

114TH CONGRESS  
1ST SESSION

# S. 1373

To amend the Higher Education Act to improve higher education programs,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 19, 2015

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

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## A BILL

To amend the Higher Education Act to improve higher  
education programs, and for other purposes.

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 for All Act”.

1 **TITLE I—FEDERAL-STATE PART-**  
2 **nership to Eliminate Tui-**  
3 **tion**

4 **SEC. 101. GRANT PROGRAM TO ELIMINATE TUITION AND**  
5 **REQUIRED FEES AT PUBLIC INSTITUTIONS**  
6 **OF HIGHER EDUCATION.**

7 (a) PROGRAM AUTHORIZED.—

8 (1) GRANTS AUTHORIZED.—From amounts ap-  
9 propriated under subsection (f), the Secretary of  
10 Education (referred to in this section as the “Sec-  
11 retary”) shall award grants, from allotments under  
12 subsection (b), to States having applications ap-  
13 proved under subsection (d), to enable the States to  
14 eliminate tuition and required fees at public institu-  
15 tions of higher education.

16 (2) MATCHING FUNDS REQUIREMENT.—Each  
17 State that receives a grant under this section shall  
18 provide matching funds for a fiscal year in an  
19 amount that is equal to one half the amount received  
20 under this section for the fiscal year toward the cost  
21 of reducing the cost of attendance at public institu-  
22 tions of higher education in the State.

23 (b) DETERMINATION OF ALLOTMENT.—

24 (1) INITIAL ALLOTMENT.—For fiscal year  
25 2016, the Secretary shall allot to each eligible State

1 that submits an application under this section an  
2 amount that is equal to 67 percent of the total rev-  
3 enue received by the State's public system of higher  
4 education in the form of tuition and related fees for  
5 fiscal year 2016. For each of fiscal years 2017  
6 through 2019, the Secretary shall allot to each eligi-  
7 ble State that submits an application under this sec-  
8 tion—

9 (A) an amount equal to the allotment the  
10 State received for fiscal year 2016, plus

11 (B) if the State provides additional funds  
12 toward the cost of reducing the cost of attend-  
13 ance at public institutions of higher education  
14 in the State for any of such fiscal years that is  
15 more than the matching funds requirement  
16 under subsection (a)(2), an amount equal to  
17 such additional funding provided by the State,  
18 which amount provided by the Secretary may be  
19 used for the activities described in subsection  
20 (e)(2).

21 (2) SUBSEQUENT ALLOTMENTS.—Beginning in  
22 fiscal year 2020, the Secretary shall determine the  
23 median allotment per full-time equivalent student  
24 made to all eligible States under this section for fis-  
25 cal year 2019 and incrementally reduce allotments

1 made to States under this section such that by fiscal  
2 year 2025, no State receives an allotment under this  
3 section per full-time equivalent student that exceeds  
4 the median allotment per full-time equivalent stu-  
5 dent made under this section for fiscal year 2019.

6 (c) STATE ELIGIBILITY REQUIREMENTS.—In order  
7 to be eligible to receive an allotment under this section  
8 for a fiscal year, a State shall—

9 (1) ensure that public institutions of higher  
10 education in the State maintain per-pupil expendi-  
11 tures on instruction at levels that meet or exceed the  
12 expenditures for the previous fiscal year;

13 (2) ensure that tuition and required fees for in-  
14 State undergraduate students in the State’s public  
15 higher education system are eliminated;

16 (3) maintain State operating expenditures for  
17 public institutions of higher education, excluding the  
18 amount of funds provided for a fiscal year under  
19 this section, at a level that meets or exceeds the level  
20 of such support for fiscal year 2015;

21 (4) maintain State expenditures on need-based  
22 financial aid programs for enrollment in public insti-  
23 tutions of higher education in the State at a level  
24 that meets or exceeds the level of such support for  
25 fiscal year 2015;

1           (5) ensure public institutions of higher edu-  
2           cation in the State maintain funding for institutional  
3           need-based student financial aid in an amount that  
4           is equal to or exceeds the level of such funding for  
5           the previous fiscal year;

6           (6) provide an assurance that not later than 5  
7           years after the date of enactment of this Act, not  
8           less than 75 percent of instruction at public institu-  
9           tions of higher education in the State is provided by  
10          tenured or tenure-track faculty;

11          (7) require that public institutions of higher  
12          education in the State provide, for each student en-  
13          rolled at the institution who receives for the max-  
14          imum Federal Pell Grant award under subpart 1 of  
15          part A of title IV of the Higher Education Act of  
16          1965 (20 U.S.C. 1070a et seq.), institutional stu-  
17          dent financial aid in an amount equal to 100 percent  
18          of the difference between—

19                 (A) the cost of attendance at such institu-  
20                 tion (as determined in accordance with section  
21                 472 of the Higher Education Act of 1965 (20  
22                 U.S.C. 1087ll)), and

23                 (B) the sum of—

24                         (i) the amount of the maximum Fed-  
25                         eral Pell Grant award; and

1 (ii) the student's expected family con-  
2 tribution; and

3 (8) ensure that public institutions of higher  
4 education in the State not adopt policies to reduce  
5 enrollment.

