I

107TH CONGRESS
1ST SESSION

H. R. 370

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

JANUARY 31, 2001

Mr. PAUL (for himself, Mr. BARTLETT of Maryland, 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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Education Improvement Tax Cut Act''.

SEC. 2. CREDIT FOR CONTRIBUTIONS TO CHARITABLE ORGANIZATIONS WHICH PROVIDE ELEMENTARY OR SECONDARY SCHOOL SCHOLARSHIPS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. CONTRIBUTIONS TO ORGANIZATIONS PROVIDING ELEMENTARY OR SECONDARY SCHOOL SCHOLARSHIPS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the qualified scholarship contributions of the taxpayer for the taxable year.

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

"(c) QUALIFIED SCHOLARSHIP CONTRIBUTION.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified scholarship contribution' means, with respect to any taxable year, the amount which would (but for subsection (e)) be allowable as a deduction under section 170 for cash contributions to a school tuition organization.

"(2) SCHOOL TUITION ORGANIZATION.—

"(A) IN GENERAL.—The term 'school tuition organization' means any organization described in section 170(c)(2) if the annual disbursements of the organization for elementary and secondary school scholarships are normally not less than 90 percent of the sum of such organization's annual gross income and contributions and gifts.

"(B) ELEMENTARY AND SECONDARY SCHOOL SCHOLARSHIP.—The term 'elementary and secondary school scholarship' means any scholarship excludable from gross income under section 117 for expenses related to education at or below the 12th grade.

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

"(e) ELECTION TO HAVE CREDIT NOT APPLY.—

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

"(2) TIME FOR MAKING ELECTION.—An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).

"(f) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2002, each dollar amount contained in subsection (b) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of $10, such increase shall be increased to the next highest multiple of $10. In the case of a married individual (as determined under section 7703) filing a separate return, the preceding sentence shall be applied by substituting '$5' for '$10' each place it appears.

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

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 3. CREDIT FOR CONTRIBUTIONS OF AND FOR INSTRUCTIONAL MATERIALS AND MATERIALS FOR EXTRACURRICULAR ACTIVITIES.

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

"SEC. 25C. CONTRIBUTIONS OF AND FOR INSTRUCTIONAL MATERIALS AND MATERIALS FOR EXTRACURRICULAR ACTIVITIES.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the qualified school materials contributions of the taxpayer for the taxable year.

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

"(c) QUALIFIED SCHOOL MATERIALS CONTRIBUTION.—For purposes of this section—

"(1) IN GENERAL.—The term 'qualified school materials contribution' means, with respect to any taxable year, the amount which would (but for subsection (e)) be allowable as a deduction under section 170 for—

"(A) any cash contribution to any elementary or secondary school if such contribution is designated to be used solely to acquire qualified school materials,

"(B) any contribution of qualified school materials to any elementary or secondary school, and

"(C) any cash contribution to a school materials organization.

"(2) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means any organization described in section 170(b)(1)(A)(ii) which provides education solely at or below the 12th grade.

"(3) SCHOOL MATERIALS ORGANIZATION.—

"(A) IN GENERAL.—The term 'school materials organization' means any organization described in section 170(c)(2) if—

"(i) the primary function of the organization is to raise funds for elementary or secondary schools, and

"(ii) the annual disbursements of the organization for qualified school materials which are provided to elementary and secondary schools are normally not less than 90 percent of the sum of such organization's annual gross income and contributions and gifts.

"(B) QUALIFIED SCHOOL MATERIALS.—The term 'qualified school materials' means—

"(i) instructional materials and equipment, including library books and materials, computers, and computer software, and

"(ii) materials and equipment for school-sponsored extracurricular activities.

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

"(e) ELECTION TO HAVE CREDIT NOT APPLY.—

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

"(2) TIME FOR MAKING ELECTION.—An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).

"(f) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2002, each dollar amount contained in subsection (b) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of $10, such increase shall be increased to the next highest multiple of $10. In the case of a married individual (as determined under section 7703) filing a separate return, the preceding sentence shall be applied by substituting '$5' for '$10' each place it appears.

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

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

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

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