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(The remarks of Mr. LEAHY on the introduction of the above bill are printed in today's RECORD.)

By Mr. MONDALE:

S. 3487. A bill to amend the Internal Revenue Code of 1954 to provide for a credit against the Federal income tax for certain higher education expenses. Referred to the Committee on Finance.

TWO-STEP TAX CREDIT FOR THE COST OF POSTSECONDARY EDUCATION

Mr. MONDALE. Mr. President, one of the problems in education that has caused me the greatest concern is the tremendous cost squeeze of postsecondary education on middle-income families. In recent years postsecondary institutions have been hit with inflation and increased operating expenses. In spite of their best efforts, they have been forced to increase their tuition and other costs of attendance even more rapidly than the rise in the cost of living. As a result, many middle-income families are finding the costs of postsecondary education, particularly at private colleges, to be slipping beyond their means.

Recent studies have shown that the greatest decrease in the numbers of students in postsecondary education has occurred among these middle-income families. From the mail I receive and the discussions I have had, I know that this cost squeeze is causing them tremendous bitterness. It is one thing for their children to choose not to go on to college; it is another for them to be unable to afford the costs, even after lifetimes of hard work.

Another reason for this serious crisis, one which has surfaced only recently, can be found in the increasing numbers of families who have more than one child enrolled in postsecondary education at the same time. They have increased dramatically in recent years. To send one, two, or three children to postsecondary institutions requires families to find suddenly several thousand dollars a year in extra income. However, tragically, when middle-income families turn to the existing Federal student aid programs for help, they are told that they are not eligible. As a result, increasing numbers of these families are painfully concluding that they just cannot afford the additional costs involved. And yet these are the families whose tax dollars pay for the aid programs that enable lower income students to attend college.

I have always been a strong supporter of the Federal student aid programs that are specifically directed toward lower income students, and I will continue to push for further funding of the basic grant and campus-based programs. However, I also believe it is essential that we address this growing squeeze on middle-income families as a critical problem in education. We are in danger of a situation in which only the very wealthy or those relatively few lower income students who can get complete scholarship packages will be able to afford the costs of postsecondary education.

I was very pleased that the Labor and Public Welfare Committee adopted my

amendment to the higher education bill that raised the family income level eligible for the Federal interest subsidy in the guaranteed student loan program to \$25,000 in adjusted gross income. This means that many families with incomes as high as \$30,000 who have a couple of children in postsecondary education will qualify for this Federal loan program.

This program was originally established by Congress in 1967 to be directed toward middle-income families. In recent years, however, the program's eligibility ceiling has not been changed to keep pace with increases in the cost of living. My amendment fully restores this decline in value due to inflation and restores the original focus of the program to include these middle-income families.

This amendment is an important first step in recognition by Congress of this serious problem. I am hopeful that the full Senate will consider it favorably and that the House will agree to it in conference. However, I believe that further action is necessary to address fully the problems before middle-income families.

Therefore, I am introducing today a bill that will provide a credit on the income tax for the costs of postsecondary education. This bill will permit either a student or his or her parents, whoever is paying for the education, to determine the amount owed on their Federal income tax and then to subtract the credit directly from that amount. The credit would be rebated to those low-income students or families who owe little or no income tax. If my legislation becomes law, this credit for the costs of education would be available directly to everyone in this country who is struggling with the costs of postsecondary education. I think that it will make a tremendous difference as well to our Nation's postsecondary institutions.

My bill also recognizes the additional financial burdens upon families who are sending two, three, or even four children through college at the same time. Recognizing their special need, my tax credit bill would provide a credit of \$200 for the first child in college or any other postsecondary institution. But for each additional child enrolled at the same time, a credit of \$500 would be allowed.

Our tax system is designed to encourage the investment in physical capital, such as machinery and equipment. But studies have shown that the biggest contributor to our Nation's wealth is not its physical capital but rather its human capital, or, in other words, its investment in the education of its people.

Studies indicate that the average college graduate can expect to earn an average of about \$280,000 more in his or her lifetime than the average high school graduate. One-third of that amount, or almost \$100,000 will be returned to society in taxes. Thus, even if every student in this country were on full scholarships, their taxes would more than repay public investments in their education.

But these figures tell only part of the story. For they do not begin to measure the increased social contribution that college graduates are in a position to make, in terms of civic participation, in-

creased job productivity, leading to technological breakthroughs or new health developments, and all the rest.

Certainly the critical problems that confront the human race today tell us that we ought to be increasing our investment in that most important resource we have—the creative and problem solving capacities of our people.

