

109TH CONGRESS
1ST SESSION

H. R. 238

To amend the Internal Revenue Code of 1986 to designate educational empowerment zones in certain low-income areas and to give a tax incentive to attract teachers to work in such areas.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2005

Mr. TOWNS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to designate educational empowerment zones in certain low-income areas and to give a tax incentive to attract teachers to work in such areas.

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 “Educational Empower-
5 ment Act”.

1 **SEC. 2. DESIGNATION OF EDUCATIONAL EMPOWERMENT**
 2 **ZONES.**

3 (a) IN GENERAL.—Chapter 1 of the Internal Rev-
 4 enue Code of 1986 is amended by adding at the end the
 5 following new subchapter:

6 **“Subchapter X—Educational Empowerment**
 7 **Zones**

“Sec. 1400E. Designation of educational empowerment zones.

8 **“SEC. 1400E. DESIGNATION OF EDUCATIONAL EMPOWER-**
 9 **MENT ZONES.**

10 “(a) DESIGNATION.—

11 “(1) EDUCATIONAL EMPOWERMENT ZONE.—

12 For purposes of this title, the term ‘educational em-
 13 powerment zone’ means any area—

14 “(A) which is nominated by one or more
 15 local governments and the State or States in
 16 which it is located for designation as an edu-
 17 cational empowerment zone (hereinafter in this
 18 section referred to as a ‘nominated area’), and

19 “(B) which the Secretary of Health and
 20 Human Services and the Secretary of Edu-
 21 cation (hereinafter in this section referred to as
 22 the ‘Secretaries concerned’) jointly designate as
 23 an educational empowerment zone.

1 “(2) NUMBER OF DESIGNATIONS.—The Secre-
2 taries concerned may designate not more than 30
3 nominated areas as educational empowerment zones.

4 “(3) AREAS DESIGNATED BASED ON DEGREE
5 OF POVERTY, ETC.—Except as otherwise provided in
6 this section, the nominated areas designated as edu-
7 cational empowerment zones under this subsection
8 shall be those nominated areas with the highest av-
9 erage ranking with respect to the criteria described
10 in subsection (c)(3). For purposes of the preceding
11 sentence, an area shall be ranked within each such
12 criterion on the basis of the amount by which the
13 area exceeds such criterion, with the area which ex-
14 ceeds such criterion by the greatest amount given
15 the highest ranking.

16 “(4) LIMITATION ON DESIGNATIONS.—

17 “(A) PUBLICATION OF REGULATIONS.—
18 The Secretaries concerned shall prescribe by
19 regulation no later than 4 months after the
20 date of the enactment of this section—

21 “(i) the procedures for nominating an
22 area under paragraph (1)(A);

23 “(ii) the parameters relating to the
24 size and population characteristics of an
25 educational empowerment zone; and

1 “(iii) the manner in which nominated
2 areas will be evaluated based on the cri-
3 teria specified in subsection (c).

4 “(B) TIME LIMITATIONS.—The Secretaries
5 concerned may designate nominated areas as
6 educational empowerment zones only during the
7 24-month period beginning on the first day of
8 the first month following the month in which
9 the regulations described in subparagraph (A)
10 are prescribed.

11 “(C) PROCEDURAL RULES.—The Secre-
12 taries concerned shall not make any designation
13 of a nominated area as an educational em-
14 powerment zone under paragraph (2) unless—

15 “(i) a nomination regarding such area
16 is submitted in such a manner and in such
17 form, and contains such information, as
18 the Secretaries concerned shall by regula-
19 tion prescribe, and

20 “(ii) the Secretaries concerned deter-
21 mine that any information furnished is
22 reasonably accurate.

23 “(5) NOMINATION PROCESS FOR INDIAN RES-
24 ERVATIONS.—For purposes of this subchapter, in
25 the case of a nominated area on an Indian reserva-

1 tion, the reservation governing body (as determined
2 by the Secretary of the Interior) shall be treated as
3 being both the State and local governments with re-
4 spect to such area.

