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(Original Signature of Member)

113TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To modify the grace period prior to the repayment period for certain Federal direct loans and to exclude from Federal income taxation certain employer-provided student loan assistance.

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**IN THE HOUSE OF REPRESENTATIVES**

Mr. PETERS of California introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To modify the grace period prior to the repayment period for certain Federal direct loans and to exclude from Federal income taxation certain employer-provided student loan assistance.

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 “Student Loan Repay-  
5       ment Assistance Act of 2014”.

1 **SEC. 2. RESTORATION AND AN OPTION TO EXTEND THE**  
2 **START OF THE REPAYMENT PERIOD OF CER-**  
3 **TAIN FEDERAL DIRECT LOANS.**

4 (a) RESTORATION OF INTEREST SUBSIDY DURING  
5 FIRST 6-MONTH GRACE PERIOD.—Section  
6 428(a)(3)(A)(i)(I) of the Higher Education Act of 1965  
7 (20 U.S.C. 1078(a)(3)(A)(i)(I)) is amended by inserting  
8 “or, for a Federal Direct Stafford Loan for which the first  
9 disbursement is made on or after July 1, 2013, which ac-  
10 crues prior to the beginning of the repayment period of  
11 the loan (except for interest which accrues during the last  
12 6-months prior to the beginning of such period, in the case  
13 of a student who makes an election under section 2(b)(2)  
14 of the Student Loan Repayment Assistance Act of 2014),”  
15 before “, or”.

16 (b) GRACE-PERIOD EXTENSION.—

17 (1) AMENDMENT.—Section 428(b)(7) of the  
18 Higher Education Act of 1965 (20 U.S.C.  
19 1078(b)(7)) is amended—

20 (A) in subparagraph (A), by inserting “or,  
21 in the case of a student who makes an election  
22 under section 2(b)(2) of the Student Loan Re-  
23 payment Assistance Act of 2014, 12 months”  
24 after “6 months”; and

25 (B) in subparagraph (D), by inserting “or,  
26 in the case of a student who makes an election

1 under section 2(b)(2) of the Student Loan Re-  
2 payment Assistance Act of 2014, the 12-month  
3 period” after “6-month period”.

4 (2) ELECTION OF EXTENDED GRACE PERIOD  
5 FOR CERTAIN FDSL AND FDUS LOANS.—If the un-  
6 employment rate calculated by the Bureau of Labor  
7 Statistics is greater than the natural rate of unem-  
8 ployment (as established by the Board of Governors  
9 of the Federal Reserve System), the Secretary of  
10 Education shall provide an opportunity for each bor-  
11 rower who has a Federal Direct Stafford Loan or  
12 Federal Direct Unsubsidized Stafford Loan for  
13 which the first disbursement is made on or after  
14 July 1, 2013, to elect a 12-month grace period, in  
15 accordance with section 428(b)(7) of the Higher  
16 Education Act of 1965, as amended by this sub-  
17 section, before beginning repayment. The Secretary  
18 shall—

19 (A) notify each such borrower of the op-  
20 portunity for such an election not later than 45  
21 days before the start of the borrower’s repay-  
22 ment period, as determined under section  
23 428(b)(7) of the Higher Education Act of 1965  
24 as in effect on the day before the date of enact-  
25 ment of this Act;

1 (B) advise each such borrower of the fi-  
2 nancial consequences of electing such 12-month  
3 grace period; and

4 (C) not require such a borrower to accept  
5 a 12-month grace period in accordance with  
6 section 428(b)(7) of the Higher Education Act  
7 of 1965 (as amended by this subsection), unless  
8 the borrower specifically elects such 12-month  
9 grace period not later than 14 days before the  
10 start of the borrower's repayment period, as de-  
11 termined under section 428(b)(7) of the Higher  
12 Education Act of 1965 as in effect on the day  
13 before the date of enactment of this Act.