Mr. President, tax credit legislation has been introduced in the Senate for the last decade. However, not for several years has it received the serious consideration which it deserves. I believe that it is an idea whose time has come. We must find new avenues to direct help to our Nation's postsecondary education institutions and the families who wish to send their children to them. And we must especially find new ways to provide badly needed and deserved assistance to middle-income families. I urge my distinguished colleagues to give this two-step tax credit approach their serious consideration.

Mr. President, I ask unanimous consent that the text of this tax credit legislation be printed in full at this point in my remarks.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 8487

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CREDIT FOR HIGHER EDUCATION EXPENSES.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by inserting after section 44 the following new section:

"SEC. 44A. EXPENSES OF HIGHER EDUCATION.

"(a) GENERAL RULE.—There is allowed to an individual as a credit against the tax imposed by this chapter for the taxable year an amount (determined under subsection (b)) equal to a portion of the expenses of higher education paid or incurred by the individual during the taxable year for himself and for any dependent.

"(b) DETERMINATION OF AMOUNT.—

"(1) IN GENERAL.—Subject to the limitations set forth in subsection (c), the amount of the credit allowable for the taxable year is the sum of the amounts determined under paragraph (2) and paragraph (3).

"(2) INITIAL AMOUNT.—If expenses of higher education are paid or incurred by the taxpayer during the taxable year for his own education or for the education of only one dependent during the taxable year, the amount of the credit allowable under subsection (a) for the taxable year shall be an amount equal to the sum of—

"(A) 50 percent of so much of such expenses as does not exceed \$200,
 "(B) 25 percent of so much of such expenses as exceeds \$200 but does not exceed \$500, and
 "(C) 5 percent of so much of such expenses as exceeds \$500 but does not exceed \$1,000.

"(3) ADDITIONAL AMOUNT.—If expenses of higher education are paid or incurred by the taxpayer during the taxable year for his own education and for the education of a dependent, or for the education of more than one dependent, there shall be added to the amount determined under paragraph (2) an amount equal to the sum of—

"(A) 75 percent of so much of such expenses for the education of dependents whose expenses of higher education are not taken into account under paragraph (2) as does not exceed \$200,

"(B) 50 percent of so much of such expenses as exceeds \$200 but does not exceed \$500, and

"(C) 20 percent of so much of such expenses as exceeds \$500 but does not exceed \$1,500.

"(4) PRORATION OF CREDIT WHERE MORE THAN ONE TAXPAYER PAYS EXPENSES.—If expenses of higher education of an individual are paid by more than one taxpayer during the taxable year, the credit allowable to each such taxpayer under subsection (a) with respect to the expenses of higher education of that individual shall be an amount which bears the same ratio to the amount of the credit which would be allowable with respect to such expenses if only one taxpayer paid or incurred them as the amount of such expenses paid or incurred by each taxpayer paying or incurring such expenses bears to the total amount of such expenses paid or incurred for the taxable year by all such taxpayers.

"(c) DEFINITIONS.—For purposes of this section—

"(1) EXPENSES OF HIGHER EDUCATION.—The term 'expenses of higher education' means—

"(A) tuition and fees required for the enrollment or attendance of a student at a level above the twelfth grade at an institution of higher education and

"(B) fees, books, supplies, and equipment required for courses of instruction above the twelfth grade at an institution of higher education.

Such terms does not include any amount paid, directly or indirectly, for meals, lodging, or similar personal, living, or family expenses. In the event an amount paid for tuition or fees includes an amount for meals, lodging, or similar expenses which is not separately stated, the portion of such amount which is attributable to meals, lodging, or similar expenses shall be determined under regulations prescribed by the Secretary or his delegate.

"(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means—

"(A) an educational institution (as defined in section 151(3) (4))—

"(i) which regularly offers education at a level above the twelfth grade; and

"(ii) contributions to or for the use of which constitute charitable contributions within the meaning of section 170(c); or

"(B) a business or trade school, or technical institution or other technical or vocational school in any State, which (i) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; and (ii) is accredited by a nationally recognized accrediting agency or association listed by the United States Commissioner of Education; and (iii) has been in existence for 2 years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subparagraph.

"(3) STATE.—The term 'State' includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

"(d) SPECIAL RULES.—

"(1) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS' BENEFITS.—The amounts otherwise taken into account under subsection (a) as expenses of higher education of any individual during any period shall be reduced (before the application of subsection (b)) by any amounts received by such individual during such period as—

"(A) a scholarship or fellowship grant (within the meaning of section 117(a) (1)) which under section 117 is not includible in gross income, and

"(B) education and training allowance under chapter 33 of title 38 of the United States Code or educational assistance allowance under chapter 35 of such title.