5 “(b) PERIOD FOR WHICH DESIGNATION IS IN EF-
6 FECT.—Any designation of an area as an educational em-
7 powerment zone shall remain in effect during the period
8 beginning on the date of the designation and ending on
9 the earliest of—

10 “(1) December 31, 2008,

11 “(2) the termination date designated by the
12 State and local governments in their nomination, or

13 “(3) the date the Secretaries concerned revoke
14 such designation.

15 “(c) AREA AND ELIGIBILITY REQUIREMENTS.—

16 “(1) IN GENERAL.—The Secretary of Com-
17 merce may designate a nominated area as an edu-
18 cational empowerment zone under subsection (a)
19 only if the area meets the requirements of para-
20 graphs (2) and (3) of this subsection.

21 “(2) AREA REQUIREMENTS.—For purposes of
22 paragraph (1), a nominated area meets the require-
23 ments of this paragraph if—

24 “(A) the area is within the jurisdiction of
25 one or more local governments,

1 “(B) the boundary of the area is contin-
2 uous, and

3 “(C) the area does not include an em-
4 powerment zone (as defined in section 1393(b))
5 other than such a zone designated under section
6 1391(g).

7 “(3) ELIGIBILITY REQUIREMENTS.—For pur-
8 poses of paragraph (1), a nominated area meets the
9 requirements of this paragraph if the State and the
10 local governments in which it is located certify that
11 the nominated area satisfies such conditions as the
12 Secretary of Education deems appropriate.

13 “(4) CONSIDERATION OF DROPOUT RATE,
14 ETC.—The Secretary of Education, in setting forth
15 the conditions for eligibility pursuant to paragraph
16 (3), shall take into account the extent to which an
17 area has low-income families, a high dropout rate, a
18 high rate of teen pregnancy, and large school class
19 size.

20 “(d) COORDINATION WITH TREATMENT OF ENTER-
21 PRISE COMMUNITIES.—For purposes of this title, if there
22 are in effect with respect to the same area both—

23 “(1) a designation as an educational empower-
24 ment zone, and

25 “(2) a designation as an enterprise community,

1 both of such designations shall be given full effect with
2 respect to such area.

3 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
4 poses of this subchapter, rules similar to the rules of para-
5 graphs (2), (3), (5), and (7) of section 1393 shall apply.”.

6 (b) CLERICAL AMENDMENT.—The table of sub-
7 chapters for chapter 1 is amended by adding at the end
8 the following new item:

“SUBCHAPTER X. Educational Empowerment Zones.”.

9 **SEC. 3. CREDIT FOR DONATIONS TO SCHOOL DISTRICTS IN**
10 **EDUCATIONAL EMPOWERMENT ZONES.**

11 (a) IN GENERAL.—Subpart B of part IV of sub-
12 chapter A of chapter 1 of the Internal Revenue Code of
13 1986 is amended by inserting after section 30A the fol-
14 lowing new section:

15 **“SEC. 30B. CONTRIBUTIONS TO SCHOOL DISTRICTS IN EDU-**
16 **CATIONAL EMPOWERMENT ZONES.**

17 “(a) ALLOWANCE OF CREDIT.—There shall be al-
18 lowed as a credit against the tax imposed by this chapter
19 for the taxable year an amount equal to the amount of
20 qualified educational empowerment zone contributions
21 made by the taxpayer during such year.

22 “(b) MAXIMUM CREDIT.—The amount of the credit
23 allowed by subsection (a)—

24 “(1) in the case of an individual, shall not ex-
25 ceed \$2,000, and

1 “(2) in the case of any other taxpayer, shall not
2 exceed \$10,000.

3 “(c) DEFINITION OF QUALIFIED EDUCATIONAL EM-
4 POWERMENT ZONE CONTRIBUTIONS.—For purposes of
5 this section, the term ‘qualified educational empowerment
6 zone contributions’ means cash contributions made to any
7 school district located in an educational empowerment
8 zone (as designated under section 1400E) if such con-
9 tributions—

10 “(1) but for subsection (d), would be allowable
11 as a deduction under section 170, and

12 “(2) are used for any of the following purposes
13 by the school district:

14 “(A) Hiring new teachers.

