

106TH CONGRESS
2D SESSION

H. R. 4993

To amend the Internal Revenue Code of 1986 to exclude from gross income gain from the sale of securities which are used to pay for higher education expenses.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2000

Mr. KNOLLENBERG (for himself, Mr. HORN, Mr. McHUGH, and Mr. CAMP) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income gain from the sale of securities which are used to pay for higher education expenses.

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. EXCLUSION FROM GROSS INCOME FOR GAIN**
4 **FROM SALE OF SECURITIES USED TO PAY**
5 **HIGHER EDUCATION EXPENSES.**

6 (a) IN GENERAL.—Part III of subchapter B of chap-
7 ter 1 of the Internal Revenue Code of 1986 (relating to
8 items specifically excluded from gross income) is amended

1 by redesignating section 139 as section 139A and by in-
2 serting after section 138 the following new section:

3 **“SEC. 139. EXCLUSION FROM GROSS INCOME FOR GAIN**
4 **FROM SALE OF SECURITIES USED TO PAY**
5 **HIGHER EDUCATION EXPENSES.**

6 “(a) GENERAL RULE.—In the case of an individual
7 who elects the application of this section and who pays
8 qualified higher education expenses during the taxable
9 year, no amount shall be includible in gross income by rea-
10 son of the sale during such year of any qualified security.

11 “(b) LIMITATION WHERE GAIN ON SALE OR EX-
12 CHANGE EXCEEDS HIGHER EDUCATION EXPENSES.—

13 “(1) IN GENERAL.—If—

14 “(A) the aggregate gain on the sale of any
15 qualified securities by the taxpayer during the
16 taxable year exceeds

17 “(B) the qualified higher education ex-
18 penses paid by the taxpayer during such taxable
19 year,

20 the amount excludable from gross income under sub-
21 section (a) shall not exceed the applicable fraction of
22 the amount excludable from gross income under sub-
23 section (a) without regard to this subsection.

24 “(2) APPLICABLE FRACTION.—For purposes of
25 subparagraph (A), the term ‘applicable fraction’

1 means the fraction the numerator of which is the
2 amount described in paragraph (1)(B) and the de-
3 nominator of which is the amount described in para-
4 graph (1)(A).

5 “(c) DEFINITIONS AND SPECIAL RULE.—For pur-
6 poses of this section—

7 “(1) QUALIFIED SECURITY.—

8 “(A) IN GENERAL.—The term ‘qualified
9 security’ means any security (as defined in sec-
10 tion 1236(c)) which is traded on an established
11 securities market.

12 “(B) EXCEPTION.—Such term shall not in-
13 clude any security held in a qualified retirement
14 plan (as defined in section 4974(c)) or in an ac-
15 count or under an arrangement which is exempt
16 from tax under this title.

17 “(2) QUALIFIED HIGHER EDUCATION EX-
18 PENSES.—The term ‘qualified higher education ex-
19 penses’ has the meaning given such term by section
20 530(b)(2), reduced by the amount of such expenses
21 taken into account for purposes of any other provi-
22 sion of this chapter.

23 “(3) EXCLUSION NOT APPLICABLE TO GAIN
24 TREATED AS ORDINARY INCOME.—This section shall

1 not apply to any gain which is treated as ordinary
2 income for purposes of this subtitle.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
4 for part III of subchapter B of chapter 1 of such Code
5 is amended by striking the item relating to section 139
6 and inserting the following new items:

“Sec. 139. Exclusion from gross income for gain from sale of se-
curities used to pay higher education expenses.

“Sec. 139A. Cross references to other Acts.”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to expenses paid after December
9 31, 2000 (in taxable years beginning after such date), for
10 education furnished in academic periods beginning after
11 such date.

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