

114TH CONGRESS
1ST SESSION

S. 306

To amend the Internal Revenue Code of 1986 to encourage the use of 529 plans and Coverdell education savings accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 29, 2015

Mr. LEE (for himself, Mr. CRUZ, and Mr. CRAPO) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage the use of 529 plans and Coverdell education savings accounts, 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 “Enhancing Edu-
5 cational Opportunities for all Students Act”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.

TITLE I—TITLE I OF THE ESEA PORTABILITY

- Sec. 101. Title I portability.

TITLE II—ALLOWANCE OF HOME SCHOOL EXPENSES AS
QUALIFIED EDUCATION EXPENSES

Sec. 201. Allowance of home school expenses as qualified education expenses for purposes of a Coverdell Education Savings Account.

Sec. 202. Elimination of Coverdell Education Savings Account contribution limitation.

TITLE III—529 PROGRAMS FOR ELEMENTARY AND SECONDARY
EDUCATION EXPENSES

Sec. 301. 529 programs for elementary and secondary education expenses.

1 **TITLE I—TITLE I OF THE ESEA**
2 **PORTABILITY**

3 **SEC. 101. TITLE I PORTABILITY.**

4 Part A of title I of the Elementary and Secondary
5 Education Act of 1965 (20 U.S.C. 6311 et seq.) is amend-
6 ed by adding at the end the following:

7 **“SEC. 1128. TITLE I FUNDS FOLLOW THE LOW-INCOME**
8 **CHILD STATE OPTION.**

9 “(a) IN GENERAL.—Notwithstanding any other pro-
10 vision of law and to the extent permitted under State law,
11 a State educational agency may allocate grant funds under
12 this part among the local educational agencies in the State
13 based on the number of eligible children enrolled in the
14 public schools served by each local educational agency and
15 the State-accredited private schools within each local edu-
16 cational agency’s geographic jurisdiction.

17 “(b) ELIGIBLE CHILD.—

18 “(1) DEFINITION.—In this section, the term
19 ‘eligible child’ means a child aged 5 to 17, inclusive,
20 from a family with an income below the poverty level

1 on the basis of the most recent satisfactory data
2 published by the Department of Commerce.

3 “(2) CRITERIA OF POVERTY.—In determining
4 the families with incomes below the poverty level for
5 the purposes of this section, a State educational
6 agency shall use the criteria of poverty used by the
7 Census Bureau in compiling the most recent decen-
8 nial census, as the criteria have been updated by in-
9 creases in the Consumer Price Index for All Urban
10 Consumers, published by the Bureau of Labor Sta-
11 tistics.

12 “(c) STUDENT ENROLLMENT IN PUBLIC AND PRI-
13 VATE SCHOOLS.—

14 “(1) IDENTIFICATION OF ELIGIBLE CHIL-
15 DREN.—On an annual basis, on a date to be deter-
16 mined by the State educational agency, each local
17 educational agency that receives grant funding in ac-
18 cordance with subsection (a) shall inform the State
19 educational agency of the number of eligible children
20 enrolled in public schools served by the local edu-
21 cational agency and the State-accredited private
22 schools within the local educational agency’s geo-
23 graphic jurisdiction.

24 “(2) ALLOCATION TO LOCAL EDUCATIONAL
25 AGENCIES.—Based on the identification of eligible

1 children in paragraph (1), the State educational
2 agency shall provide to a local educational agency an
3 amount equal to the sum of the amount available for
4 each eligible child in the State multiplied by the
5 number of eligible children identified by the local
6 educational agency under paragraph (1).

7 “(3) DISTRIBUTION TO SCHOOLS.—Each local
8 educational agency that receives funds under para-
9 graph (2) shall distribute such funds to the public
10 schools served by the local educational agency and
11 State-accredited private schools within the local edu-
12 cational agency’s geographic jurisdiction—

13 “(A) based on the number of eligible chil-
14 dren enrolled in such schools; and

15 “(B) in a manner that would, in the ab-
16 sence of such Federal funds, supplement the
17 funds made available from non-Federal re-
18 sources for the education of pupils participating
19 in programs under this subpart, and not to sup-
20 plant such funds.”.

1 **TITLE II—FURTHER CLARIFICA-**
 2 **TION OF COVERDELL EDU-**
 3 **CATION SAVINGS ACCOUNTS**

4 **SEC. 201. ALLOWANCE OF HOME SCHOOL EXPENSES AS**
 5 **QUALIFIED EDUCATION EXPENSES FOR PUR-**
 6 **POSES OF A COVERDELL EDUCATION SAV-**
 7 **INGS ACCOUNT.**

8 (a) IN GENERAL.—Paragraph (3) of section 530(b)
 9 of the Internal Revenue Code of 1986 is amended by add-
 10 ing at the end the following new subparagraph:

11 “(C) PRIVATE SCHOOL.—For purposes of
 12 this section, the term ‘private school’ includes
 13 any home school that meets the requirements of
 14 State law applicable to such home schools,
 15 whether or not such school is deemed a private
 16 school for purposes of State law.”.