"(2) NONCREDIT AND RECREATIONAL, ETC., COURSES.—Amounts paid for expenses of higher education of any individual shall be taken into account under subsection (a)—

"(A) in the case of an individual who is a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate or higher degree, and

"(B) in the case of an individual who is not a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction necessary to fulfill requirements for the attainment of a predetermined and identified educational, professional, or vocational objective.

"(e) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under—

"(1) section 33 (relating to foreign tax credit),

"(2) section 37 (relating to credit for the elderly),

"(3) section 38 (relating to investment in certain depreciable property),

"(4) section 40 (relating to work incentive program expenses),

"(5) section 41 (relating to contributions to candidates for public office), and

"(6) section 42 (relating to taxable income credit).

"(f) DISALLOWANCE OF EXPENSES AS DEDUCTION.—No deduction shall be allowed under section 162 (relating to trade or business expenses) for any expense of higher education which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed under subsection (a). The preceding sentence shall not apply to the expenses of higher education of any taxpayer who, under regulations prescribed by the Secretary or his delegate, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section."

"(b) CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by inserting after the item relating to section 44 the following:

"Sec. 44A. Expenses of higher education."

SEC. 2. REFUNDABILITY OF EXCESS CREDIT; MINIMUM TAX PREFERENCE ITEM; TECHNICAL AMENDMENT.

(a) (1) REFUND OF EXCESS CREDIT.—Section 6401(b) of the Internal Revenue Code of 1954 (relating to excessive credits treated as overpayments) is amended—

(1) by inserting ", 44A (relating to expenses of higher education)" before ", and 687(b)", and

(2) by striking out "31, 39, and 43" and inserting in lieu thereof "31, 39, 43, and 44A".

(2) Section 6201(a) (4) of such Code (relating to assessment authority for erroneous credit under section 39 or 43) is amended—

(1) by striking out "or 43" in the caption of such section and inserting in lieu thereof "43, or 44A",

(2) by striking out "or section 43" and inserting in lieu thereof ", section 43", and

(3) by inserting "or section 44A (relating to credit for expenses of higher education)" after "(relating to earned income)".

(b) PREFERENCE ITEM FOR MINIMUM TAX.—

(1) Section 56(a) (2) of such Code (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (vi), by striking out the semicolon and "and" at the end of clause (vii) and inserting in lieu thereof a comma and "and", and by inserting after clause (vii) the following new clause:

"(viii) section 44A (relating to credit for expenses of higher education); and".

(2) Section 56(c) (1) of such Code (relating to tax carryovers) is amended by striking out "and" at the end of subparagraph (F), by striking out "exceed" at the end of subparagraph (G) and inserting in lieu thereof "and", and by inserting after subparagraph (G) the following new subparagraph:

"(H) section 44A (relating to credit for expenses of higher education), exceed".

(c) TAX LIABILITY FOR PRESIDENTIAL ELECTION CAMPAIGN FUND DESIGNATION.—Section 6096(b) of such Code (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 44" and inserting in lieu thereof a comma and "44, and 44A".

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act apply to taxable years beginning after December 31, 1976.

By Mr. INOUE:

S. 3488. A bill to amend title 10, United States Code, so as to provide that the Chief of the Biomedical Sciences Corps of the Air Force shall be a brigadier general, and for other purposes. Referred to the Committee on Armed Services.

Mr. INOUE. Mr. President, today I am introducing legislation to amend title 10 of the United States Code so as to provide that the Chief of the Biomedical Sciences Corps of the U.S. Air Force shall be appointed to the rank of brigadier general.

The U.S. Air Force Biomedical Science Corps has approximately 1,300 officers assigned to its 15 diverse scientific specialties. These include professionals trained in the area of clinical psychology, podiatry, optometry, pharmacy, dietetics, bioenvironmental engineering, and aerospace physiology. Unfortunately, however, it has recently come to my attention that in the proud 26-year history of the corps, no biomedical sciences officer has ever been promoted to star rank. This, as shown in the table which I ask unanimous consent to have printed in the Record is in sharp contrast to the 1/200 ratios currently achieved by their attorney and physician colleagues.

There being no objection, the table was ordered to be printed in the Record, as follows:

Group	Summer 1975, approximate strength	Generals	Ratio
Biomedical scientists	1,300	0	-----
Lawyers	1,200	6	1:200
Chaplains	900	2	1:450
Dentists	1,500	1	-----
Nurses	3,800	1	-----
Physicians	3,000	15	1:200
All AF officers	100,000	400	1:250