



Legislative Bulletin.....September 12, 2002

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H.R. 5193 — Back to School Tax Relief Act of 2002

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Order of Business: The bill is scheduled for consideration on Thursday, September 12th, under a closed rule.

Summary: H.R. 5193 would expand the current above-the-line tax deduction (taken before adjusted gross income is calculated and even if the taxpayer does not itemize) for higher education expenses to K-12 expenses. Under the bill, families with incomes of \$20,000 or less (\$40,000 or less for joint taxpayers) would be allowed to claim a deduction of up to \$3,000 for qualified K-12 educational expenses. These expenses include tuition, fees, tutoring, special needs services, books, supplies, uniforms, transportation, and expenses related to the purchase of computer technology and equipment.

As with the higher education deduction, the K-12 deduction would not be available for tax years after December 31, 2005.

Additional Background: The Ways and Means Committee estimates that a family claiming the full \$3,000 deduction would have tax savings of \$450. In addition, according to estimates from the Joint Committee on Taxation, 90 percent of the families who would benefit from the bill have children in public schools, and \$3 out of every \$4 of tax benefits would be spent on public school education.

	<u>Current Law</u>	<u>Proposal</u>
Income	\$35,000	\$35,000
Standard Deduction	\$7,850	\$7,850
Personal Exemptions	\$9,000	\$9,000
K-12 Expenses	\$0	\$3,000
Taxable Income	\$18,150	\$15,150
Tax Liability	\$2,723	\$2,273
Tax Savings		\$450

Motion to Recommit: A motion to recommit H.R. 5193 is expected to be offered by Representative Rangel. The motion would recommit the bill to the Ways and Means Committee with instructions to include tax benefits to pay the interest on state and local school construction bonds. **Davis-Bacon would apply to the construction projects undertaken.**

Bush Administration Position: Although no official Administration position is available, the President included a \$3.5 billion education tax credit in his FY 2003 budget and the Administration has expressed support for tax benefits for K-12 education.

Outside Support: Groups supporting H.R. 5193 include the Family Research Council, Council for American Private Education, Eagle Forum, Home School Legal Defense Association, Catholic Conference, Association for Christian Schools International, American Association of Christian Schools, Empower America, and Americans for Tax Reform.

Savings to Taxpayers: The Joint Committee on Taxation estimates that H.R. 5193 will save taxpayers \$4.9 billion over tax years 2003-2006.

Does the Bill Create New Federal Programs or Rules?: The bill expands the current above-the-line deduction for higher education expenses to K-12 educational expenses.

Constitutional Authority: No committee report citing Constitutional authority is available, although Article I, Section 8, Clause 1 gives Congress the power to “lay and collect Taxes, Duties, Imposts and Excises.”

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