6 (d) SUBMISSION AND CONTENTS OF APPLICATION.—

7 For each fiscal year for which a State desires a grant  
8 under this section, the State agency with jurisdiction over  
9 higher education, or another agency designated by the  
10 Governor or chief executive of the State to administer the  
11 program under this section, shall submit an application  
12 to the Secretary at such time, in such manner, and con-  
13 taining such information as the Secretary may require.

14 (e) USE OF FUNDS.—

15 (1) IN GENERAL.—A State that receives a  
16 grant under this section shall use the grant funds  
17 and the matching funds required under this section  
18 to eliminate tuition and required fees for students at  
19 public institutions of higher education in the State.

20 (2) ADDITIONAL FUNDING.—Once tuition and  
21 required fees have been eliminated pursuant to para-  
22 graph (1), a State that receives a grant under this  
23 section shall use any remaining grant funds and  
24 matching funds required under this section to in-

1       crease the quality of instruction and student support  
2       services by carrying out the following:

3               (A) Expanding academic course offerings  
4               to students.

5               (B) Increasing the number and percentage  
6               of full-time instructional faculty.

7               (C) Providing all faculty with professional  
8               supports to help students succeed, such as pro-  
9               fessional development opportunities, office  
10              space, and shared governance in the institution.

11              (D) Compensating part-time faculty for  
12              work done outside of the classroom relating to  
13              instruction, such as holding office hours.

14              (E) Strengthening and ensuring all stu-  
15              dents have access to student support services  
16              such as academic advising, counseling, and tu-  
17              toring.

18              (F) Any other additional activities that im-  
19              prove instructional quality and academic out-  
20              comes for students as approved by the Sec-  
21              retary through a peer review process.

22              (3) PROHIBITION.—A State that receives a  
23              grant under this section may not use grant funds or  
24              matching funds required under this section—

1 (A) for the construction of non-academic  
2 facilities, such as student centers or stadiums;

3 (B) for merit-based student financial aid;

4 or

5 (C) to pay the salaries or benefits of school  
6 administrators.

7 (f) AUTHORIZATION AND APPROPRIATION.—There  
8 are authorized to be appropriated to carry out this section  
9 \$47,000,000,000 for fiscal year 2016, and such sums as  
10 may be necessary for each of the fiscal years 2017 through  
11 2025.

## 12 **TITLE II—STUDENT LOANS**

### 13 **SEC. 201. RESTORATION OF CERTAIN INTEREST RATE PRO-** 14 **VISIONS.**

15 Section 455(b) of the Higher Education Act of 1965  
16 (20 U.S.C. 1087e(b)) is amended—

17 (1) in paragraph (8)—

18 (A) in the heading, by striking “ON OR  
19 AFTER JULY 1, 2013” and inserting “ON OR  
20 AFTER JULY 1, 2013, AND BEFORE JULY 1,  
21 2015”; and

22 (B) by striking “on or after July 1, 2013”  
23 and inserting “on or after July 1, 2013, and  
24 before July 1, 2015” each place the term ap-  
25 pears;

1           (2) by redesignating paragraphs (9) and (10)  
2 as paragraphs (10) and (11), respectively; and

3           (3) by inserting the following after paragraph  
4 (8):

5           “(9) INTEREST RATE PROVISIONS FOR NEW  
6 LOANS ON OR AFTER JULY 1, 2015.—

7           “(A) RATES FOR FDSL AND FDUSL.—Not-  
8 withstanding the preceding paragraphs of this  
9 subsection, for Federal Direct Stafford Loans  
10 and Federal Direct Unsubsidized Stafford  
11 Loans for which the first disbursement is made  
12 on or after July 1, 2015, the applicable rate of  
13 interest shall, during any 12-month period be-  
14 ginning on July 1 and ending on June 30, be  
15 determined on the preceding June 1 and be  
16 equal to—

17           “(i) the bond equivalent rate of 91-  
18 day Treasury bills auctioned at the final  
19 auction held prior to such June 1; plus

20           “(ii) 2.3 percent,  
21 except that such rate shall not exceed 8.25 per-  
22 cent.

23           “(B) IN SCHOOL AND GRACE PERIOD  
24 RULES.—Notwithstanding the preceding para-  
25 graphs of this subsection, with respect to any

1 Federal Direct Stafford Loan or Federal Direct  
2 Unsubsidized Stafford Loan for which the first  
3 disbursement is made on or after July 1, 2015,  
4 the applicable rate of interest for interest which  
5 accrues—

6 “(i) prior to the beginning of the re-  
7 payment period of the loan; or

8 “(ii) during the period in which prin-  
9 cipal need not be paid (whether or not  
10 such principal is in fact paid) by reason of  
11 a provision described in subsection (f),  
12 shall be determined under subparagraph (A) by  
13 substituting ‘1.7 percent’ for ‘2.3 percent’.

