

108TH CONGRESS  
1ST SESSION

# H. R. 2234

To amend the Internal Revenue Code of 1986 to provide for a credit which is dependent on enactment of State qualified scholarship tax credits and which is allowed against the Federal income tax for charitable contributions to education investment organizations that provide assistance for elementary and secondary education.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2003

Mr. FRANKS of Arizona (for himself, Mr. BOEHNER, Mrs. MUSGRAVE, Mr. DOOLITTLE, Mr. KING of Iowa, Mr. CANTOR, Mr. FEENEY, Mr. AKIN, Mr. TANCREDI, Mr. VITTER, Mr. HOEKSTRA, Mr. DEMINT, Mr. SOUDER, Mr. GARRETT of New Jersey, Mr. BARRETT of South Carolina, Mr. BARTLETT of Maryland, Mr. BEAUPREZ, Mr. PAUL, Mr. PITTS, Mr. RENZI, Mr. HAYWORTH, and Mrs. MYRICK) 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 provide for a credit which is dependent on enactment of State qualified scholarship tax credits and which is allowed against the Federal income tax for charitable contributions to education investment organizations that provide assistance for elementary and secondary education.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Children’s Hope Act  
3 of 2003”.

4 **SEC. 2. TAX CREDIT FOR CONTRIBUTIONS TO EDUCATION**  
5 **INVESTMENT ORGANIZATIONS.**

6 (a) IN GENERAL.—Subpart B of part IV of sub-  
7 chapter A of chapter 1 of the Internal Revenue Code of  
8 1986 (relating to other credits) is amended by inserting  
9 after section 30A the following new section:

10 **“SEC. 30B. CONTRIBUTIONS TO EDUCATION INVESTMENT**  
11 **ORGANIZATIONS.**

12 “(a) IN GENERAL.—There shall be allowed as a cred-  
13 it against the tax imposed by this chapter for the taxable  
14 year the aggregate amount of qualified contributions for  
15 the taxable year.

16 “(b) LIMITATION.—The amount allowed as a credit  
17 under subsection (a) for a taxable year shall not exceed  
18 \$100 (\$200 in the case of a joint return).

19 “(c) QUALIFIED CONTRIBUTIONS.—For purposes of  
20 this section—

21 “(1) IN GENERAL.—The term ‘qualified con-  
22 tribution’ means a charitable contribution (as de-  
23 fined by section 170(c)) to an education investment  
24 organization.

25 “(2) EDUCATION INVESTMENT ORGANIZA-  
26 TION.—The term ‘education investment organiza-

tion’ means any organization described in section 170(c)(2) if the annual disbursements of the organization in the form of grants to students who are eligible for free or reduced-cost lunches under the school lunch program established under the Richard B. Russell National School Lunch Act for qualified elementary and secondary education expenses are normally not less than 90 percent of the sum of such organization’s annual cash contributions.

“(3) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—The term ‘qualified elementary and secondary education expenses’ has the meaning given such term by section 530(b)(4), except that ‘child’ shall be substituted for ‘beneficiary’ and ‘a child’ shall be substituted for ‘the designated beneficiary of the trust’ in clauses (i) and (iii) of subparagraph (A).

“(4) STATE CREDIT MUST BE TAKEN FIRST.—

“(A) No credit shall be allowed to a taxpayer under this section for a taxable year unless, for the taxable year, the taxpayer is allowed on the taxpayer’s State tax return the minimum State qualified scholarship tax credit (as defined in section 3 of the Children’s Hope Act of 2003).

1           “(B) No credit shall be allowed to a tax-  
 2           payer under this section for such taxable year  
 3           for any contributions that were taken into ac-  
 4           count for purposes of such State qualified  
 5           scholarship tax credit.

6           “(d) SPECIAL RULES.—

7           “(1) DENIAL OF DOUBLE BENEFIT.—No deduc-  
 8           tion shall be allowed under any provision of this  
 9           chapter for any expense for which a credit is allowed  
 10          under this section.

11          “(2) TIME WHEN CONTRIBUTIONS DEEMED  
 12          MADE.—For purposes of this section, a taxpayer  
 13          shall be deemed to have made a contribution to an  
 14          education investment organization on the last day of  
 15          the preceding taxable year if the contribution is  
 16          made on account of such taxable year and is made  
 17          not later than the time prescribed by law for filing  
 18          the return for such taxable year (not including ex-  
 19          tensions thereof).”.

20          (b) CLERICAL AMENDMENT.—The table of sections  
 21          for such subpart B is amended by inserting after the item  
 22          relating to section 30A the following new item:

            “Sec. 30B. Contributions to education investment organizations.”.

23          (c) EFFECTIVE DATE.—The amendments made by  
 24          this section shall apply to taxable years beginning after  
 25          December 31, 2004.

1 **SEC. 3. FEDERAL SCHOLARSHIP TAX CREDIT CONDITIONED**  
2 **ON STATE QUALIFIED SCHOLARSHIP TAX**  
3 **CREDIT.**

4 (a) IN GENERAL.—For purposes of section 30B(e)  
5 of the Internal Revenue Code of 1986 (as added by section  
6 2 of this Act) a scholarship tax credit shall not be treated  
7 as a State qualified scholarship tax credit unless the re-  
8 quirements of subsection (b) are met.

9 (b) REQUIREMENTS RELATING TO STATE QUALIFIED  
10 SCHOLARSHIP TAX CREDIT.—

11 (1) IN GENERAL.—For purposes of subsection  
12 (a), the requirements of this subsection are met only  
13 if—

14 (A) the tax credit is for an amount of not  
15 less than \$250 per taxpayer and is allowed  
16 against the State income tax (property tax for  
17 those States that don't have income tax) for the  
18 amount of voluntary cash contributions made  
19 by the taxpayer during the taxable year to a  
20 school tuition organization described in para-  
21 graph (2),

22 (B) the excess of such credit over tax li-  
23 ability may be carried forward for not more  
24 than five years,

1 (C) if the taxpayer does not require, as a  
2 condition of the contribution, that the contribu-  
3 tion must benefit a specific child, and

4 (D) such credit is not allowable for direct  
5 donations to private schools.

6 (2) SCHOOL TUITION ORGANIZATION.—For pur-  
7 poses of paragraph (1), a school tuition organization  
8 is described in this paragraph if such organization—

9 (A) is an organization operating in the  
10 State and is described in section 501(c)(3), and  
11 is exempt from tax under section 501(a), of the  
12 Internal Revenue Code of 1986,

13 (B) expends at least 90 percent of its an-  
14 nual cash contributions for educational scholar-  
15 ships or tuition grants to children to allow them  
16 to attend any qualified school chosen at the sole  
17 discretion of their parents, and

18 (C) disburses at least 90 percent of its an-  
19 nual cash contributions within one year of their  
20 receipt.

21 (3) QUALIFIED SCHOOL.—For purposes of  
22 paragraph (2), the term “qualified school” means  
23 any elementary school or secondary school that is lo-  
24 cated in the State in which the taxpayer resides and  
25 does not discriminate on the basis of race, color,

1       handicap, familial status, or national origin and that  
2       satisfies the requirements prescribed by State law  
3       for such schools as of December 31, 2004.

4               (4) EDUCATIONAL SCHOLARSHIPS OR TUITION  
5       GRANTS.—The term “educational scholarship or a  
6       tuition grant” means any scholarship or grant  
7       awarded for qualified elementary and secondary edu-  
8       cation expenses (as defined in section 530(b)(4) of  
9       the Internal Revenue Code of 1986).

10       (c) STATE.—For purposes of this section, the term  
11       “State” means any of the several States.

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