

108TH CONGRESS
1ST SESSION

H. R. 611

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for amounts contributed to charitable organizations which provide elementary or secondary school scholarships and for contributions of, and for, instructional materials and materials for extracurricular activities.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 5, 2003

Mr. PAUL (for himself, Mr. BARTLETT of Maryland, Mrs. MUSGRAVE, and Mr. NORWOOD) 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 against income tax for amounts contributed to charitable organizations which provide elementary or secondary school scholarships and for contributions of, and for, instructional materials and materials for extracurricular activities.

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 Improve-
5 ment Tax Cut Act”.

1 **SEC. 2. CREDIT FOR CONTRIBUTIONS TO CHARITABLE OR-**
2 **GANIZATIONS WHICH PROVIDE ELEMENTARY**
3 **OR SECONDARY SCHOOL SCHOLARSHIPS.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to nonrefundable personal credits) is
7 amended by inserting after section 25B the following new
8 section:

9 **“SEC. 25C. CONTRIBUTIONS TO ORGANIZATIONS PRO-**
10 **VIDING ELEMENTARY OR SECONDARY**
11 **SCHOOL SCHOLARSHIPS.**

12 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
13 dividual, there shall be allowed as a credit against the tax
14 imposed by this chapter for the taxable year an amount
15 equal to the qualified scholarship contributions of the tax-
16 payer for the taxable year.

17 “(b) MAXIMUM CREDIT.—The credit allowed by sub-
18 section (a) for any taxable year shall not exceed \$3,000
19 (\$1,500 in the case of a married individual (as determined
20 under section 7703) filing a separate return).

21 “(c) QUALIFIED SCHOLARSHIP CONTRIBUTION.—
22 For purposes of this section—

23 “(1) IN GENERAL.—The term ‘qualified schol-
24 arship contribution’ means, with respect to any tax-
25 able year, the amount which would (but for sub-
26 section (e)) be allowable as a deduction under sec-

1 tion 170 for cash contributions to a school tuition
2 organization.

3 “(2) SCHOOL TUITION ORGANIZATION.—

4 “(A) IN GENERAL.—The term ‘school tui-
5 tion organization’ means any organization de-
6 scribed in section 170(c)(2) if the annual dis-
7 bursements of the organization for elementary
8 and secondary school scholarships are normally
9 not less than 90 percent of the sum of such or-
10 ganization’s annual gross income and contribu-
11 tions and gifts.

12 “(B) ELEMENTARY AND SECONDARY
13 SCHOOL SCHOLARSHIP.—The term ‘elementary
14 and secondary school scholarship’ means any
15 scholarship excludable from gross income under
16 section 117 for expenses related to education at
17 or below the 12th grade.

18 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction
19 shall be allowed under this chapter for any contribution
20 for which a credit is allowed under this section.

21 “(e) ELECTION TO HAVE CREDIT NOT APPLY.—

22 “(1) IN GENERAL.—A taxpayer may elect to
23 have this section not apply for any taxable year.

24 “(2) TIME FOR MAKING ELECTION.—An elec-
25 tion under paragraph (1) for any taxable year may

1 be made (or revoked) at any time before the expira-
2 tion of the 3-year period beginning on the last date
3 prescribed by law for filing the return for such tax-
4 able year (determined without regard to extensions).

5 “(f) COST-OF-LIVING ADJUSTMENT.—In the case of
6 any taxable year beginning in a calendar year after 2003,
7 each dollar amount contained in subsection (b) shall be
8 increased by an amount equal to—

9 “(1) such dollar amount, multiplied by

10 “(2) the cost-of-living adjustment determined
11 under section 1(f)(3) for the calendar year in which
12 the taxable year begins, by substituting ‘calendar
13 year 2002’ for ‘calendar year 1992’ in subparagraph
14 (B) thereof.

15 If any increase determined under the preceding sentence
16 is not a multiple of \$10, such increase shall be increased
17 to the next highest multiple of \$10. In the case of a mar-
18 ried individual (as determined under section 7703) filing
19 a separate return, the preceding sentence shall be applied
20 by substituting ‘\$5’ for ‘\$10’ each place it appears.

21 “(g) REGULATIONS.—The Secretary shall prescribe
22 regulations to carry out this section, including regulations
23 providing for claiming the credit under this section on
24 Form 1040EZ.”

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for subpart A of part IV of subchapter A of chapter 1
 3 of such Code is amended by inserting after the item relat-
 4 ing to section 25B the following new item:

“Sec. 25C. Contributions to organizations providing elementary or
 secondary school scholarships.”