14 “(C) PLUS LOANS.—Notwithstanding the  
15 preceding paragraphs of this subsection, with  
16 respect to Federal Direct PLUS Loan for which  
17 the first disbursement is made on or after July  
18 1, 2015, the applicable rate of interest shall be  
19 determined under subparagraph (A)—

20 “(i) by substituting ‘3.1 percent’ for  
21 ‘2.3 percent’; and

22 “(ii) by substituting ‘9.0 percent’ for  
23 ‘8.25 percent’.

24 “(D) CONSOLIDATION LOANS.—Notwith-  
25 standing the preceding paragraphs of this sub-

1 section, any Federal Direct Consolidation loan  
 2 for which the application is received on or after  
 3 July 1, 2015, shall bear interest at an annual  
 4 rate on the unpaid principal balance of the loan  
 5 that is equal to the lesser of—

6 “(i) the weighted average of the inter-  
 7 est rates on the loans consolidated, round-  
 8 ed to the nearest higher  $\frac{1}{8}$  of 1 percent;  
 9 or

10 “(ii) 8.25 percent.”.

11 **SEC. 202. BORROWER MODIFICATION OF INTEREST RATES**

12 **UNDER TITLE IV.**

13 Section 455(b) of the Higher Education Act of 1965  
 14 (20 U.S.C. 1087e(b)), as amended by section 201, is fur-  
 15 ther amended by adding at the end the following:

16 “(12) BORROWER MODIFICATION OF INTEREST  
 17 RATE.—

18 “(A) MODIFICATION.—Notwithstanding  
 19 any other provision of law, the borrower of a  
 20 Federal Stafford Loan under section 428, a  
 21 Federal Direct Stafford Loan, a Federal Un-  
 22 subsidized Stafford Loan under section 428H, a  
 23 Federal Direct Unsubsidized Stafford Loan, a  
 24 Federal PLUS Loan under section 428B, a  
 25 Federal Direct PLUS Loan, a Federal Consoli-

1            dation Loan under section 428C, or a Federal  
2            Direct Consolidation Loan may elect to modify  
3            the interest rate of the loan to be equal to—

4            “(i) in the case of a Federal Direct  
5            Stafford Loan, a Federal Direct Unsub-  
6            sidized Stafford Loan, a Federal Direct  
7            PLUS Loan, or a Federal Direct Consoli-  
8            dation Loan, the interest rate that would  
9            be applicable to such loan if such loan were  
10           first disbursed (or in the case of a Federal  
11           Direct Consolidation Loan, first applied  
12           for) on the date on which such borrower  
13           elects to modify the interest rate of such  
14           loan; and

15           “(ii) in the case of a Federal Stafford  
16           Loan, a Federal Unsubsidized Stafford  
17           Loan, a Federal PLUS Loan, or a Federal  
18           Consolidation Loan, the weighted average  
19           of the interest rates applicable to loans  
20           under part B on the date the loan was first  
21           disbursed (or in the case of a Federal Con-  
22           solidation Loan, first applied for).

23           “(B) FIXED RATE.—Except as provided in  
24           subparagraph (C), an interest rate elected

1 under subparagraph (A) for a loan shall be  
2 fixed for the life of the loan.

3 “(C) CONTINUING AUTHORITY TO MOD-  
4 IFY.—A borrower may elect to modify the inter-  
5 est rate of a loan in accordance with subpara-  
6 graph (A) at any time during the life of the  
7 loan.”.

## 8 **TITLE III—FEDERAL WORK-** 9 **STUDY PROGRAMS**

### 10 **SEC. 301. AUTHORIZATION OF APPROPRIATIONS.**

11 Section 441(b) of the Higher Education Act of 1965  
12 (42 U.S.C. 2751(b)) is amended to read as follows:

13 “(b) AUTHORIZATION OF APPROPRIATIONS.—There  
14 are authorized to be appropriated to carry out this part—

15 “(1) \$975,000,000 for fiscal year 2016;

16 “(2) \$1,500,000,000 for fiscal year 2017;

17 “(3) \$2,000,000,000 for fiscal year 2018;

18 “(4) \$2,500,000,000 for fiscal year 2019; and

19 “(5) \$3,000,000,000 for fiscal year 2020.”.

