

119TH CONGRESS
1ST SESSION

H. R. 2798

To amend the Internal Revenue Code of 1986 to allow a credit against tax for charitable donations for the creation or expansion of charter schools.

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 2025

Ms. TENNEY (for herself, Mr. KILEY of California, Ms. MALLIOTAKIS, and Mr. OWENS) 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 tax for charitable donations for the creation or expansion of charter schools.

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 “High-Quality Charter
5 Schools Act”.

6 **SEC. 2. TAX CREDIT FOR CONTRIBUTIONS TO ELIGIBLE**
7 **CHARTER SCHOOL ORGANIZATIONS.**

8 (a) IN GENERAL.—Subpart A of part IV of sub-
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by inserting after section 25E the fol-
 2 lowing new section:

3 **“SEC. 25F. CONTRIBUTIONS TO ELIGIBLE CHARTER**
 4 **SCHOOL ORGANIZATIONS.**

5 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 6 dividual who is a citizen or resident of the United States
 7 (as defined in section 7701(a)(9)), there shall be allowed
 8 as a credit against the tax imposed by this chapter for
 9 the taxable year an amount equal to 75 percent of the
 10 amount of qualified contributions made by the taxpayer
 11 during the taxable year.

12 “(b) AMOUNT OF CREDIT.—The credit allowed under
 13 subsection (a) in any taxable year shall not exceed an
 14 amount equal to the greater of—

15 “(1) 10 percent of the adjusted gross income of
 16 the taxpayer for the taxable year, or

17 “(2) \$5,000.

18 “(c) DEFINITIONS.—For purposes of this section—

19 “(1) CHARTER SCHOOL.—The term ‘charter
 20 school’ has the same meaning given such term in
 21 section 4310 of the Elementary and Secondary Edu-
 22 cation Act of 1965 (20 U.S.C. 7221i).

23 “(2) ELIGIBLE CHARTER SCHOOL ORGANIZA-
 24 TION.—

1 “(A) IN GENERAL.—The term ‘eligible
2 charter school organization’ means an organiza-
3 tion which—

4 “(i) is described in section 501(c)(3)
5 and exempt from tax under section 501(a)
6 and is not a private foundation,

7 “(ii) is a charter management organi-
8 zation (as defined in section 4310 of the
9 Elementary and Secondary Education Act
10 of 1965 (20 U.S.C. 7221i)), or a charter
11 school (as defined in section 4310 of the
12 Elementary and Secondary Education Act
13 of 1965 (20 U.S.C. 7221i)), that—

14 “(I) has received, or manages a
15 charter school that has received, a
16 grant for the replication or expansion
17 of high-quality charter schools under
18 section 4305(b) of the Elementary
19 and Secondary Education Act of 1965
20 (20 U.S.C. 7221d(b)), or

21 “(II) has been selected by a
22 State for eligibility under this section
23 based on a determination by the State
24 that the organization is in the highest
25 10 percent of charter management or-

1 ganizations (as so defined) or charter
2 schools (as so defined) for student
3 performance in the State,

4 “(iii) separate from any other funds
5 or contributions received by such organiza-
6 tion, maintains and accounts for any con-
7 tributions made by any person for the pur-
8 pose of the creation or expansion of char-
9 ter schools operated or managed by such
10 organization,

11 “(iv) obtains from an independent cer-
12 tified public accountant annual financial
13 and compliance audits, and

14 “(v) certifies to the Secretary (at such
15 time, and in such form and manner, as the
16 Secretary may prescribe) that the audit de-
17 scribed in clause (iii) has been completed.

18 “(B) INDEPENDENT CERTIFIED PUBLIC
19 ACCOUNTANT.—For purposes of subparagraph
20 (A), the term ‘independent certified public ac-
21 countant’ means, with respect to an organiza-
22 tion, a certified public accountant who is not a
23 person described in section 465(b)(3)(A) with
24 respect to such organization or any employee of
25 such organization.

1 “(3) QUALIFIED CONTRIBUTION.—The term
2 ‘qualified contribution’ means a charitable contribu-
3 tion (as defined by section 170(c)) to an eligible
4 charter school organization in the form of cash or
5 marketable securities for the purpose of the creation
6 or expansion of charter schools managed or operated
7 by such organization.

8 “(d) DENIAL OF DOUBLE BENEFIT.—Any qualified
9 contribution for which a credit is allowed under this sec-
10 tion shall not be taken into account as a charitable con-
11 tribution for purposes of section 170.

12 “(e) CARRYFORWARD OF UNUSED CREDIT.—

13 “(1) IN GENERAL.—If the credit allowable
14 under subsection (a) for any taxable year exceeds
15 the limitation imposed by section 26(a) for such tax-
16 able year reduced by the sum of the credits allowable
17 under this subpart (other than this section, section
18 23, and section 25D), such excess shall be carried to
19 the succeeding taxable year and added to the credit
20 allowable under subsection (a) for such taxable year.

