

108TH CONGRESS
1ST SESSION

H. R. 282

To amend the Internal Revenue Code of 1986 to allow a credit for contributions for the benefit of elementary and secondary schools.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2003

Mr. HOEKSTRA (for himself, Mr. TANCREDO, and Mr. SOUDER) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a credit for contributions for the benefit of elementary and secondary schools.

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. SHORT TITLE.**

4 This Act may be cited as the “Education Freedom
5 Act”.

6 **SEC. 2. CREDIT FOR CONTRIBUTIONS FOR THE BENEFIT OF**
7 **ELEMENTARY AND SECONDARY SCHOOLS.**

8 (a) IN GENERAL.—Subpart B of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 30B. CREDIT FOR CONTRIBUTIONS FOR THE BENEFIT**
4 **OF ELEMENTARY AND SECONDARY SCHOOLS.**

5 “(a) ALLOWANCE OF CREDIT.—There shall be al-
6 lowed as a credit against the tax imposed by this chapter
7 for the taxable year an amount equal to 50 percent of the
8 qualified charitable contributions of the taxpayer for the
9 taxable year.

10 “(b) LIMITATIONS.—

11 “(1) INDIVIDUALS, ETC.—In the case of a tax-
12 payer other than a corporation, the credit allowed by
13 subsection (a) for any taxable year shall not exceed
14 \$250 (\$500 in the case of a joint return).

15 “(2) CORPORATIONS.—In the case of a corpora-
16 tion, the credit allowed by subsection (a) shall not
17 exceed \$50,000.

18 “(3) LIMITATION IN CASE OF STATE CREDIT.—
19 Subject to subsection (d)(2), in the case of a tax-
20 payer which claims a credit on a State income tax
21 return for any qualified charitable contribution, the
22 amount of credit under this section shall be the less-
23 er of—

24 “(A) the amount which, when added to the
25 amount of the State income tax credit, equals

1 the total amount of the taxpayer's qualified
2 charitable contributions, or

3 “(B) the limitation amount that applies
4 under paragraph (1) or (2).

5 “(c) QUALIFIED CHARITABLE CONTRIBUTION.—For
6 purposes of this section—

7 “(1) IN GENERAL.—The term ‘qualified chari-
8 table contribution’ means, with respect to any tax-
9 able year, the aggregate amount allowable as a de-
10 duction under section 170 (determined without re-
11 gard to subsection (d)(1)) for cash contributions—

12 “(A) to an education investment organiza-
13 tion, or

14 “(B) to a public, private, or religious
15 school providing education at the elementary or
16 secondary level.

17 “(2) EDUCATION INVESTMENT ORGANIZA-
18 TION.—For purposes of this section—

19 “(A) IN GENERAL.—The term ‘education
20 investment organization’ means any organiza-
21 tion described in section 170(c)(2) if the annual
22 disbursements of the organization in the form
23 of grants for qualified elementary and sec-
24 ondary education expenses are normally not less
25 than 90 percent of the sum of such organiza-

1 tion’s annual gross income and contributions
2 and gifts.

3 “(B) QUALIFIED ELEMENTARY AND SEC-
4 ONDARY EDUCATION EXPENSES.—The term
5 ‘qualified elementary and secondary education
6 expenses’ has the meaning given such term by
7 section 530(b)(4), except that ‘child’ shall be
8 substituted for ‘beneficiary’ and ‘a child’ shall
9 be substituted for ‘the designated beneficiary of
10 the trust’ in clauses (i) and (iii) of subpara-
11 graph (A).

12 “(d) SPECIAL RULES.—

13 “(1) DENIAL OF DOUBLE BENEFIT.—No deduc-
14 tion shall be allowed under this chapter for any con-
15 tribution for which credit is allowed under this sec-
16 tion.

17 “(2) APPLICATION WITH OTHER CREDITS.—
18 The credit allowed by subsection (a) for any taxable
19 year shall not exceed the excess of—

20 “(A) the sum of the regular tax liability
21 (as defined in section 26(b)) plus the tax im-
22 posed by section 55, over

23 “(B) the sum of the credits allowable
24 under this part (other than sections 21, 22, 24,

1 25A, 25B, subpart C, and this section) and
2 under section 1397E.

3 “(3) CONTROLLED GROUPS.—All persons who
4 are treated as one employer under subsection (a) or
5 (b) of section 52 shall be treated as 1 taxpayer for
6 purposes of this section.

7 “(e) ELECTION TO HAVE CREDIT NOT APPLY.—A
8 taxpayer may elect to have this section not apply for any
9 taxable year.”.

10 (b) CLERICAL AMENDMENT.—The table of sections
11 for subpart B of part IV of subchapter A of chapter 1
12 of such Code is amended by adding at the end the fol-
13 lowing new item:

“Sec. 30B. Credit for contributions for the benefit of elementary
and secondary schools.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2003.

17 **SEC. 3. EXCLUSION FROM GROSS INCOME OF GRANTS**
18 **FROM EDUCATION INVESTMENT ORGANIZA-**
19 **TIONS.**

20 (a) IN GENERAL.—Part III of subchapter B of chap-
21 ter 1 of the Internal Revenue Code of 1986 (relating to
22 items specifically excluded from gross income) is amended
23 by inserting after section 117 the following new section:

1 **“SEC. 117A. GRANTS FROM EDUCATION INVESTMENT ORGA-**
2 **NIZATIONS.**

3 “(a) GENERAL RULE.—Gross income does not in-
4 clude any amount received as a grant for qualified elemen-
5 tary and secondary education expenses from an education
6 investment organization.

7 “(b) DEFINITIONS.—For purposes of this section, the
8 terms ‘qualified elementary and secondary education ex-
9 penses’ and ‘education investment organization’ have the
10 meanings provided by section 30B.”.

11 (b) CLERICAL AMENDMENT.—The table of sections
12 for part III of subchapter B of chapter 1 of such Code
13 is amended by inserting after the item relating to section
14 117 the following:

“Sec. 117A. Grants from education investment organizations.”.

15 (c) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to amounts received in taxable
17 years beginning after December 31, 2003.

18 **SEC. 4. REVISION OF DEFINITION OF SCHOOL FOR PUR-**
19 **POSES OF QUALIFIED ELEMENTARY AND**
20 **SECONDARY EDUCATION EXPENSES.**

21 (a) IN GENERAL.—Paragraph (4) of section 530(b)
22 of the Internal Revenue Code of 1986 (defining qualified
23 elementary and secondary education expenses) is amend-
24 ed—

1 (1) in clauses (i) and (ii) of subparagraph (A),
2 by striking “public, private, or religious”, and

3 (2) in subparagraph (B), by inserting after
4 “any school” the following: “, including a public,
5 private, religious, or home school,”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2003.

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