

115TH CONGRESS
1ST SESSION

H. R. 4269

To amend the Internal Revenue Code of 1986 to eliminate the school voucher State tax credit loophole by limiting the double benefit of charitable contributions.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 7, 2017

Ms. SEWELL of Alabama (for herself and Mr. DANNY K. DAVIS of Illinois) 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 eliminate the school voucher State tax credit loophole by limiting the double benefit of charitable contributions.

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 “Public Funds for Pub-
5 lic Schools Act”.

1 **SEC. 2. ELIMINATION OF SCHOOL VOUCHER STATE TAX**
2 **CREDIT LOOPHOLE BY LIMITING THE DOU-**
3 **BLE BENEFIT OF CHARITABLE CONTRIBU-**
4 **TIONS.**

5 (a) IN GENERAL.—Section 170(f) of the Internal
6 Revenue Code of 1986 is amended by adding at the end
7 the following new paragraph:

8 “(19) LIMITATION ON DOUBLE BENEFIT IN
9 THE CASE OF STATE SCHOOL VOUCHER TAX BENE-
10 FITS.—

11 “(A) IN GENERAL.—The amount of any
12 charitable contribution otherwise taken into ac-
13 count under this section shall be reduced by any
14 State school voucher tax benefit with respect to
15 such contribution.

16 “(B) STATE SCHOOL VOUCHER TAX BEN-
17 EFIT.—For purposes of this paragraph, the
18 term ‘State school voucher tax benefit’ means
19 the aggregate amount of any State income tax
20 credits, and excess State income tax deductions,
21 provided to the taxpayer by a State for any con-
22 tribution to a specified school voucher organiza-
23 tion.

24 “(C) EXCESS STATE INCOME TAX DEDUC-
25 TIONS.—For purposes of this paragraph, the

term ‘excess State income tax deduction’ means
the product of—

“(i) the highest rate of State income
tax applicable to the taxpayer for the tax-
able year, multiplied by

“(ii) the excess (if any) of—

“(I) the State income tax deduc-
tion provided to the taxpayer with re-
spect to contributions by the taxpayer
to specified school voucher organiza-
tions, over

“(II) the amount of such con-
tributions.

“(D) SPECIFIED SCHOOL VOUCHER ORGA-
NIZATION.—For purposes of this paragraph,
the term ‘specified school voucher organization’
means any organization the primary purpose of
which is the provision of vouchers, scholarships,
or other funds, for the expenses of students to
attend elementary or secondary schools.

“(E) TREATMENT OF SIMILAR STATE BEN-
EFITS.—For purposes of this paragraph, any
State benefit which is economically equivalent
to a tax credit (including any payment) shall be
treated as a State income tax credit for pur-

poses of this paragraph and any State benefit which is economically equivalent to a State income tax deduction (including any exclusion from gross income) shall be treated as a State income tax deduction for purposes of this paragraph.

“(20) SPECIAL RULE FOR CONTRIBUTIONS OF BUILT-IN GAIN PROPERTY TO SPECIFIED SCHOOL VOUCHER ORGANIZATIONS.—

“(A) IN GENERAL.—In the case of any contribution by the taxpayer of built-in gain property to a specified school voucher organization, such contribution shall be treated for purposes of this title as though such property were sold by the taxpayer at its fair market value immediately before such contribution and the amount of such fair market value were contributed by the taxpayer as a cash contribution to the specified school voucher organization.

“(B) DEFINITIONS.—For purposes of this paragraph—

“(i) BUILT-IN GAIN PROPERTY.—The term ‘built-in gain property’ means any property if, immediately before the contribution of such property, the fair market

1 value of such property exceeds the adjusted
2 basis of such property.

3 “(ii) SPECIFIED SCHOOL VOUCHER
4 ORGANIZATION.—The term ‘specified
5 school voucher organization’ has the mean-
6 ing given such term in paragraph (19).”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to charitable contributions made
9 in taxable years beginning after the date of the enactment
10 of this Act.

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