

8 “(7) REPORTING.—The Secretary of the Treas-
9 ury and the Secretary of Education shall jointly sub-
10 mit annual reports to Congress on the program es-
11 tablished under this subsection, together with any
12 recommendations with respect to such program.”.