### 20 **SEC. 302. FEDERAL WORK-STUDY ALLOCATION OF FUNDS.**

21 Section 442 of the Higher Education Act of 1965 (42  
22 U.S.C. 2752) is amended—

23 (1) by striking subsection (a) and inserting the  
24 following:

1       “(a) REVISION TO THE FEDERAL WORK STUDY AL-  
2 LOCATION.—The Secretary shall allocate funds under this  
3 section solely on the basis of the self-help need determina-  
4 tion described under subsection (c).”;

5           (2) in subsection (c)—

6           (A) in paragraph (2), by striking “To de-  
7 termine the self-help need of an institution’s eli-  
8 gible undergraduate students,” and inserting  
9 “Until such time as the Secretary establishes a  
10 revised method to determine the self-help need  
11 of an institution’s eligible undergraduate stu-  
12 dents, in accordance with paragraph (5),”;

13           (B) in paragraph (3), by striking “To de-  
14 termine the self-help need of an institution’s eli-  
15 gible graduate and professional students,” and  
16 inserting “Until such time as the Secretary es-  
17 tablishes a revised method to determine the  
18 self-help need of an institution’s eligible grad-  
19 uate and professional students, in accordance  
20 with paragraph (5),”; and

21           (C) by adding at the end the following:

22           “(5) Not later than 1 year after the date of en-  
23 actment of the College for All Act, the Secretary  
24 shall establish revised methods for determining the  
25 self-help need of an institution’s eligible under-

1 graduate students, as described in paragraph (2),  
2 and eligible graduate and professional students, as  
3 described in paragraph (3), that shall take into ac-  
4 count the number of Federal Pell Grant eligible low-  
5 and moderate-income students that an eligible insti-  
6 tution serves and provide considerations for eligible  
7 institutions that successfully demonstrate improved  
8 employment outcomes. The Secretary shall promul-  
9 gate any regulations necessary to carry out the re-  
10 vised methods of determining an eligible institution's  
11 self-help need under this subsection.”; and

12 (3) by adding at the end the following:

13 “(f) FUNDS TO EXPAND JOB LOCATION DEVELOP-  
14 MENT PROGRAMS.—Notwithstanding any other provision  
15 of this part, to promote career readiness and improve the  
16 employment skills of Federal Pell Grant-eligible students,  
17 the Secretary is authorized to enter into agreements with  
18 eligible institutions under which such institution may not  
19 use more than 20 percent or \$150,000 of its allotment  
20 under this section, whichever amount is less, to expand  
21 job location development programs, which can be coordi-  
22 nated with State and local workforce development  
23 boards.”.

1 **TITLE IV—OFFERING NEC-**  
2 **CESSARY ELIGIBILITY FOR**  
3 **TIMELY INSTITUTIONAL MA-**  
4 **TRICULATION AND ENROLL-**  
5 **MENT**

6 **SEC. 401. FAFSA PILOT PROGRAM.**

7 Part G of title IV of the Higher Education Act of  
8 1965 (20 U.S.C. 1088 et seq.) is amended by inserting  
9 after section 483 the following:

10 **“SEC. 483A. FAFSA PILOT PROGRAM.**

11 “(a) PURPOSES.—The purposes of this section are—

12 “(1) to streamline the annual process by which  
13 students apply for Federal financial assistance;

14 “(2) to reduce the need for students to re-apply  
15 for such assistance each year;

16 “(3) to lower the cost of student borrowing by  
17 maintaining important student loan protections,  
18 such as the in-school interest subsidy;

19 “(4) to strengthen the middle class and reduce  
20 income inequality by targeting financial aid to low-  
21 and middle-income students; and

22 “(5) to ensure that the financial aid application  
23 uses income data from prior tax years readily avail-  
24 able to students and families to facilitate the wide-  
25 spread and increased use of automated processes,

1 such as at the IRS-Data Retrieval Tool (IRS-DRT),  
2 with the goal of reducing errors and easing the time  
3 and rigor of the application process.

4 “(b) PILOT PROGRAM AUTHORIZED.—The Secretary  
5 is authorized to establish a pilot program and select 5 eli-  
6 gible States—

7 “(1) in which a student who attends an institu-  
8 tion of higher education in the eligible State may  
9 submit a single Free Application for Federal Stu-  
10 dent Aid, as described in section 483 and modified  
11 under subsection (d) (referred to in this section as  
12 the ‘FAFSA’), to be used as the application to de-  
13 termine the need and eligibility of the student for fi-  
14 nancial assistance under this title during the official  
15 length of the student’s proposed postsecondary de-  
16 gree program; and

17 “(2) that shall each receive a grant in accord-  
18 ance with subsection (e).

19 “(c) ELIGIBLE STATES.—The Secretary shall select  
20 5 eligible States that are determined by the Secretary to  
21 have a strong record of increasing college access and af-  
22 fordability, especially for low-income students, to partici-  
23 pate in the pilot program described in subsection (b). The  
24 selection of eligible States shall be based on the extent  
25 to which the State has—

1           “(1) invested, and continues to invest, signifi-  
2           cantly in public higher education, resulting in a com-  
3           paratively lower net price for low-income students;

4           “(2) allocated State financial aid primarily on  
5           the basis of need; and

6           “(3) agreed, as a condition of the State’s appli-  
7           cation for the pilot program under this section, to  
8           provide all in-State students (as determined by the  
9           State) with an offer for State financial aid that—

10                   “(A) is valid for not less than 2 years and  
11                   not more than 4 years, as determined by the  
12                   State; and

13                   “(B) shall be subject to change only upon  
14                   certain conditions, such as significant changes  
15                   in a student’s financial circumstances.

