

(A) an original securities acquisition loan, and  
 (B) any securities acquisition loan (or series of such loans) used to refinance the original securities acquisition loan,  
 subsection (a) shall apply only to interest accruing during the excludable period with respect to the original securities acquisition loan.

**(2) EXCLUDABLE PERIOD**

For purposes of this subsection, the term “excludable period” means, with respect to any original securities acquisition loan—

**(A) IN GENERAL**

The 7-year period beginning on the date of such loan.

**(B) LOANS DESCRIBED IN SUBSECTION (b)(1)(A)**

If the term of an original securities acquisition loan described in subsection (b)(1)(A) is greater than 7 years, the term of such loan. This subparagraph shall not apply to a loan described in subsection (b)(3)(B).

**(3) ORIGINAL SECURITIES ACQUISITION LOAN**

For the purposes of this subsection, the term “original securities acquisition loan” means a securities acquisition loan described in subparagraph (A) or (B) of subsection (b)(1).

**PRIOR PROVISIONS**

A prior section 133 was renumbered section 140 of this title.

**EFFECTIVE DATE OF REPEAL**

Pub. L. 104-188, title I, §1602(c), Aug. 20, 1996, 110 Stat. 1834, provided that:

“(1) **IN GENERAL.**—The amendments made by this section [amending sections 291, 812, 852, 4978, 6047, and 7872 of this title and repealing this section and section 4978B of this title] shall apply to loans made after the date of the enactment of this Act [Aug. 20, 1996].

“(2) **REFINANCINGS.**—The amendments made by this section shall not apply to loans made after the date of the enactment of this Act to refinance securities acquisition loans (determined without regard to section 133(b)(1)(B) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of this Act) [set out above] made on or before such date or to refinance loans described in this paragraph if—

“(A) the refinancing loans meet the requirements of section 133 of such Code (as so in effect),

“(B) immediately after the refinancing the principal amount of the loan resulting from the refinancing does not exceed the principal amount of the refinanced loan (immediately before the refinancing), and

“(C) the term of such refinancing loan does not extend beyond the last day of the term of the original securities acquisition loan.

For purposes of this paragraph, the term ‘securities acquisition loan’ includes a loan from a corporation to an employee stock ownership plan described in section 133(b)(3) of such Code (as so in effect).

“(3) **EXCEPTION.**—Any loan made pursuant to a binding written contract in effect before June 10, 1996, and at all times thereafter before such loan is made, shall be treated for purposes of paragraphs (1) and (2) as a loan made on or before the date of the enactment of this Act.”

**§ 134. Certain military benefits**

**(a) General rule**

Gross income shall not include any qualified military benefit.

**(b) Qualified military benefit**

For purposes of this section—

**(1) In general**

The term “qualified military benefit” means any allowance or in-kind benefit (other than personal use of a vehicle) which—

(A) is received by any member or former member of the uniformed services of the United States or any dependent of such member by reason of such member’s status or service as a member of such uniformed services, and

(B) was excludable from gross income on September 9, 1986, under any provision of law, regulation, or administrative practice which was in effect on such date (other than a provision of this title).

**(2) No other benefit to be excludable except as provided by this title**

Notwithstanding any other provision of law, no benefit shall be treated as a qualified military benefit unless such benefit—

(A) is a benefit described in paragraph (1), or

(B) is excludable from gross income under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act.

**(3) Limitations on modifications**

**(A) In general**

Except as provided in subparagraphs (B) and (C) and paragraphs (4) and (5), no modification or adjustment of any qualified military benefit after September 9, 1986, shall be taken into account.

**(B) Exception for certain adjustments to cash benefits**

Subparagraph (A) shall not apply to any adjustment to any qualified military benefit payable in cash which—

(i) is pursuant to a provision of law or regulation (as in effect on September 9, 1986), and

(ii) is determined by reference to any fluctuation in cost, price, currency, or other similar index.

**(C) Exception for death gratuity adjustments made by law**

Subparagraph (A) shall not apply to any adjustment to the amount of death gratuity payable under chapter 75 of title 10, United States Code, which is pursuant to a provision of law enacted after September 9, 1986.

**(4) Clarification of certain benefits**

For purposes of paragraph (1), such term includes any dependent care assistance program (as in effect on the date of the enactment of this paragraph) for any individual described in paragraph (1)(A).

**(5) Travel benefits under operation hero miles**

The term “qualified military benefit” includes a travel benefit provided under section 2613 of title 10, United States Code (as in effect on the date of the enactment of this paragraph).

**(6) Certain State payments**

The term “qualified military benefit” includes any bonus payment by a State or political subdivision thereof to any member or former member of the uniformed services of the United States or any dependent of such member only by reason of such member’s serv-

ice in an<sup>1</sup> combat zone (as defined in section 112(c)(2), determined without regard to the parenthetical).

(Added Pub. L. 99-514, title XI, §1168(a), Oct. 22, 1986, 100 Stat. 2512; amended Pub. L. 100-647, title I, §1011B(f)(1), (2)(A), (3), Nov. 10, 1988, 102 Stat. 3489, 3490; Pub. L. 108-121, title I, §§102(b)(1), (2), 106(a), (b)(1), Nov. 11, 2003, 117 Stat. 1337-1339; Pub. L. 108-375, div. A, title V, §585(b)(1), (2)(A), Oct. 28, 2004, 118 Stat. 1931, 1932; Pub. L. 110-245, title I, §112(a), June 17, 2008, 122 Stat. 1635.)