15 “(B) Increasing teacher salaries.

16 “(C) Training teachers.

17 “(d) DENIAL OF DOUBLE BENEFIT.—No deduction
18 shall be allowed under this chapter for any contribution
19 taken into account in computing the credit under this sec-
20 tion.

21 “(e) ELECTION.—This section shall apply to any tax-
22 payer for any taxable year only if such taxpayer elects (at
23 such time and in such manner as the Secretary may by
24 regulations prescribe) to have this section apply for such
25 taxable year.

1 “(f) APPLICATION WITH OTHER CREDITS; CARRY-
2 OVER OF EXCESS CREDIT.—The credit allowed by sub-
3 section (a) for any taxable year shall not exceed the excess
4 (if any) of—

5 “(1) the regular tax for the taxable year re-
6 duced by the sum of the credits allowable under sub-
7 part A and the preceding sections of this subpart,
8 over

9 “(2) the tentative minimum tax for the taxable
10 year.

11 If the credit under subsection (a) exceeds the limitation
12 of the preceding sentence, such excess shall be added to
13 the credit allowable under subsection (a) for the suc-
14 ceeding taxable year.”.

15 (b) CLERICAL AMENDMENT.—The table of sections
16 for subpart B of part IV of subchapter A of chapter 1
17 of such Code is amended by inserting after the item relat-
18 ing to section 30A the following new item:

“Sec. 30B. Contributions to school districts in educational empowerment
 zones.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2005.

1 **SEC. 4. TEACHER LOAN FORGIVENESS PROGRAM.**

2 Part B of title IV of the Higher Education Act of
3 1965 is amended by inserting after section 428K (20
4 U.S.C. 1078–11) the following new section:

5 **“SEC. 428L. LOAN FORGIVENESS FOR MATHEMATICS AND**
6 **SCIENCE TEACHERS.**

7 “(a) PURPOSE.—It is the purpose of this section to
8 encourage more individuals to enter and stay in the field
9 of teaching mathematics, science, and related fields.

10 “(b) PROGRAM.—

11 “(1) IN GENERAL.—The Secretary shall carry
12 out a program of assuming the obligation to repay,
13 pursuant to subsection (c), a loan made, insured, or
14 guaranteed under this part or part D (excluding
15 loans made under sections 428B and 428C or com-
16 parable loans made under Part D) for any new bor-
17 rower after October 12, 1998, who—

18 “(A) has been employed as a full-time
19 teacher for 3 consecutive complete school years
20 in a school that is located in an educational em-
21 powerment zone, as such term is defined in sec-
22 tion 1400E of the Internal Revenue Code of
23 1986;

24 “(B) is a fully qualified teacher; and

25 “(C) is not in default on a loan for which
26 the borrower seeks forgiveness.

1 “(2) AWARD BASIS; PRIORITY.—

2 “(A) AWARD BASIS.—Subject to subpara-
3 graph (B), loan repayment under this section
4 shall be on a first-come, first-served basis and
5 subject to the availability of appropriations.

6 “(B) PRIORITY.—The Secretary shall give
7 priority in providing loan repayment under this
8 section for a fiscal year to student borrowers
9 who received loan repayment under this section
10 for the preceding fiscal year.

11 “(3) REGULATIONS.—The Secretary is author-
12 ized to prescribe such regulations as may be nec-
13 essary to carry out the provisions of this section.

14 “(c) LOAN REPAYMENT.—

15 “(1) ELIGIBLE AMOUNT.—The amount the Sec-
16 retary may repay on behalf of any individual under
17 this section shall not exceed—

18 “(A) 80 percent of the sum of the principal
19 amounts outstanding of the individual’s quali-
20 fying loans at the end of 3 consecutive complete
21 school years of service described in subsection
22 (b)(1)(A);

23 “(B) an additional 10 percent of such sum
24 at the end of each of the next 2 consecutive
25 complete school years of such service; and

1 “(C) a total of more than \$10,000.

