



**DICK CHRYSLER**  
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# THE TUITION TAX DEDUCTION ACT OF 1995

*Introduced by Congressman Dick Chrysler*

## *Legislative Summary*

### **Purpose**

H.R. 2543, the Tuition Tax Deduction Act of 1995, would amend the Internal Revenue Code to allow an income tax deduction for tuition and fees for undergraduate and post-secondary vocational education.

### **General Rule**

H.R. 2543 would allow a taxpayer to deduct the cost of tuition and fees paid to post-secondary and vocational schools from taxable income.

### **Limitations**

- ▶ *\$5,000 Maximum Deduction*  
The deduction is limited to \$5,000 per taxpayer per year.
- ▶ *Eligible Educational Institutions*  
Eligible educational institutions are defined as post-secondary and vocational schools. Additionally, to be an eligible institution, a school must certify to the Secretary of the Treasury that its percentage increase in tuition for an academic year is within the cost-of-living increase for the year, as measured by the Consumer Price Index (CPI).

### **Special Rules**

- ▶ *Certain Scholarships and Veterans' Benefits*  
When calculating qualifying educational expenses, an individual must subtract the amount of scholarships or grants excludible from a taxpayer's gross income, like Pell Grants. Student loans would not reduce the amount of the deductible expenses.
- ▶ *Eligible Courses for Recognized Degrees Requirement*  
Only expenses paid for undergraduate courses taken for a recognized degree or certificate qualify for this deduction.
- ▶ *Half-time Student Status Requirement*  
In order to claim the deduction, a student must carry at least half the normal full-time work load for his or her course of study.
- ▶ *Dependents and Spouses*  
Parents can claim the deduction for educational expenses paid for a child's schooling, if the student is a dependent. Likewise, a student taxpayer cannot take the deduction for him or herself if he or she is a dependent of his or her parents. No deduction is allowed for amounts paid for a taxpayer's spouse's education unless the couple files a joint tax return.
- ▶ *No Itemization Requirement*  
The tuition tax deduction is allowed whether or not a taxpayer itemizes deductions.

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# Congress of the United States

## House of Representatives

**DICK CHRYSLER**  
8TH DISTRICT, MICHIGAN

COMMITTEES

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PROCUREMENT, EXPORTS, AND BUSINESS OPPORTUNITIES  
VICE CHAIRMAN

November 14, 1995

The President of the United States  
The White House  
Washington, DC 20500

Dear Mr. President:

As we enter into discussions concerning the final tax package to be included in the budget reconciliation bill, I wanted to make you aware of a bill that I recently introduced.

H.R. 2543, the Tuition Tax Deduction Act of 1995, would allow American taxpayers to deduct the cost of investing in higher education, up to \$5000 each year in tuition and fees, from their income. The bill would also help control rising college costs by limiting this deduction to qualifying educational institutions that keep the increase in their tuition rates within the cost-of-living increase for that year.

Last year, I promised my constituents that I would pursue avenues to make higher education more affordable and accessible for middle-class, working families. The introduction of this legislation is one more step toward expanding education opportunities.

We are currently allowed to deduct the cost of investing in new equipment and capital improvements. The same should be true for investments in our most important national resource: our people.

The benefits of a Tuition Tax Deduction would create a win-win-win-win situation for everyone. Parents win by being better able to afford sending their children to school. Students win by having a better opportunity to attend college. Government wins by collecting greater tax revenue from a better educated population earning higher salaries. And society as a whole wins with a better educated, more productive population with more to contribute.

This legislation is very similar to your proposal to create a \$10,000 deduction for college tuition that was introduced earlier this year. In fact, my office has been working closely with Treasury Department officials in crafting our legislation.

Mr. President, I firmly believe that the final tax package agreed upon by the White House and the Congress should include a tuition tax deduction. We must remain committed to strengthening and expanding educational opportunities for all Americans. A tuition tax deduction is one way we can encourage this important investment in the future of our nation.

I hope we have the opportunity to discuss the Tuition Tax Deduction Act with you or your staff in greater detail. My Chief of Staff, Scott Gast, will be calling to see if a meeting can be arranged. Enclosed is further information on the legislation. Thank you in advance for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Dick". The letter "D" is large and loops around the "i", and the "ck" is written in a cursive style.