#### REFERENCES IN TEXT

The date of the enactment of this paragraph, referred to in subsec. (b)(4), is the date of enactment of Pub. L. 108-121, which was approved Nov. 11, 2003.

The date of the enactment of this paragraph, referred to in subsec. (b)(5), is the date of enactment of Pub. L. 108-375, which was approved Oct. 28, 2004.

#### PRIOR PROVISIONS

A prior section 134 was renumbered section 140 of this title.

#### AMENDMENTS

2008—Subsec. (b)(6). Pub. L. 110-245 added par. (6).

2004—Subsec. (b)(3)(A). Pub. L. 108-375, §585(b)(2)(A), substituted “paragraphs (4) and (5)” for “paragraph (4)”.

Subsec. (b)(5). Pub. L. 108-375, §585(b)(1), added par. (5).

2003—Subsec. (b)(3)(A). Pub. L. 108-121, §106(b)(1), inserted “and paragraph (4)” after “subparagraphs (B) and (C)”.

Pub. L. 108-121, §102(b)(2), substituted “subparagraphs (B) and (C)” for “subparagraph (B)”.

Subsec. (b)(3)(C). Pub. L. 108-121, §102(b)(1), added subpar. (C).

Subsec. (b)(4). Pub. L. 108-121, §106(a), added par. (4). 1988—Subsec. (b)(1). Pub. L. 100-647, §1011B(f)(2)(A), inserted “(other than personal use of a vehicle)” after “in-kind benefit” in introductory text.

Subsec. (b)(1)(B). Pub. L. 100-647, §1011B(f)(1), substituted “, regulation, or administrative practice” for “or regulation thereunder”.

Subsec. (b)(3)(A). Pub. L. 100-647, §1011B(f)(3), struck out “under any provision of law or regulation described in paragraph (1)” after “September 9, 1986.”.

#### EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-245, title I, §112(b), June 17, 2008, 122 Stat. 1635, provided that: “The amendment made by this section [amending this section] shall apply to payments made before, on, or after the date of the enactment of this Act [June 17, 2008].”

#### EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-375, div. A, title V, §585(b)(3), Oct. 28, 2004, 118 Stat. 1932, provided that: “The amendments made by this subsection [amending this section and sections 3121, 3306, and 3401 of this title] shall apply to travel benefits provided after the date of the enactment of this Act [Oct. 28, 2004].”

#### EFFECTIVE DATE OF 2003 AMENDMENT

Pub. L. 108-121, title I, §102(b)(3), Nov. 11, 2003, 117 Stat. 1337, provided that: “The amendments made by this subsection [amending this section] shall apply with respect to deaths occurring after September 10, 2001.”

Pub. L. 108-121, title I, §106(c), Nov. 11, 2003, 117 Stat. 1339, provided that: “The amendments made by this section [amending this section and sections 3121, 3306, and 3401 of this title] shall apply to taxable years beginning after December 31, 2002.”

<sup>1</sup> So in original. Probably should be “a”.

#### EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title I, §1011B(f)(2)(B), Nov. 10, 1988, 102 Stat. 3490, provided that: “The amendment made by subparagraph (A) [amending this section] shall apply to taxable years beginning after December 31, 1986.”

Amendment by section 1011B(f)(1), (3) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

#### EFFECTIVE DATE

Pub. L. 99-514, title XI, §1168(c), Oct. 22, 1986, 100 Stat. 2513, as amended by Pub. L. 100-647, title I, §1011B(f)(4), Nov. 10, 1988, 102 Stat. 3490, provided that: “The amendments made by this section [enacting this section] shall apply to taxable years beginning after December 31, 1984.”

#### NO INFERENCE TO BE DRAWN FROM AMENDMENT BY PUB. L. 108-121

Pub. L. 108-121, title I, §106(d), Nov. 11, 2003, 117 Stat. 1339, provided that: “No inference may be drawn from the amendments made by this section [amending this section and sections 3121, 3306, and 3401 of this title] with respect to the tax treatment of any amounts under the program described in section 134(b)(4) of the Internal Revenue Code of 1986 (as added by this section) for any taxable year beginning before January 1, 2003.”

### § 135. Income from United States savings bonds used to pay higher education tuition and fees

#### (a) General rule

In the case of an individual who pays qualified higher education expenses during the taxable year, no amount shall be includible in gross income by reason of the redemption during such year of any qualified United States savings bond.

#### (b) Limitations

##### (1) Limitation where redemption proceeds exceed higher education expenses

###### (A) In general

If—

(i) the aggregate proceeds of qualified United States savings bonds redeemed by the taxpayer during the taxable year exceed

(ii) the qualified higher education expenses paid by the taxpayer during such taxable year,

the amount excludable from gross income under subsection (a) shall not exceed the applicable fraction of the amount excludable from gross income under subsection (a) without regard to this subsection.

###### (B) Applicable fraction

For purposes of subparagraph (A), the term “applicable fraction” means the fraction the numerator of which is the amount described in subparagraph (A)(ii) and the denominator of which is the amount described in subparagraph (A)(i).

##### (2) Limitation based on modified adjusted gross income

###### (A) In general

If the modified adjusted gross income of the taxpayer for the taxable year exceeds