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

20 **SEC. 202. ELIMINATION OF COVERDELL EDUCATION SAV-**
 21 **INGS ACCOUNT CONTRIBUTION LIMITATION.**

22 (a) IN GENERAL.—Subparagraph (A) of section
 23 530(b)(1) of the Internal Revenue Code of 1986 is amend-
 24 ed by inserting “or” at the end of clause (i), by striking

1 “or” at the end of clause (ii) and inserting a period, and
 2 by striking clause (iii).

3 (b) PROHIBITION ON EXCESS CONTRIBUTIONS.—
 4 Subsection (b) of section 530 of the Internal Revenue
 5 Code of 1986 is amended by adding at the end the fol-
 6 lowing new paragraph:

7 “(5) PROHIBITION ON EXCESS CONTRIBU-
 8 TIONS.—A program shall not be treated as a Cover-
 9 dell education savings account unless it provides
 10 adequate safeguards to prevent contributions on be-
 11 half of a designated beneficiary in excess of those
 12 necessary to provide for the qualified education ex-
 13 penses of the beneficiary.”.

14 (c) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 December 31, 2014.

17 **TITLE III—529 PROGRAMS FOR**
 18 **ELEMENTARY AND SEC-**
 19 **ONDARY EDUCATION EX-**
 20 **PENSES**

21 **SEC. 301. 529 PROGRAMS FOR PRE-KINDERGARTEN, ELE-**
 22 **MENTARY, AND SECONDARY EDUCATION EX-**
 23 **PENSES.**

24 (a) IN GENERAL.—Paragraph (3) of section 529(e)
 25 of the Internal Revenue Code of 1986 is amended—

1 (1) by redesignating subparagraph (B) as sub-
2 paragraph (C);

3 (2) by striking “QUALIFIED HIGHER EDU-
4 CATION EXPENSES” and all that follows through
5 “The term ‘qualified higher education expenses’
6 means—” and inserting the following: “QUALIFIED
7 EDUCATION EXPENSES.—

8 “(A) IN GENERAL.—The term ‘qualified
9 education expenses’ means—

10 “(i) qualified higher education ex-
11 penses, and

12 “(ii) qualified pre-kindergarten, ele-
13 mentary, and secondary education ex-
14 penses.

15 “(B) QUALIFIED HIGHER EDUCATION EX-
16 PENSES.—The term ‘qualified higher education
17 expenses’ means”; and

18 (3) by adding at the end the following new sub-
19 paragraphs:

20 “(D) QUALIFIED PRE-KINDERGARTEN, EL-
21 EMENTARY, AND SECONDARY EDUCATION EX-
22 PENSES.—The term ‘qualified pre-kindergarten,
23 elementary, and secondary education expenses’
24 means—

1 “(i) expenses for tuition, fees, aca-
2 demic tutoring, special needs services in
3 the case of a special needs beneficiary,
4 books, supplies, and other equipment which
5 are incurred in connection with the enroll-
6 ment or attendance of the designated bene-
7 ficiary of the trust as a pre-kindergarten,
8 elementary, or secondary school student at
9 a public, private, or religious school,

10 “(ii) expenses for room and board,
11 uniforms, transportation, and supple-
12 mentary items and services (including ex-
13 tended day programs) which are required
14 or provided by a public, private, or reli-
15 gious school in connection with such enroll-
16 ment or attendance, and

17 “(iii) expenses for the purchase of any
18 computer technology or equipment (as de-
19 fined in section 170(e)(6)(F)(i)) or Inter-
20 net access and related services, if such
21 technology, equipment, or services are to
22 be used by the beneficiary and the bene-
23 ficiary’s family during any of the years the
24 beneficiary is in school.

1 Clause (iii) shall not include expenses for com-
2 puter software designed for sports, games, or
3 hobbies unless the software is predominantly
4 educational in nature.

5 “(E) SCHOOL.—The term ‘school’ means
6 any school which provides pre-kindergarten, ele-
7 mentary, or secondary education (pre-kinder-
8 garten through grade 12), as determined under
9 State law. Such a school shall be treated as an
10 eligible educational institution for purposes of
11 subsection (b).”.

12 (b) CONFORMING AMENDMENTS.—Section 529 of
13 such Code is amended by striking “qualified higher edu-
14 cation” each place it appears in subsections (b) and (c)
15 and inserting “qualified education”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to taxable years beginning after
18 December 31, 2014.

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