

103D CONGRESS
1ST SESSION

S. 263

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid by a health care professional as interest on student loans if the professional agrees to practice medicine for at least 2 years in a rural community.

IN THE SENATE OF THE UNITED STATES

JANUARY 28 (legislative day, JANUARY 5), 1993

Mr. PRESSLER introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid by a health care professional as interest on student loans if the professional agrees to practice medicine for at least 2 years in a rural community.

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. DEDUCTION FOR STUDENT LOAN PAYMENTS**

4 **BY MEDICAL PROFESSIONALS PRACTICING**

5 **IN RURAL AREAS.**

6 (a) INTEREST ON STUDENT LOANS NOT TREATED

7 AS PERSONAL INTEREST.—Section 163(h)(2) of the Inter-

1 nal Revenue Code of 1986 (defining personal interest) is
2 amended by striking “and” at the end of subparagraph
3 (D), by striking the period at the end of subparagraph
4 (E) and inserting “, and”, and by adding at the end
5 thereof the following new subparagraph:

6 “(F) any qualified medical education interest
7 (within the meaning of subsection (k)).”.

8 (b) QUALIFIED MEDICAL EDUCATION INTEREST DE-
9 FINED.—Section 163 of the Internal Revenue Code of
10 1986 (relating to interest expenses) is amended by redes-
11 ignating subsection (k) as subsection (l) and by inserting
12 after subsection (j) the following new subsection:

13 “(k) QUALIFIED MEDICAL EDUCATION INTEREST OF
14 MEDICAL PROFESSIONALS PRACTICING IN RURAL
15 AREAS.—

16 “(1) IN GENERAL.—For purposes of subsection
17 (h)(2)(F), the term ‘qualified medical education in-
18 terest’ means an amount which bears the same ratio
19 to the interest paid on qualified educational loans
20 during the taxable year by an individual performing
21 services under a qualified rural medical practice
22 agreement as—

23 “(A) the number of months during the tax-
24 able year during which such services were per-
25 formed, bears to

1 “(B) the number of months in the taxable
2 year.

3 “(2) DOLLAR LIMITATION.—The aggregate
4 amount which may be treated as qualified medical
5 education interest for any taxable year with respect
6 to any individual shall not exceed \$5,000.

7 “(3) QUALIFIED RURAL MEDICAL PRACTICE
8 AGREEMENT.—For purposes of this subsection—

9 “(A) IN GENERAL.—The term ‘qualified
10 rural medical practice agreement’ means a writ-
11 ten agreement between an individual and an ap-
12 plicable rural community under which the indi-
13 vidual agrees—

14 “(i) in the case of a medical doctor,
15 upon completion of the individual’s resi-
16 dency (or internship if no residency is re-
17 quired), or

18 “(ii) in the case of a registered nurse,
19 nurse practitioner, or physician’s assistant,
20 upon completion of the education to which
21 the qualified education loan relates,

22 to perform full-time services as such a medical
23 professional in the applicable rural community
24 for a period of 24 consecutive months. An indi-
25 vidual and an applicable rural community may

1 elect to have the agreement apply for 36 consecutive months rather than 24 months.

3 “(B) SPECIAL RULE FOR COMPUTING PERIODS.—An individual shall be treated as meeting the 24 or 36 consecutive month requirement under subparagraph (A) if, during each 12-consecutive month period within either such period, the individual performs full-time services as a medical doctor, registered nurse, nurse practitioner, or physician’s assistant, whichever applies, in the applicable rural community during 9 of the months in such 12-consecutive month period. For purposes of this subsection, an individual meeting the requirements of the preceding sentence shall be treated as performing services during the entire 12-month period.

17 “(C) APPLICABLE RURAL COMMUNITY.—
18 The term ‘applicable rural community’ means—
19 “(i) any political subdivision of a
20 State which—

21 “(I) has a population of 5,000 or
22 less, and
23 “(II) has a per capita income of
24 \$15,000 or less, or

1 “(ii) an Indian reservation which has
2 a per capita income of \$15,000 or less.

3 “(4) QUALIFIED EDUCATIONAL LOAN.—The
4 term ‘qualified educational loan’ means any indebt-
5 edness to pay qualified tuition and related expenses
6 (within the meaning of section 117(b)) and reason-
7 able living expenses—

8 “(A) which are paid or incurred—

9 “(i) as a candidate for a degree as a
10 medical doctor at an educational institu-
11 tion described in section 170(b)(1)(A)(ii),
12 or

13 “(ii) in connection with courses of in-
14 struction at such an institution necessary
15 for certification as a registered nurse,
16 nurse practitioner, or physician’s assistant,
17 and

18 “(B) which are paid or incurred within a
19 reasonable time before or after such indebted-
20 ness is incurred.

21 “(5) RECAPTURE.—If an individual fails to
22 carry out a qualified rural medical practice agree-
23 ment during any taxable year, then—

24 “(A) no deduction with respect to such
25 agreement shall be allowable by reason of sub-

1 section (h)(2)(F) for such taxable year and any
2 subsequent taxable year, and

3 “(B) there shall be included in gross in-
4 come for such taxable year the aggregate
5 amount of the deductions allowable under this
6 section (by reason of subsection (h)(2)(F)) for
7 all preceding taxable years.

8 “(6) DEFINITIONS.—For purposes of this sub-
9 section, the terms ‘registered nurse’, ‘nurse practi-
10 tioner’, and ‘physician’s assistant’ have the meaning
11 given such terms by section 1861 of the Social Secu-
12 rity Act.”.

13 (b) DEDUCTION ALLOWED IN COMPUTING AD-
14 JUSTED GROSS INCOME.—Section 62(a) of the Internal
15 Revenue Code of 1986 is amended by inserting after para-
16 graph (14) the following new paragraph:

17 “(15) INTEREST ON STUDENT LOANS OF RURAL
18 HEALTH PROFESSIONALS.—The deduction allowable
19 by reason of section 163(h)(2)(F) (relating to stu-
20 dent loan payments of medical professionals practic-
21 ing in rural areas).”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 1992.

