

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 529
OFFERED BY MR. RYAN OF WISCONSIN

Strike all after the enacting clause and insert the following:

1 SECTION 1. FINDINGS AND PURPOSE.

2 (a) FINDINGS.—Congress finds the following:

3 (1) When the Economic Growth and Tax Relief
4 Reconciliation Act of 2001 became law, the tax
5 treatment of section 529 college savings plans was
6 changed so that qualified distributions were no
7 longer taxed as income. The favorable tax treatment
8 of college savings plans was made permanent with
9 the passage of the Pension Protection Act of 2006.

10 (2) Section 529 college savings plans empower
11 middle-class families to accumulate savings to offset
12 the rising costs of attending college.

13 (3) The latest data from the College Savings
14 Plan Network shows that there are 11.83 million
15 529 accounts open throughout all 50 states, which
16 represent \$244.5 billion in total assets. The average
17 529 account size is \$20,671.

1 (4) States that sponsor 529 college savings
2 plans have taken steps to ensure these plans are a
3 tool that all families can use to save for college, in-
4 cluding setting minimum contributions as low as \$25
5 per month to encourage participation by families of
6 all income levels.

7 (5) The President's fiscal year 2016 Budget
8 proposes raising taxes by taxing certain future dis-
9 tributions made from 529 college savings plans.

10 (6) The tax proposed by the President would
11 discourage the use of 529 college savings plans, re-
12 quiring families and students to take on more debt.

13 (7) Purchase of a computer represents a signifi-
14 cant higher education expense and therefore should
15 be eligible for qualified distributions under 529 col-
16 lege savings plans.

17 (b) PURPOSE.—It is the purpose of this Act to—

18 (1) enact policies that strengthen 529 college
19 savings plans, and

20 (2) make 529 plans more modern, consumer-
21 friendly, and responsive to the realities faced by stu-
22 dents today.

1 **SEC. 2. COMPUTER TECHNOLOGY AND EQUIPMENT PERMA-**
2 **NENTLY ALLOWED AS A QUALIFIED HIGHER**
3 **EDUCATION EXPENSE FOR SECTION 529 AC-**
4 **COUNTS.**

5 (a) IN GENERAL.—Section 529(e)(3)(A)(iii) of the
6 Internal Revenue Code of 1986 is amended to read as fol-
7 lows:

8 “(iii) expenses for the purchase of
9 computer or peripheral equipment (as de-
10 fined in section 168(i)(2)(B)), computer
11 software (as defined in section
12 197(e)(3)(B)), or Internet access and re-
13 lated services, if such equipment, software,
14 or services are to be used primarily by the
15 beneficiary during any of the years the
16 beneficiary is enrolled at an eligible edu-
17 cational institution.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 December 31, 2014.

21 **SEC. 3. ELIMINATION OF DISTRIBUTION AGGREGATION RE-**
22 **QUIREMENTS.**

23 (a) IN GENERAL.—Section 529(c)(3) of the Internal
24 Revenue Code of 1986 is amended by striking subpara-
25 graph (D).

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to distributions after December 31,
3 2014.

4 **SEC. 4. RECONTRIBUTION OF REFUNDED AMOUNTS.**

5 (a) IN GENERAL.—Section 529(c)(3) of the Internal
6 Revenue Code of 1986 is amended by adding at the end
7 the following new subparagraph:

8 “(E) SPECIAL RULE FOR CONTRIBUTIONS
9 OF REFUNDED AMOUNTS.—In the case of a
10 beneficiary who receives a refund of any quali-
11 fied higher education expenses from an eligible
12 educational institution, subparagraph (A) shall
13 not apply to that portion of any distribution for
14 the taxable year which is recontributed to a
15 qualified tuition program of which such indi-
16 vidual is a beneficiary, but only to the extent
17 such recontribution is made not later than 60
18 days after the date of such refund and does not
19 exceed the refunded amount.”.

20 (b) EFFECTIVE DATE.—

21 (1) IN GENERAL.—The amendment made by
22 this section shall apply with respect to refunds of
23 qualified higher education expenses after December
24 31, 2014.

1 (2) TRANSITION RULE.—In the case of a refund
2 of qualified higher education expenses received after
3 December 31, 2014, and before the date of the en-
4 actment of this Act, section 529(c)(3)(E) of the In-
5 ternal Revenue Code of 1986 (as added by this sec-
6 tion) shall be applied by substituting “not later than
7 60 days after the date of the enactment of this sub-
8 paragraph” for “not later than 60 days after the
9 date of such refund”.

