

106TH CONGRESS  
1ST SESSION

# H. R. 936

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.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 1999

Mr. PAUL introduced the following bill; which was referred to the Committee on Ways and Means

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## 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 25A the following new  
 8 section:

9 **“SEC. 25B. CONTRIBUTIONS TO ORGANIZATIONS PROVID-**  
 10 **ING ELEMENTARY OR SECONDARY SCHOOL**  
 11 **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 2000,  
 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 1999’ 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 (b) CLERICAL AMENDMENT.—The table of sections  
 22 for subpart A of part IV of subchapter A of chapter 1  
 23 of such Code is amended by inserting after the item relat-  
 24 ing to section 25A the following new item:

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

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 1999.

4 **SEC. 3. CREDIT FOR CONTRIBUTIONS OF AND FOR IN-**  
 5 **STRUCTIONAL MATERIALS AND MATERIALS**  
 6 **FOR EXTRACURRICULAR ACTIVITIES.**

7 (a) IN GENERAL.—Subpart A of part IV of sub-  
 8 chapter A of chapter 1 of the Internal Revenue Code of  
 9 1986 (relating to nonrefundable personal credits) is  
 10 amended by inserting after section 25B the following new  
 11 section:

12 **“SEC. 25C. CONTRIBUTIONS OF AND FOR INSTRUCTIONAL**  
 13 **MATERIALS AND MATERIALS FOR EXTRA-**  
 14 **CURRICULAR ACTIVITIES.**

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

20 “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
 21 section (a) for any taxable year shall not exceed \$3,000  
 22 (\$1,500 in the case of a married individual (as determined  
 23 under section 7703) filing a separate return).

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

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

6                   “(A) any cash contribution to any elemen-  
7                   tary or secondary school if such contribution is  
8                   designated to be used solely to acquire qualified  
9                   school materials,

10                   “(B) any contribution of qualified school  
11                   materials to any elementary or secondary  
12                   school, and

13                   “(C) any cash contribution to a school ma-  
14                   terials organization.

15           “(2) ELEMENTARY OR SECONDARY SCHOOL.—  
16           The term ‘elementary or secondary school’ means  
17           any organization described in section  
18           170(b)(1)(A)(ii) which provides education solely at  
19           or below the 12th grade.

20           “(3) SCHOOL MATERIALS ORGANIZATION.—

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

1 “(i) the primary function of the orga-  
 2 nization is to raise funds for elementary or  
 3 secondary schools, and

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

11 “(B) QUALIFIED SCHOOL MATERIALS.—

12 The term ‘qualified school materials’ means—

13 “(i) instructional materials and equip-  
 14 ment, including library books and mate-  
 15 rials, computers, and computer software,  
 16 and

17 “(ii) materials and equipment for  
 18 school-sponsored extracurricular activities.

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

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

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

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

7           “(f) COST-OF-LIVING ADJUSTMENT.—In the case of  
 8           any taxable year beginning in a calendar year after 2000,  
 9           each dollar amount contained in subsection (b) shall be  
 10          increased by an amount equal to—

11           “(1) such dollar amount, multiplied by

12           “(2) the cost-of-living adjustment determined  
 13          under section 1(f)(3) for the calendar year in which  
 14          the taxable year begins, by substituting ‘calendar  
 15          year 1999’ for ‘calendar year 1992’ in subparagraph  
 16          (B) thereof.

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

23          (b) CLERICAL AMENDMENT.—The table of sections  
 24          for subpart A of part IV of subchapter A of chapter 1



1 of such Code is amended by inserting after the item relat-  
2 ing to section 25B the following new item:

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

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 1999.

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