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

8 **SEC. 3. CREDIT FOR CONTRIBUTIONS OF AND FOR IN-**
 9 **STRUCTIONAL MATERIALS AND MATERIALS**
 10 **FOR EXTRACURRICULAR ACTIVITIES.**

11 (a) IN GENERAL.—Subpart A of part IV of sub-
 12 chapter A of chapter 1 of the Internal Revenue Code of
 13 1986 (relating to nonrefundable personal credits) is
 14 amended by inserting after section 25C the following new
 15 section:

16 **“SEC. 25D. CONTRIBUTIONS OF AND FOR INSTRUCTIONAL**
 17 **MATERIALS AND MATERIALS FOR EXTRA-**
 18 **CURRICULAR ACTIVITIES.**

19 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 20 dividual, there shall be allowed as a credit against the tax
 21 imposed by this chapter for the taxable year an amount
 22 equal to the qualified school materials contributions of the
 23 taxpayer for the taxable year.

1 “(b) MAXIMUM CREDIT.—The credit allowed by sub-
2 section (a) for any taxable year shall not exceed \$3,000
3 (\$1,500 in the case of a married individual (as determined
4 under section 7703) filing a separate return).

5 “(c) QUALIFIED SCHOOL MATERIALS CONTRIBU-
6 TION.—For purposes of this section—

7 “(1) IN GENERAL.—The term ‘qualified school
8 materials contribution’ means, with respect to any
9 taxable year, the amount which would (but for sub-
10 section (e)) be allowable as a deduction under sec-
11 tion 170 for—

12 “(A) any cash contribution to any elemen-
13 tary or secondary school if such contribution is
14 designated to be used solely to acquire qualified
15 school materials,

16 “(B) any contribution of qualified school
17 materials to any elementary or secondary
18 school, and

19 “(C) any cash contribution to a school ma-
20 terials organization.

21 “(2) ELEMENTARY OR SECONDARY SCHOOL.—
22 The term ‘elementary or secondary school’ means
23 any organization described in section
24 170(b)(1)(A)(ii) which provides education solely at
25 or below the 12th grade.

1 “(3) SCHOOL MATERIALS ORGANIZATION.—

2 “(A) IN GENERAL.—The term ‘school ma-
3 terials organization’ means any organization de-
4 scribed in section 170(c)(2) if—

5 “(i) the primary function of the orga-
6 nization is to raise funds for elementary or
7 secondary schools, and

8 “(ii) the annual disbursements of the
9 organization for qualified school materials
10 which are provided to elementary and sec-
11 ondary schools are normally not less than
12 90 percent of the sum of such organiza-
13 tion’s annual gross income and contribu-
14 tions and gifts.

15 “(B) QUALIFIED SCHOOL MATERIALS.—
16 The term ‘qualified school materials’ means—

17 “(i) instructional materials and equip-
18 ment, including library books and mate-
19 rials, computers, and computer software,
20 and

21 “(ii) materials and equipment for
22 school-sponsored extracurricular activities.

23 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction
24 shall be allowed under this chapter for any contribution
25 for which a credit is allowed under this section.

1 “(e) ELECTION TO HAVE CREDIT NOT APPLY.—

2 “(1) IN GENERAL.—A taxpayer may elect to
3 have this section not apply for any taxable year.

4 “(2) TIME FOR MAKING ELECTION.—An elec-
5 tion under paragraph (1) for any taxable year may
6 be made (or revoked) at any time before the expira-
7 tion of the 3-year period beginning on the last date
8 prescribed by law for filing the return for such tax-
9 able year (determined without regard to extensions).

10 “(f) COST-OF-LIVING ADJUSTMENT.—In the case of
11 any taxable year beginning in a calendar year after 2003,
12 each dollar amount contained in subsection (b) shall be
13 increased by an amount equal to—

14 “(1) such dollar amount, multiplied by

15 “(2) the cost-of-living adjustment determined
16 under section 1(f)(3) for the calendar year in which
17 the taxable year begins, by substituting ‘calendar
18 year 2002’ for ‘calendar year 1992’ in subparagraph
19 (B) thereof.

20 If any increase determined under the preceding sentence
21 is not a multiple of \$10, such increase shall be increased
22 to the next highest multiple of \$10. In the case of a mar-
23 ried individual (as determined under section 7703) filing
24 a separate return, the preceding sentence shall be applied
25 by substituting ‘\$5’ for ‘\$10’ each place it appears.

1 “(g) REGULATIONS.—The Secretary shall prescribe
2 regulations to carry out this section, including regulations
3 providing for claiming the credit under this section on
4 Form 1040EZ.”

5 (b) CLERICAL AMENDMENT.—The table of sections
6 for subpart A of part IV of subchapter A of chapter 1
7 of such Code is amended by inserting after the item relat-
8 ing to section 25C the following new item:

“Sec. 25D. Contributions of and for instructional materials and
materials for extracurricular activities.”

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2002.

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