16           “(d) SINGLE FAFSA SUBMISSION.—The Secretary  
17           shall implement, in consultation with the 5 selected eligible  
18           States, a pilot program to streamline the process of appli-  
19           cation to determine the need and eligibility of a student  
20           for financial assistance under this title that incorporates  
21           the following:

22                   “(1) An option for students that are enrolled in  
23                   an institution of higher education in a selected eligi-  
24                   ble State to submit a single FAFSA at the begin-  
25                   ning of the student’s postsecondary degree program

1 and receive a determination of financial assistance  
2 under this title that shall, on a contingent basis, be  
3 valid for not less than 2 years and not more than  
4 4 years, as determined by the State.

5 “(2) The determination of financial assistance  
6 under paragraph (1) shall be made in accordance  
7 with part F, except that relevant calculations shall  
8 be made using a multi-year average, of 2 or 3 years,  
9 from the most recent tax years for which data are  
10 available. A student may use previously submitted  
11 student and parent taxpayer data to prepopulate the  
12 electronic version of the FAFSA, as described in sec-  
13 tion 483(f).

14 “(3) As a condition of the continued receipt of  
15 financial assistance under this section, the Secretary  
16 may require a student who submits the single  
17 FAFSA to respond to a short number of questions  
18 (which may be determined by the Secretary), on an  
19 annual basis, to determine if there is a change in the  
20 financial status of the student (such as whether the  
21 student or the student’s parent has experienced a  
22 substantial increase in annual income) in order to  
23 ensure that the student continues to receive the ap-  
24 propriate amount of financial assistance under this  
25 title.

1           “(4) Notwithstanding paragraph (1), a require-  
2           ment that students who experience significant  
3           changes in their financial circumstances, as deter-  
4           mined by the Secretary, will be required to resubmit  
5           the FAFSA in order to receive a new determination  
6           of financial assistance under this title.

7           “(5) An income verification process—

8           “(A) which the Secretary, through the es-  
9           tablishment of a memorandum of under-  
10          standing with the Secretary of the Treasury,  
11          will develop to share the income tax data of a  
12          random sample of students who have received  
13          Federal assistance under this title, including  
14          Federal Pell Grants under section 401 and  
15          loans made under part D;

16          “(B) to ensure that students who have not  
17          resubmitted a FAFSA in accordance with para-  
18          graph (3) did not have a significant change in  
19          financial circumstances that would have re-  
20          quired them to do so;

21          “(C) that shall be carried out in a way so  
22          as to ensure that no personally identifiable in-  
23          formation is made public through the income  
24          verification process; and

1           “(D) that will be carried out only with the  
2           consent of students, whose consent will be re-  
3           quested as part of the annual response required  
4           under paragraph (3).

5           “(6) An option for students to request profes-  
6           sional judgment or resubmit their FAFSA each  
7           year, to receive a new determination of eligibility for  
8           financial assistance under this title.

9           “(e) GRANT AMOUNT.—Each eligible State selected  
10          under this section shall receive a grant to increase public  
11          awareness of, and promote the use of, the single FAFSA  
12          that may be submitted under the pilot program to be used  
13          as the application to determine the need and eligibility of  
14          the student for financial assistance under this title during  
15          the official length of the student’s proposed postsecondary  
16          degree program.

17          “(f) SUPPLEMENT NOT SUPPLANT.—Grants pro-  
18          vided under this section shall be used to supplement, and  
19          not supplant, State funds that are used to improve college  
20          access and affordability.

21          “(g) EVALUATION.—Not later than 3 years after the  
22          date of enactment of the College for All Act, and 5 years  
23          thereafter, the Secretary shall prepare and submit to the  
24          authorizing committees a report that contains an evalua-  
25          tion of the effectiveness of the pilot program under this

1 section in improving college access, increasing FAFSA  
 2 submission rates, and increasing postsecondary education  
 3 credit and course accumulation.”.

4 **SEC. 402. PRIOR, PRIOR YEAR.**

5 Section 480(a)(1) of the Higher Education Act of  
 6 1965 (20 U.S.C. 1087vv(a)(1)) is amended by striking  
 7 subparagraph (B) and inserting the following:

8 “(B) Notwithstanding section 478(a) and beginning  
 9 not later than 180 days after the date of enactment of  
 10 the College for All Act, the Secretary shall provide for the  
 11 use of data from the second preceding tax year when and  
 12 to the extent necessary to carry out the simplification of  
 13 applications (including simplification for a subset of appli-  
 14 cations) used for the estimation and determination of fi-  
 15 nancial aid eligibility. Such simplification shall include the  
 16 sharing of data between the Internal Revenue Service and  
 17 the Department, pursuant to the consent of the tax-  
 18 payer.”.