Dick Chrysler  
Member of Congress

Congress of the United States  
House of Representatives  
Washington, DC 20515-2208

November 16, 1995

IT'S AS EASY AS A B C

*Co-Sponsor The Tuition Tax Deduction Act of 1995*

Dear Colleague:

All of us agree that education is the most important investment we can make in the young people of today and the future generations of tomorrow. The future prosperity of America depends on a well-educated citizenry. We have an opportunity to expand educational opportunities and put a college education within reach of every American by empowering working families to invest in our most precious resource: our people.

Because the Balanced Budget Act of 1995 contains a \$245 billion tax cut package, I believe a tuition tax deduction should be included. President Clinton and members of this Congress have already shown their willingness to accept such a proposal. H.R. 2543, the Tuition Tax Deduction Act of 1995, would allow taxpayers to take up to a \$5,000 deduction for tuition and fees at institutions of higher education. Further, the legislation works to control the escalating cost of college by making eligible only students of institutions which keep their tuition increases at or below the inflation rate of the Consumer Price Index.

Co-sponsor H.R. 2543. The legislation creates a win-win-win-win situation for everyone. Parents win by being better able to afford sending their kids to school. Students win by gaining better access to college education, leading to better jobs. Society wins through a better educated, more productive public. Government wins by having citizens with better jobs and higher salaries, creating a larger tax base. This legislation has bi-partisan support and tremendous popularity among middle-class constituents. The November 14th and 16th *Lansing State Journal* articles on the back of this letter highlight the broad support of this proposal.

This bill works for middle class families faced with college tuition as their fastest growing cost. Call Paul Zurawski at 5-4872 to co-sponsor H.R. 2543 or for more information.

Sincerely,



Dick Chrysler  
Member of Congress

11-14-95

# Chrysler would ease tuition

Associated Press

**EAST LANSING** — Working families would have help with college costs if Congress passes a tax deduction for tuition, U.S. Rep. Dick Chrysler said Monday.

Under a bill introduced by Chrysler, R-Brighton, taxpayers could deduct the first \$5,000 in tuition and fees for undergraduate and vocational education.

"Businesses can currently deduct the cost of investing in new equipment and capital improvements. The same should be true for an investment in our most important national resource, our people," Chrysler said during a news conference at Michigan State University.

"I want to put a college education within reach of every American student. This is for the middle-class families of America."

Under his plan:

■ Only students attending institutions that keep tuition increases within the annual rate of inflation could take the deduction.

■ The student must be enrolled in enough classes to add up to at

"This is for the middle-class families of America."

Rep. Dick Chrysler  
R-Brighton

least half of a full-time enrollment.

■ Taxpayers don't need to itemize deductions to claim the tax tuition deduction.

The measure has bipartisan support and stands a good chance of passing in the next few weeks as part of the federal tax relief package, Chrysler said.

The legislation, referred to the House Ways & Means Committee, is similar to a proposal by President Bill Clinton.

The federal tax deduction will work in tandem with Michigan's \$250 tax credit for college costs, said state Sen. Mike Rogers, R-

Howell.

"This will be a significant saving, as much as a 30 percent tuition reduction over four years," Rogers said.

The state tax credit also is good only at schools that keep tuition increases below inflation.

Reacting to criticism that wealthy families can take advantage of the tax credit, Chrysler said the Pell grant and other need-based programs will be available for low-income students.

Although middle-class families face serious financial obstacles to higher education, they are often ineligible for such need-based financial aid, he said.

MSU student Terry Lehmann, 21, said the tax break is a good idea and may keep students from falling into debt from student loans.

"With the deduction, you might not see as many students needing loans," the senior from Fenton said. "It would help me. I think it's a decent idea. It might help the people who would probably not be able to get financial aid."

Staff writer Bob Allison contributed to this report.

11-16-95

## Our Opinions

# Tax break

## Tuition deduction plan needed, but needs work

**B**righton Congressman Dick Chrysler proposes a meaningful, \$5,000 tax deduction for families saddled with high college costs.

While it is too early to support the measure wholeheartedly, Chrysler's instincts are right.

The American middle class can certainly use relief from spiraling college tuitions. Middle-class families face serious obstacles in paying for higher education because they are often ineligible for financial aid.

We'd feel more comfortable with Chrysler's plan if we knew how this fits in with Republican plans to balance the federal budget in the next seven years.

