To amend the Internal Revenue Code of 1986 to expand the deduction for student loan interest to include payments toward principal, and to increase the value of the deduction.

IN THE HOUSE OF REPRESENTATIVES

Mr. Goldman 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 expand the deduction for student loan interest to include payments toward principal, and to increase the value of the deduction.

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

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Generating Relief for Academic Debt Using Assisted Tax Efficiency Act”, or the “GRADUATE Act”.

SECTION 2. EDUCATION LOAN DEDUCTION.

(a) IN GENERAL.—Section 221 of the Internal Revenue Code of 1986 is amended—

1. in the heading, by striking “INTEREST ON EDUCATION LOANS” and inserting “EDUCATION LOANS”,

2. by amending subsection (a) to read as follows:

“(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction for the taxable year an amount equal to the amounts paid by the taxpayer during the taxable year on any qualified education loan.”,

3. by amending subsection (b) to read as follows:

“(b) MAXIMUM DEDUCTION.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the deduction allowed by subsection (a) for the taxable year shall not exceed an amount equal to the sum of—

“(A) $10,000, plus

“(B) $500 multiplied by the number of dependents of the taxpayer for such taxable year.

“(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—
“(A) IN GENERAL.—The amount which would (but for this paragraph) be allowable as a deduction under this section shall be reduced (but not below zero) by the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCTION.—The amount determined under this subparagraph is the amount which bears the same ratio to the amount which would be so taken into account as—

“(i) the excess of—

“(I) the taxpayer’s modified adjusted gross income for such taxable year, over

“(II) $125,000 ($250,000 in the case of a joint return), bears to

“(ii) $25,000 ($50,000 in the case of a joint return).

“(C) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means adjusted gross income determined—

“(i) without regard to this section and sections 85(c), 911, 931, and 933, and
“(ii) after application of sections 86, 135, 137, 219, and 469.”, and

(4) in subsection (f)(1)—

(A) by striking “after 2002” and inserting “after 2024”,

(B) by striking “$50,000 and $100,000” and inserting “$125,000 and $250,000”, and

(C) in subparagraph (B), by striking “calendar year 2001” and inserting “calendar year 2023”.

(b) CONFORMING AMENDMENT.—Section 62(a)(17) of such Code is amended to read as follows:

“(17) EDUCATION LOAN PAYMENTS.—The deduction allowed by section 221.”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2023.