19 **TITLE V—OFFSET**

20 **SEC. 501. SHORT TITLE.**

21 This title may be cited as the “Inclusive Prosperity  
 22 Act of 2015”.

1 **SEC. 502. TRANSACTION TAX.**

2 (a) IN GENERAL.—Chapter 36 of the Internal Rev-  
 3 enue Code of 1986 is amended by inserting after sub-  
 4 chapter B the following new subchapter:

5 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

6 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed  
 8 a tax on the transfer of ownership in each covered trans-  
 9 action with respect to any security.

10 “(b) RATE OF TAX.—The tax imposed under sub-  
 11 section (a) with respect to any covered transaction shall  
 12 be the applicable percentage of the specified base amount  
 13 with respect to such covered transaction. The applicable  
 14 percentage shall be—

15 “(1) 0.5 percent in the case of a security de-  
 16 scribed in subparagraph (A) or (B) of subsection  
 17 (e)(1),

18 “(2) 0.10 percent in the case of a security de-  
 19 scribed in subparagraph (C) of subsection (e)(1),  
 20 and

21 “(3) 0.005 percent in the case of a security de-  
 22 scribed in subparagraph (D), (E), or (F) of sub-  
 23 section (e)(1).

24 “(c) SPECIFIED BASE AMOUNT.—For purposes of  
 25 this section, the term ‘specified base amount’ means—

1           “(1) except as provided in paragraph (2), the  
2 fair market value of the security (determined as of  
3 the time of the covered transaction), and

4           “(2) in the case of any payment described in  
5 subsection (h), the amount of such payment.

6           “(d) COVERED TRANSACTION.—For purposes of this  
7 section, the term ‘covered transaction’ means—

8           “(1) except as provided in paragraph (2), any  
9 purchase of a security if—

10           “(A) such purchase occurs or is cleared on  
11 a facility located in the United States, or

12           “(B) the purchaser or seller is a United  
13 States person, and

14           “(2) any transaction with respect to a security  
15 described in subparagraph (D), (E), or (F) of sub-  
16 section (e)(1), if—

17           “(A) such security is traded or cleared on  
18 a facility located in the United States, or

19           “(B) any party with rights under such se-  
20 curity is a United States person.

21           “(e) SECURITY AND OTHER DEFINITIONS.—For pur-  
22 poses of this section—

23           “(1) IN GENERAL.—The term ‘security’  
24 means—

25           “(A) any share of stock in a corporation,

1           “(B) any partnership or beneficial owner-  
2           ship interest in a partnership or trust,

3           “(C) any note, bond, debenture, or other  
4           evidence of indebtedness, other than a State or  
5           local bond the interest of which is excluded  
6           from gross income under section 103(a),

7           “(D) any evidence of an interest in, or a  
8           derivative financial instrument with respect to,  
9           any security or securities described in subpara-  
10          graph (A), (B), or (C),

11          “(E) any derivative financial instrument  
12          with respect to any currency or commodity in-  
13          cluding notional principal contracts, and

14          “(F) any other derivative financial instru-  
15          ment any payment with respect to which is cal-  
16          culated by reference to any specified index.

17          “(2) DERIVATIVE FINANCIAL INSTRUMENT.—  
18          The term ‘derivative financial instrument’ includes  
19          any option, forward contract, futures contract, no-  
20          tional principal contract, or any similar financial in-  
21          strument.

22          “(3) SPECIFIED INDEX.—The term ‘specified  
23          index’ means any 1 or more of any combination of—

24                 “(A) a fixed rate, price, or amount, or

1           “(B) a variable rate, price, or amount,  
2           which is based on any current objectively deter-  
3           minable information which is not within the  
4           control of any of the parties to the contract or  
5           instrument and is not unique to any of the par-  
6           ties’ circumstances.

7           “(4) TREATMENT OF EXCHANGES.—

8           “(A) IN GENERAL.—An exchange shall be  
9           treated as the sale of the property transferred  
10          and a purchase of the property received by each  
11          party to the exchange.

12          “(B) CERTAIN DEEMED EXCHANGES.—In  
13          the case of a distribution treated as an ex-  
14          change for stock under section 302 or 331, the  
15          corporation making such distribution shall be  
16          treated as having purchased such stock for pur-  
17          poses of this section.

18          “(f) EXCEPTIONS.—

19          “(1) EXCEPTION FOR INITIAL ISSUES.—No tax  
20          shall be imposed under subsection (a) on any cov-  
21          ered transaction with respect to the initial issuance  
22          of any security described in subparagraph (A), (B),  
23          or (C) of subsection (e)(1).