If tuition deductions are made law, what will be the projected drain on federal revenues? Which programs will suffer as result?

The timing of Chrysler's plan coincides with the beginning of what promises to be a bruising re-election battle. Still, the Republican freshman does enjoy some bipartisan support for the plan. President Clinton has supported a similar proposal.

To make this work, Congress must look at the big picture. The legislation would benefit more American families if young parents could defray future college costs through an IRA-like savings account.

Again, that will have an impact on federal revenues. How Congress would balance the books as a result is a challenge.

One cost-controlling incentive under Chrysler's plan is that it would apply to students attending colleges which keep tuition increases within the annual inflation rate. That echoes a recent pledge by Michigan State University to keep tuition increases down. It's a pledge we wish more state universities would adopt.

Congressman Chrysler has the blueprint of a beneficial plan to aid vast numbers of families struggling to put their children through college. Now he to r : the blueprints, and the numbers, work

STATE OF MICHIGAN  
OFFICE OF THE GOVERNOR  
LANSING

JOHN ENGLER  
GOVERNOR

November 9, 1995

The Honorable Dick Chrysler  
The U.S. House of Representatives  
Washington, D.C. 20515

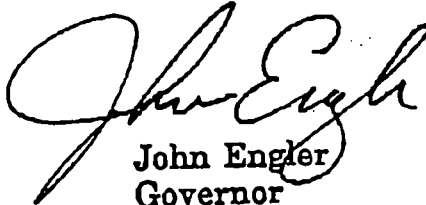
Dear Congressman Chrysler:

Recently you introduced legislation amending the Internal Revenue Code to allow a deduction from gross income for tuition and fees for undergraduate and postsecondary vocational education. I am writing to voice my support for your efforts.

Making education more affordable to our nation's learners is a crucial element in our goal of building a world-class workforce. As you know, in Michigan, we have recently taken related efforts on this front by enacting a state income tax credit for college tuition.

I am pleased to know of your legislation, Dick, and I encourage our Michigan Representatives and Senators to work with you in bringing this important bill before the Congress for prompt enactment.

Sincerely,

  
John Engler  
Governor

JE/lg.bm.dc.

STATE OF MICHIGAN



SENATE MAJORITY LEADER

SENATOR DICK POSTHUMUS  
31st District

State Capitol  
Lansing, Michigan 48913  
(517) 373-0797  
TDD (517) 373-0543

November 8, 1995

Congressman Dick Chrysler  
U.S. House of Representatives  
327 Cannon Building  
Washington, DC 20515

Dear Dick:

Providing affordable and accessible opportunities in education is essential to the continued prosperity of our nation, both economically and socially. An advanced education has proven to be increasingly necessary for men and women to succeed in today's global market place. As elected officials, it is our responsibility to expand opportunities in education and to encourage individuals to improve themselves through such avenues.

Your legislation, the Tuition Tax Deduction Act, is a positive step in making higher education more affordable for thousands of Michigan families. Here in Michigan, we have moved in a similar direction by instituting a state tax credit for advanced and vocational education. These two initiatives will surely compliment each other, allowing Michigan citizens the opportunity of a higher education they might not have otherwise obtained.

I commend your efforts in bringing fiscal sanity to Washington, while not sacrificing your commitment to higher education. You have truly kept your word by making great changes in the way our federal government does business.

We have created a great partnership in expanding educational opportunities for the people of Michigan, and I know with innovative proposals such as the Tuition Tax Deduction Act we will continue to do so.

Sincerely,

A handwritten signature in cursive script that reads "Dick Posthumus".

Dick Posthumus  
SENATE MAJORITY LEADER



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104TH CONGRESS  
1ST SESSION

# H. R. 2543

To amend the Internal Revenue Code of 1986 to allow a deduction for tuition and fees for undergraduate and postsecondary vocational education.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 26, 1995

Mr. CHRYSLER introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for tuition and fees for undergraduate and postsecondary vocational education.

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 “Tuition Tax Deduction  
5 Act of 1995”.

6 **SEC. 2. DEDUCTION FOR TUITION AND FEES FOR UNDER-**  
7 **GRADUATE AND POSTSECONDARY VOCA-**  
8 **TIONAL EDUCATION.**

9 (a) IN GENERAL.—Part VII of subchapter B of chap-  
10 ter 1 of the Internal Revenue Code of 1986 (relating to