To amend the Internal Revenue Code of 1986 to exclude certain post-graduation scholarship grants from gross income in the same manner as qualified scholarships to promote economic growth.

IN THE SENATE OF THE UNITED STATES

Mr. PETERS (for himself and Mrs. CAPITO) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to exclude certain post-graduation scholarship grants from gross income in the same manner as qualified scholarships to promote economic growth.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the “Workforce Development Through Post-Graduation Scholarships Act of 2021”.
SEC. 2. POST-GRADUATION SCHOLARSHIP GRANTS EXCLUDED FROM GROSS INCOME IN SAME MANNER AS QUALIFIED SCHOLARSHIPS.

(a) In General.—Section 117(a) of the Internal Revenue Code of 1986 is amended—

(1) by striking the period at the end and inserting “, or”,

(2) by striking “any amount received” and inserting the following: “any amount which—

“(1) is received”, and

(3) by adding at the end the following new paragraph:

“(2) is received as a post-graduation scholarship grant paid on behalf of an individual.”.

(b) Post-Graduation Scholarship Grant.—Section 117(b) of the Internal Revenue Code of 1986 is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following new paragraph:

“(2) Post-Graduation Scholarship Grant.—

“(A) In General.—The term ‘post-graduation scholarship grant’ means any grant program—

“(i) which is established by an organization which—
“(I) is described in section 501(e)(3) and exempt from tax under section 501(a), and

“(II) is either a private foundation or community trust described in section 170(b)(1)(A)(vi) (other than an organization established by an organization described in section 170(b)(1)(A)(ii) or an organization described in section 170(b)(1)(A)(iii) the principal purpose or function of which is the provision of medical education),

“(ii) under which, in accordance with the conditions of a grant, such organization repays any portion of an applicable education loan incurred by an individual,

“(iii) which requires a grantee to live and work in an applicable community,

“(iv) under which payments are made directly to the holder of the loan, and

“(v) which is not provided to an employee of the granting organization or a related entity of the granting organization.
“(B) APPLICABLE EDUCATION LOAN.—For purposes of subparagraph (A), the term ‘applicable education loan’ means, with respect to any individual, a qualified education loan (as defined in section 221(d)(1)) incurred to pay qualified higher education expenses (as defined in section 221(d)(2)) of such individual.

“(C) APPLICABLE COMMUNITY.—For purposes of subparagraph (A), the term ‘aplicable community’ means any area that has a bachelor’s degree attainment rate for the population that is below the state or national average for such population (as determined based on data collected by the Census Bureau).”.

(c) AMOUNT NOT TREATED AS TAXABLE EXPENDITURE BY PRIVATE FOUNDATION.—Section 4945(g) of the Internal Revenue Code of 1986 is amended by striking “or” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “, or”, and by adding at the end the following new paragraph:

“(4) the grant is a post-graduation scholarship grant (as defined in section 117(b)(2)).”.

(d) DENIAL OF DOUBLE BENEFIT.—Section 221(e) of the Internal Revenue Code of 1986 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and
(4), respectively, and by inserting after paragraph (1) the following new paragraph:

“(2) Denial of double benefit in case of post-graduation scholarship grants.—Any interest which is paid as part of a post-graduation scholarship grant and excluded from gross income under section 117 shall not be taken into account under this section.”.

(e) Regulatory Authority.—Section 117 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(e) Regulations.—The Secretary shall prescribe such reporting requirements and regulations as may be necessary or appropriate to carry out subsection (a)(2).”.

(f) Reports.—

(1) Secretary of Treasury.—Not later than 3 years after the date of the enactment of this Act, and periodically thereafter, the Secretary of the Treasury, or the Secretary’s delegate, shall submit to Congress a report on the implementation and effectiveness of the amendments made by this section.

(2) Comptroller General.—

(A) In general.—Not later than 5 years after the date of enactment of this Act, the Comptroller General of the United States shall
publish the result of a study on post-graduation scholarship grants to which section 117 of the Internal Revenue Code of 1986 (as amended by this section) applies.

(B) CONTENTS OF REPORT.—The information published under subparagraph (A) shall include the following:

(i) The length of time involved in such grants.

(ii) The amount paid out under such grants.

(iii) The disposition of any funds paid under such grants, including the identity of any loan holders who benefit from such funds.

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