1           “(2) EXCEPTION FOR CERTAIN TRADED SHORT-  
2           TERM INDEBTEDNESS.—A note, bond, debenture, or  
3           other evidence of indebtedness which—

4                   “(A) is traded on a trading facility located  
5                   in the United States, and

6                   “(B) has a fixed maturity of not more  
7                   than 60 days,

8           shall not be treated as described in subsection  
9           (e)(1)(C).

10           “(3) EXCEPTION FOR SECURITIES LENDING AR-  
11           RANGEMENTS.—No tax shall be imposed under sub-  
12           section (a) on any covered transaction with respect  
13           to which gain or loss is not recognized by reason of  
14           section 1058.

15           “(g) BY WHOM PAID.—

16                   “(1) IN GENERAL.—The tax imposed by this  
17                   section shall be paid by—

18                   “(A) in the case of a transaction which oc-  
19                   curs or is cleared on a facility located in the  
20                   United States, such facility, and

21                   “(B) in the case of a purchase not de-  
22                   scribed in subparagraph (A) which is executed  
23                   by a broker (as defined in section 6045(c)(1)),  
24                   the broker.

1           “(2) SPECIAL RULES FOR DIRECT, ETC.,  
2           TRANSACTIONS.—In the case of any transaction to  
3           which paragraph (1) does not apply, the tax imposed  
4           by this section shall be paid by—

5                   “(A) in the case of a transaction described  
6                   in subsection (d)(1)—

7                           “(i) the purchaser if the purchaser is  
8                           a United States person, and

9                           “(ii) the seller if the purchaser is not  
10                          a United States person, and

11                   “(B) in the case of a transaction described  
12                   in subsection (d)(2)—

13                           “(i) the payor if the payor is a United  
14                           States person, and

15                           “(ii) the payee if the payor is not a  
16                          United States person.

17           “(h) CERTAIN PAYMENTS TREATED AS SEPARATE  
18           TRANSACTIONS.—Except as otherwise provided by the  
19           Secretary, any payment with respect to a security de-  
20           scribed in subparagraph (D), (E), or (F) of subsection  
21           (e)(1) shall be treated as a separate transaction for pur-  
22           poses of this section, including—

23                   “(1) any net initial payment, net final or termi-  
24                   nating payment, or net periodical payment with re-

1 spect to a notional principal contract (or similar fi-  
2 nancial instrument),

3 “(2) any payment with respect to any forward  
4 contract (or similar financial instrument), and

5 “(3) any premium paid with respect to any op-  
6 tion (or similar financial instrument).

7 “(i) ADMINISTRATION.—The Secretary shall carry  
8 out this section in consultation with the Securities and Ex-  
9 change Commission and the Commodity Futures Trading  
10 Commission.

11 “(j) GUIDANCE; REGULATIONS.—The Secretary  
12 shall—

13 “(1) provide guidance regarding such informa-  
14 tion reporting concerning covered transactions as the  
15 Secretary deems appropriate, including reporting by  
16 the payor of the tax in cases where the payor is not  
17 the purchaser, and

18 “(2) prescribe such regulations as are necessary  
19 or appropriate to prevent avoidance of the purposes  
20 of this section, including the use of non-United  
21 States persons in such transactions.

22 “(k) WHISTLEBLOWERS.—See section 7623 for pro-  
23 visions relating to whistleblowers.”.

24 (b) PENALTY FOR FAILURE TO INCLUDE COVERED  
25 TRANSACTION INFORMATION WITH RETURN.—Part I of

1 subchapter B of chapter 68 of the Internal Revenue Code  
 2 of 1986 is amended by inserting after section 6707A the  
 3 following new section:

4 **“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COV-**  
 5 **ERED TRANSACTION INFORMATION WITH RE-**  
 6 **TURN.**

7 “(a) IMPOSITION OF PENALTY.—Any person who  
 8 fails to include on any return or statement any informa-  
 9 tion with respect to a covered transaction which is re-  
 10 quired pursuant to section 4475(j)(1) to be included with  
 11 such return or statement shall pay a penalty in the  
 12 amount determined under subsection (b).

13 “(b) AMOUNT OF PENALTY.—Except as otherwise  
 14 provided in this subsection, the amount of the penalty  
 15 under subsection (a) with respect to any covered trans-  
 16 action shall be determined by the Secretary.

17 “(c) COVERED TRANSACTION.—For purposes of this  
 18 section, the term ‘covered transaction’ has the meaning  
 19 given such term by section 4475(d).

20 “(d) AUTHORITY TO RESCIND PENALTY.—

21 “(1) IN GENERAL.—The Commissioner of In-  
 22 ternal Revenue may rescind all or any portion of any  
 23 penalty imposed by this section with respect to any  
 24 violation if rescinding the penalty would promote

1 compliance with the requirements of this title and  
2 effective tax administration.