14 **SEC. 3. EXCLUSION FROM GROSS INCOME OF BENEFITS**  
15 **UNDER CERTAIN STUDENT LOAN PAYMENT**  
16 **ASSISTANCE PROGRAMS.**

17 (a) IN GENERAL.—Part III of subchapter B of chap-  
18 ter 1 of the Internal Revenue Code of 1986 is amended  
19 by inserting after section 127 the following new section:  
20 **“SEC. 127A. STUDENT LOAN PAYMENT ASSISTANCE PRO-**  
21 **GRAMS.**

22 **“(a) IN GENERAL.—**Gross income of a qualified em-  
23 ployee does not include amounts paid or incurred by the  
24 employer for student loan payment assistance provided to

1 such employee if the assistance is furnished pursuant to  
2 a program which is described in subsection (c).

3 “(b) QUALIFIED EMPLOYEE.—For purposes of this  
4 subsection, the term ‘qualified employee’ means any em-  
5 ployee who contributes (in addition to any amount ex-  
6 cluded from gross income under this section) not less than  
7 \$50 per month for payment of principal and interest on  
8 the loans subject to the student loan payment assistance  
9 program.

10 “(c) LIMITATIONS.—

11 “(1) ASSISTANCE LIMITATION.—The amount  
12 taken into account under subsection (a) with respect  
13 to an individual for student loan assistance with re-  
14 spect to student loan payments during a taxable  
15 year shall not exceed \$6,000.

16 “(2) EARNED INCOME LIMITATION.—The  
17 amount excluded from the income of an employee  
18 under subsection (a) for any taxable year shall not  
19 exceed the earned income of such employee for such  
20 taxable year.

21 “(d) STUDENT LOAN PAYMENT ASSISTANCE PRO-  
22 GRAM.—

23 “(1) IN GENERAL.—For purposes of this sec-  
24 tion a student loan payment assistance program is  
25 a separate written plan of an employer for the exclu-

1       sive benefit of his employees to provide such employ-  
2       ees with student loan payment assistance which  
3       meets the requirements of paragraphs (2) through  
4       (10) of this subsection. If any plan would qualify as  
5       a student loan payment assistance program but for  
6       a failure to meet the requirements of this subsection,  
7       then, notwithstanding such failure, such plan shall  
8       be treated as a student loan payment assistance pro-  
9       gram in the case of employees who are not highly  
10      compensated employees.

11           “(2) DISCRIMINATION.—The contributions or  
12      benefits provided under the plan shall not discrimi-  
13      nate in favor of employees who are highly com-  
14      pensated employees (within the meaning of section  
15      414(q)).

16           “(3) ELIGIBILITY.—The program shall benefit  
17      employees who qualify under a classification set up  
18      by the employer and found by the Secretary not to  
19      be discriminatory in favor of employees described in  
20      paragraph (2).

21           “(4) PRINCIPAL SHAREHOLDERS OR OWNERS.—  
22      Not more than 25 percent of the amounts paid or  
23      incurred by the employer for student loan payment  
24      assistance during the year may be provided for the  
25      class of individuals who are shareholders or owners

1 (or their spouses or dependents), each of whom (on  
2 any day of the year) owns more than 5 percent of  
3 the stock or of the capital or profits interest in the  
4 employer.

5 “(5) NO FUNDING REQUIRED.—A program re-  
6 ferred to in paragraph (1) is not required to be  
7 funded.

8 “(6) NOTIFICATION OF ELIGIBLE EMPLOY-  
9 EES.—Reasonable notification of the availability and  
10 terms of the program shall be provided to eligible  
11 employees.

12 “(7) STATEMENT OF EXPENSES.—The plan  
13 shall furnish to an employee, on or before January  
14 31, a written statement showing the amounts paid  
15 or expenses incurred by the employer in providing  
16 student loan payment assistance to such employee  
17 during the previous calendar year.