2 “(2) CONSTRUCTION.—Nothing in this section
3 shall be construed to authorize the refunding of any
4 repaying of a loan made under this part or part D.

5 “(3) INTEREST.—If a portion of a loan is re-
6 paid by the Secretary under this section for any
7 year, the proportionate amount of interest on such
8 loan which accrues for such year shall be repaid by
9 the Secretary.

10 “(4) DOUBLE BENEFITS PROHIBITED.—No bor-
11 rower may, for the same service, receive a benefit
12 under both this section and subtitle D of title I of
13 the National and Community Service Act of 1990
14 (42 U.S.C. 12601 et seq.). No borrower may receive
15 a reduction of loan obligations under both this sec-
16 tion and section 428J or 460.

17 “(d) REPAYMENT TO ELIGIBLE LENDERS.—The Sec-
18 retary shall pay to each eligible lender or holder for each
19 fiscal year an amount equal to the aggregate amount of
20 loans which are subject to repayment pursuant to this sec-
21 tion for such year.

22 “(e) APPLICATION FOR REPAYMENT.—

23 “(1) IN GENERAL.—Each eligible individual de-
24 siring loan repayment under this section shall sub-
25 mit a complete and accurate application to the Sec-

1 retary at such time, in such manner, and containing
2 such information as the Secretary may require.

3 “(2) CONDITIONS.—An eligible individual may
4 apply for loan repayment under this section after
5 completing the required number of years of quali-
6 fying employment.

7 “(3) FULLY QUALIFIED TEACHERS.—An appli-
8 cation for loan repayment under this section shall
9 include such information as is necessary to dem-
10 onstrate that the applicant—

11 “(A) if teaching in a public elementary or
12 secondary school (other than as a teacher in a
13 public charter school), has obtained State cer-
14 tification as a teacher (including certification
15 obtained through alternative routes to certifi-
16 cation) or passed the State teacher licensing
17 exam and holds a license to teach in such State;
18 and

19 “(B) if teaching in—

20 “(i) an elementary school, holds a
21 bachelor’s degree and demonstrates knowl-
22 edge and teaching skills in reading, writ-
23 ing, mathematics, science, and other areas
24 of the elementary school curriculum; or

1 “(ii) a middle or secondary school,
2 holds a bachelor’s degree and demonstrates
3 a high level of competency in all subject
4 areas in which he or she teaches through—

5 “(I) a high level of performance
6 on a rigorous State or local academic
7 subject areas test; or

8 “(II) completion of an academic
9 major in each of the subject areas in
10 which he or she provides instruction.

11 “(f) EVALUATION.—

12 “(1) IN GENERAL.—The Secretary shall con-
13 duct, by grant or contract, an independent national
14 evaluation of the impact of the program assisted
15 under this section.

16 “(2) COMPETITIVE BASIS.—The grant or con-
17 tract described in subsection (b) shall be awarded on
18 a competitive basis.

19 “(3) CONTENTS.—The evaluation described in
20 this subsection shall—

21 “(A) determine the number of individuals
22 who were encouraged by the program assisted
23 under this section to pursue teaching careers;

24 “(B) determine the number of individuals
25 who remain employed in teaching mathematics,

1 science, or related fields as a result of participa-
2 tion in the program;

3 “(C) identify the barriers to the effective-
4 ness of the program;

5 “(D) assess the cost-effectiveness of the
6 program; and

7 “(E) identify the number of years each in-
8 dividual participates in the program.

9 “(4) INTERIM AND FINAL EVALUATION RE-
10 PORTS.—The Secretary shall prepare and submit to
11 the President and the Congress such interim reports
12 regarding the evaluation described in this subsection
13 as the Secretary deems appropriate, and shall pre-
14 pare and so submit a final report regarding the eval-
15 uation by January 1, 2008.”.

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