3 “(2) NO JUDICIAL APPEAL.—Notwithstanding  
4 any other provision of law, any determination under  
5 this subsection may not be reviewed in any judicial  
6 proceeding.

7 “(3) RECORDS.—If a penalty is rescinded under  
8 paragraph (1), the Commissioner shall place in the  
9 file in the Office of the Commissioner the opinion of  
10 the Commissioner with respect to the determination,  
11 including—

12 “(A) a statement of the facts and cir-  
13 cumstances relating to the violation,

14 “(B) the reasons for the rescission, and

15 “(C) the amount of the penalty rescinded.

16 “(e) COORDINATION WITH OTHER PENALTIES.—The  
17 penalty imposed by this section shall be in addition to any  
18 other penalty imposed by this title.”.

19 (c) CLERICAL AMENDMENTS.—

20 (1) The table of sections for part I of sub-  
21 chapter B of chapter 68 of such Code is amended  
22 by inserting after the item relating to section 6707A  
23 the following new item:

“Sec. 6707B. Penalty for failure to include covered transaction information  
with return.”.

1           (2) The table of subchapters for chapter 36 of  
 2           the Internal Revenue Code of 1986 is amended by  
 3           inserting after the item relating to subchapter B the  
 4           following new item:

                  “SUBCHAPTER C. TAX ON TRADING TRANSACTIONS”.

5           (d) EFFECTIVE DATE.—The amendments made by  
 6           this section shall apply to transactions after December 31,  
 7           2015.

8           **SEC. 503. OFFSETTING CREDIT FOR FINANCIAL TRANS-**  
 9                                   **ACTION TAX.**

10          (a) IN GENERAL.—Subpart A of part IV of sub-  
 11          chapter A of chapter 1 of the Internal Revenue Code of  
 12          1986 (relating to nonrefundable personal credits) is  
 13          amended by inserting after section 25D the following new  
 14          section:

15          **“SEC. 25E. FINANCIAL TRANSACTION TAX PAYMENTS.**

16               “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 17          dividual, there shall be allowed as a credit against the tax  
 18          imposed by this chapter for the taxable year an amount  
 19          equal to the tax paid during the taxable year under section  
 20          4475.

21               “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
 22          GROSS INCOME.—

23                       “(1) IN GENERAL.—Subsection (a) shall not  
 24          apply to a taxpayer for the taxable year if the modi-  
 25          fied adjusted gross income of the taxpayer for the

1 taxable year exceeds \$50,000 (\$75,000 in the case  
2 of a joint return and one-half of such amount in the  
3 case of a married individual filing a separate re-  
4 turn).

5 “(2) MODIFIED ADJUSTED GROSS INCOME.—  
6 For purposes of paragraph (1), the term ‘modified  
7 adjusted gross income’ means adjusted gross in-  
8 come—

9 “(A) determined without regard to sections  
10 86, 893, 911, 931, and 933, and

11 “(B) increased by the amount of interest  
12 received or accrued by the taxpayer during the  
13 taxable year which is exempt from tax.

14 “(3) INFLATION ADJUSTMENT.—

15 “(A) IN GENERAL.—In the case of any  
16 taxable year beginning after 2016, each dollar  
17 amount referred to in paragraph (1) shall be in-  
18 creased 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) of the In-  
22 ternal Revenue Code of 1986 for the cal-  
23 endar year in which the taxable year be-  
24 gins, by substituting ‘2015’ for ‘1992’.

1           “(B) ROUNDING.—If any amount as ad-  
2           justed under clause (i) is not a multiple of \$50,  
3           such amount shall be rounded to the nearest  
4           multiple of \$50.

5           “(c) ELIGIBLE INDIVIDUAL.—

6           “(1) IN GENERAL.—The term ‘eligible indi-  
7           vidual’ means, with respect to any taxable year, an  
8           individual who—

9           “(A) has attained the age of 18 as of the  
10          last day of such taxable year, and

11          “(B) is a citizen or lawful permanent resi-  
12          dent (within the meaning of section 7701(b)(6))  
13          as of the last day of such taxable year.

14          “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—  
15          For purposes of paragraph (1), an individual de-  
16          scribed in any of the following provisions of this title  
17          for the preceding taxable year shall not be treated  
18          as an eligible individual for the taxable year:

19          “(A) An individual who is a student (as  
20          defined in section 152(f)(2)) for the taxable  
21          year or the immediately preceding taxable year.

22          “(B) An individual who is a taxpayer de-  
23          scribed in subsection (c), (d), or (e) of section  
24          6402 for the immediately preceding taxable  
25          year.

1                   “(C) A married individual who files a sepa-  
2                   rate return for the taxable year.”.

3           (b) CLERICAL AMENDMENT.—The table of sections  
4 for subpart A of part IV of subchapter A of chapter 1  
5 of such Code is amended by inserting after the item relat-  
6 ing to section 25D the following new item:

“Sec. 25E. Financial transaction tax payments.”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2015.

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