18 “(8) BENEFITS.—

19 “(A) IN GENERAL.—A plan meets the re-  
20 quirements of this paragraph if the average  
21 benefits provided to employees who are not  
22 highly compensated employees under all plans  
23 of the employer is at least 55 percent of the av-  
24 erage benefits provided to highly compensated  
25 employees under all plans of the employer.

1 “(B) SALARY REDUCTION AGREEMENTS.—

2 For purposes of subparagraph (A), in the case  
3 of any benefits provided through a salary reduc-  
4 tion agreement, a plan may disregard any em-  
5 ployees whose compensation is less than  
6 \$25,000. For purposes of this subparagraph,  
7 the term ‘compensation’ has the meaning given  
8 such term by section 414(q)(4), except that,  
9 under rules prescribed by the Secretary, an em-  
10 ployer may elect to determine compensation on  
11 any other basis which does not discriminate in  
12 favor of highly compensated employees.

13 “(9) CONTRIBUTIONS MADE DIRECTLY TO  
14 LENDER.—A plan meets the requirements of this  
15 paragraph if all benefits provided under the plan are  
16 paid directly to the holder of the indebtedness re-  
17 ferred to in subsection (d)(1)(A)(i).

18 “(10) MATCHING CONTRIBUTIONS.—A plan  
19 which meets the requirements of paragraphs (2)  
20 through (9) shall not fail to be treated as a program  
21 described in this subsection merely because such  
22 plan provides for the employer to make matching  
23 contributions with respect to employee contributions.

24 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
25 poses of this section—

1           “(1) STUDENT LOAN PAYMENT ASSISTANCE.—

2                   “(A) IN GENERAL.—The term ‘student  
3           loan payment assistance’ means the payment of  
4           principal or interest on—

5                   “(i) any indebtedness incurred by the  
6           employee solely to pay qualified higher  
7           education expenses (as defined in section  
8           221) which—

9                   “(I) are paid or incurred within a  
10           reasonable period of time before or  
11           after the indebtedness was incurred,  
12           and

13                   “(II) are attributable to edu-  
14           cation furnished during a period dur-  
15           ing which the employee was an eligible  
16           student, or

17                   “(ii) any indebtedness used to refi-  
18           nance indebtedness described in clause (i).

19           Such term shall not include any payment of  
20           principal or interest on indebtedness owed to a  
21           person who is related (within the meaning of  
22           section 267(b) or 707(b)(1)) to the taxpayer or  
23           to any person by reason of a loan under any  
24           qualified employer plan (as defined in section

1           72(p)(4)) or under any contract referred to in  
2           section 72(p)(5).

3           “(B) ELIGIBLE STUDENT.—The term ‘eli-  
4           gible student’ has the meaning given such term  
5           by section 25A(b)(3).

6           “(C) DEPENDENT.—The term ‘dependent’  
7           has the meaning given such term by section  
8           152 (determined without regard to subsections  
9           (b)(1), (b)(2), and (d)(1)(B) thereof).

10          “(2) EARNED INCOME.—The term ‘earned in-  
11          come’ shall have the meaning given such term in  
12          section 32(c)(2), but such term shall not include any  
13          amounts paid or incurred by an employer for stu-  
14          dent loan payment assistance to an employee.

15          “(3) EMPLOYEE.—The term ‘employee’ in-  
16          cludes, for any year, an individual who is an em-  
17          ployee within the meaning of section 401(c)(1) (re-  
18          lating to self-employed individuals).

19          “(4) EMPLOYER.—An individual who owns the  
20          entire interest in an unincorporated trade or busi-  
21          ness shall be treated as his own employer. A part-  
22          nership shall be treated as the employer of each  
23          partner who is an employee within the meaning of  
24          paragraph (3).

25          “(5) ATTRIBUTION RULES.—

1           “(A) OWNERSHIP OF STOCK.—Ownership  
2           of stock in a corporation shall be determined in  
3           accordance with the rules provided under sub-  
4           sections (d) and (e) of section 1563 (without re-  
5           gard to section 1563(e)(3)(C)).

