To amend the Internal Revenue Code of 1986 to make the American Opportunity Tax Credit fully refundable, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. Menendez 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 make the American Opportunity Tax Credit fully refundable, and for other purposes.

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 “American Opportunity Tax Credit Enhancement Act of 2021”.

SEC. 2. ENHANCEMENT OF AMERICAN OPPORTUNITY TAX CREDIT.

(a) In General.—Section 25A of the Internal Revenue Code of 1986 is amended—

(1) in subsection (b)—
(A) by striking paragraph (1) and inserting the following:

“(1) PER STUDENT CREDIT.—In the case of any eligible student for whom an election is in effect under this section for any taxable year, the American Opportunity Tax Credit is an amount equal to 100 percent of so much of the qualified tuition and related expenses paid by the taxpayer during the taxable year (for education furnished to the eligible student during any academic period beginning in such taxable year) as does not exceed $5,000.”, and

(B) in paragraph (2)(D)—

(i) in the heading, by inserting “SERIOUS” before “FELONY”, and

(ii) by striking “Federal or State felony offense consisting of the possession or distribution of a controlled substance” and inserting “Federal drug-related offense for which the minimum term of imprisonment is not less than 15 years”,

(2) in subsection (d)—

(A) in paragraph (1)—

(i) in the heading, by striking “IN GENERAL” and inserting “LIFETIME LEARNING CREDIT”,

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(ii) by striking “The American Opportunity Tax Credit and the Lifetime Learning Credit shall each” and inserting “The Lifetime Learning Credit shall”, and

(iii) by striking “each such” and inserting “such”,

(B) by redesignating paragraph (2) as paragraph (3), and

(C) by inserting after paragraph (1) the following:

“(2) AMERICAN OPPORTUNITY TAX CREDIT.—

In the case of the American Opportunity Tax Credit, paragraph (1) shall be applied—

“(A) in subparagraph (A)(ii) of such paragraph, by substituting ‘$125,000 ($250,000’ for ‘$80,000 ($160,000’, and

“(B) in subparagraph (B) of such paragraph, by substituting ‘$25,000 ($50,000’ for ‘$10,000 ($20,000’.”, and

(3) in subsection (i)—

(A) in the heading, by striking “PORTION OF”, and

(B) by striking “Forty percent” and inserting “100 percent”.


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