To amend the Internal Revenue Code of 1986 to increase the deduction allowed for student loan interest and to exclude from gross income discharges of income contingent or income-based student loan indebtedness.

IN THE HOUSE OF REPRESENTATIVES

Miss Rice of New York introduced the following bill; which was referred to the Committee on ______________________

A BILL

To amend the Internal Revenue Code of 1986 to increase the deduction allowed for student loan interest and to exclude from gross income discharges of income contingent or income-based student loan indebtedness.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Students and Families Empowerment Act”.

..........................
SEC. 2. INCREASE IN DEDUCTION FOR STUDENT LOAN INTEREST.

(a) Dollar Limitation and Limitation Based on Income Replaced With Limitation on Aggregate Education Indebtedness That May Be Taken Into Account.—Section 221(b) of the Internal Revenue Code of 1986 is amended to read as follows:

“(b) Limitation on Aggregate Education Indebtedness That May Be Taken Into Account.—The aggregate amount taken into account under subsection (a) as qualified education loans for any period shall not exceed $750,000 (twice such amount in the case of a joint return).”.

(b) Conforming Amendments.—Section 221 of such Code is amended by striking subsections (e) and (f) (relating to special rules and inflation adjustments, respectively) and inserting the following new subsection:

“(e) Denial of Double Benefit.—No deduction shall be allowed under this section for any amount for which a deduction is allowable under any other provision of this chapter.”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.
SEC. 3. EXCLUSION FROM GROSS INCOME FOR DISCHARGE
OF INCOME CONTINGENT AND INCOME-
BASED STUDENT LOAN INDEBTEDNESS.

(a) In General.—Paragraph (1) of section 108(f)
of the Internal Revenue Code of 1986 is amended to read
as follows:

“(1) In General.—In the case of an individual, gross income does not include any amount
which (but for this subsection) would be includible in gross income by reason of the discharge (in whole or
in part) of any student loan if such discharge was pursuant to—

“(A) a provision of such loan under which all or part of the indebtedness of the individual
would be discharged if the individual worked for a certain period of time in certain professions
for any of a broad class of employers, or

“(B) subsections (d)(1)(D) and (e)(7) of section 455 or section 493C(b)(7) of the Higher
Education Act of 1965 (relating to income contingent and income-based repayment, respec-
tively).”.

(b) Effective Date.—The amendments made by this section shall apply to discharges of indebtedness after
the date of the enactment of this Act.
SEC. 4. GRACE PERIOD EXTENSION.

(a) In General.—Section 455 of the Higher Education Act of 1965 (20 U.S.C. 1087e) is amended by adding at the end the following:

“(r) Grace Period Extension.—

“(1) In General.—With respect to the Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans, section 487(b)(7) shall be applied—

“(A) in subparagraph (A), by substituting ‘12 months’ for ‘6 months’; and

“(B) in subparagraph (D), by substituting ‘12-month period’ for ‘6-month period’.

“(2) No Accrual of Interest.—Notwithstanding any other provision of this part, interest shall not accrue on a Federal Direct Unsubsidized Stafford Loan during the 12-month period described in paragraph (1).

“(s) Extension of Certain Deferment Period for Federal Direct PLUS Loans.—

“(1) In General.—With respect to Federal Direct PLUS Loans, section 428B(d)(1)(B) shall be applied—

“(A) in the case of a parent borrower, in clause (i), by substituting ‘12-month period’ for ‘6-month period’; and
“(B) in the case of a graduate or professional student borrower, in clause (ii), by substituting ‘12-month period’ for ‘6-month period’.

“(2) NO ACCRUAL OF INTEREST.—Notwithstanding any other provision of this part, interest shall not accrue on a Federal Direct PLUS Loan during the 12-month period described in paragraph (1).”.

(b) EFFECTIVE DATE AND APPLICATION.—The amendments made by this section shall take effect on the date of enactment of this Act, and shall apply with respect to—

(1) Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, and Federal Direct PLUS Loans made on or after the date of enactment of this Act; and

(2) Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, and Federal Direct PLUS Loans made before such date of enactment to borrowers who have not yet entered repayment on such loans on such date of enactment.