6           “(B) INTEREST IN UNINCORPORATED  
7           TRADE OR BUSINESS.—The interest of an em-  
8           ployee in a trade or business which is not incor-  
9           porated shall be determined in accordance with  
10          regulations prescribed by the Secretary, which  
11          shall be based on principles similar to the prin-  
12          ciples which apply in the case of subparagraph  
13          (A).

14          “(6) UTILIZATION TEST NOT APPLICABLE.—A  
15          student loan payment assistance program shall not  
16          be held or considered to fail to meet any require-  
17          ments of subsection (c) (other than paragraphs (4)  
18          and (8) thereof) merely because of utilization rates  
19          for the different types of assistance made available  
20          under the program.

21          “(7) DISALLOWANCE OF EXCLUDED AMOUNTS  
22          AS CREDIT OR DEDUCTION.—No deduction or credit  
23          shall be allowed to the employee under any other  
24          section of this chapter for any amount excluded from

1 the gross income of the employee by reason of this  
2 section.

3 “(8) TREATMENT OF SALARY REDUCTION  
4 AMOUNTS.—Any matching contribution withheld  
5 from an employee under a student loan payment as-  
6 sistance program pursuant to a salary reduction  
7 agreement shall be treated for purposes of this title  
8 as an amount paid by the employee and not as an  
9 amount paid by the employer.”.

10 (b) CONFORMING AMENDMENTS.—Sections  
11 221(d)(2)(A), 414(n)(3)(C) and (t)(2), 3121(a)(18),  
12 3306(b)(13), 3401(a)(18), and 6039D(d)(1) of such Code  
13 are each amended by inserting “127A,” after “127,”.

14 (c) CLERICAL AMENDMENT.—The table of sections  
15 for part III of subchapter B of chapter 1 of such Code  
16 is amended by inserting after the item relating to section  
17 127 the following new item:

“Sec. 127A. Student loan payment assistance programs.”.

18 (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

21 **SEC. 4. DEDUCTION FOR STUDENT LOAN PAYMENTS WHICH**  
22 **ARE MATCHED BY AN EMPLOYER.**

23 (a) IN GENERAL.—Part VII of subchapter B of chap-  
24 ter 1 of the Internal Revenue Code of 1986 is amended

1 by redesignating section 224 as section 225 and by insert-  
2 ing after section 223 the following new section:

3 **“SEC. 224. DEDUCTION FOR STUDENT LOAN PAYMENTS**  
4 **WHICH ARE MATCHED BY AN EMPLOYER.**

5 “(a) IN GENERAL.—In the case of an individual who  
6 is a qualified employee (as defined in section 127A), there  
7 shall be allowed as a deduction an amount equal to the  
8 student loan payments made by such individual with re-  
9 spect to which an employer of such individual makes  
10 matching contributions under a student loan payment as-  
11 sistance program which are excludible from the gross in-  
12 come of such employee under section 127A.

13 “(b) ANNUAL LIMITATION.—The amount allowable  
14 as a deduction under subsection (a) with respect to any  
15 individual for any taxable year shall not exceed \$6,000 .

16 “(c) LIFETIME LIMITATION.—The amount allowable  
17 as a deduction under subsection (a) with respect to any  
18 individual for any taxable year shall not exceed the excess  
19 of—

20 “(1) \$50,000, over

21 “(2) the aggregate amount allowable as a de-  
22 duction under subsection (a) with respect to such in-  
23 dividual for all prior taxable years.

24 “(d) DENIAL OF DOUBLE BENEFIT.—Any amount  
25 excluded from the gross income of an individual under sec-

tion 127A shall not be treated as an amount paid by such individual for purposes of this section. The amount of principal and interest with respect to which a deduction is allowed under this section shall not be taken into account in determining the amount of any other deduction or credit allowed under this chapter.”.

(b) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by redesignating the item relating to section 224 as an item relating to section 225 and by inserting after the item relating to section 223 the following new item:

“Sec. 224. Deduction for student loan payments which are matched by an employer.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.