21 “(2) LIMITATION.—No credit may be carried
22 forward under this subsection to any taxable year
23 following the fifth taxable year after the taxable year
24 in which the credit arose. For purposes of the pre-

ceding sentence, credits shall be treated as used on
a first-in first-out basis.

“(f) APPLICATION OF VOLUME CAP.—A qualified
contribution shall be taken into account under this section
only if such contribution would not result in aggregate tax
credits under this section that are in excess of the volume
cap established under section 4 of the High-Quality Char-
ter Schools Act.”.

(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 relat-
ing to section 25E the following new item:

“Sec. 25F. Contributions to eligible charter school organizations.”.

**SEC. 3. FAILURE OF ELIGIBLE CHARTER SCHOOL ORGANI-
ZATION TO MAKE EXPENDITURES.**

(a) IN GENERAL.—Chapter 42 of the Internal Rev-
enue Code of 1986 is amended by adding at the end the
following new subchapter:

**“Subchapter I—Eligible Charter School
Organizations**

“Sec. 4969. Failure to expend receipts.

“SEC. 4969. FAILURE TO EXPEND RECEIPTS.

“(a) IN GENERAL.—In the case of any eligible char-
ter school organization (as defined in section 25F(c)(2))
which has been determined by the Secretary to have failed
to satisfy the requirement under subsection (b) for any

1 taxable year, any contribution made to such organization
 2 during the first taxable year beginning after the date of
 3 such determination shall not be treated as a qualified con-
 4 tribution (as defined in section 25F(c)(3)) for purposes
 5 of section 25F.

6 “(b) REQUIREMENT.—The requirement described in
 7 this subsection is that the amount of qualified contribu-
 8 tions of the eligible charter school organization for the tax-
 9 able year which are expended before the expenditure dead-
 10 line with respect to such receipts shall not be less than
 11 the required expenditure amount with respect to such tax-
 12 able year.

13 “(c) DEFINITIONS.—For purposes of this section—

14 “(1) REQUIRED EXPENDITURE AMOUNT.—

15 “(A) IN GENERAL.—The required expendi-
 16 ture amount with respect to a taxable year is
 17 the amount equal to 100 percent of qualified
 18 contributions for such taxable year—

19 “(i) reduced by the sum of such quali-
 20 fied contributions that are retained for rea-
 21 sonable administrative expenses for the
 22 taxable year or are carried to the suc-
 23 ceeding taxable year under subparagraph
 24 (C), and

1 “(ii) increased by the amount of the
2 carryover under subparagraph (C) from
3 the preceding taxable year.

4 “(B) SAFE HARBOR FOR REASONABLE AD-
5 MINISTRATIVE EXPENSES.—For purposes of
6 subparagraph (A)(i), if the percentage of total
7 qualified contributions to an eligible charter
8 school organization for a taxable year which are
9 used for administrative purposes related to ac-
10 tivities for the creation or expansion of charter
11 schools (as defined in section 25F(c)(1)) oper-
12 ated or managed by such organization is equal
13 to or less than 10 percent, such expenses shall
14 be deemed to be reasonable for purposes of
15 such subparagraph.

16 “(C) CARRYOVER.—With respect to the
17 amount of the total qualified contributions to
18 an eligible charter school organization with re-
19 spect to any taxable year, an amount not great-
20 er than 15 percent of such amount may, at the
21 election of such organization or school, be car-
22 ried to the succeeding taxable year.

23 “(2) EXPENDITURES.—The term ‘expenditures’
24 includes amounts which are formally committed but
25 not expended. A formal commitment described in the

preceding sentence may include qualified contributions set aside for the creation or expansion of charter schools operated or managed by such organization for more than one year.

“(3) EXPENDITURE DEADLINE.—The expenditure deadline with respect to qualified contributions for a taxable year is the first day of the fifth taxable year following the taxable year in which such qualified contributions are received by the eligible charter school organization.

“(4) QUALIFIED CONTRIBUTIONS.—The term ‘qualified contributions’ means contributions eligible for the credit under section 25F.”.

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 42 of such Code is amended by adding at the end the following new item:

“SUBCHAPTER I. ELIGIBLE CHARTER SCHOOL ORGANIZATIONS”.

SEC. 4. VOLUME CAP.

(a) ALLOCATION.—

(1) IN GENERAL.—For purposes of section 25F(f) of the Internal Revenue Code of 1986 (as added by this Act), the volume cap applicable with respect to such section shall be \$5,000,000,000 of tax credits for taxable years beginning in calendar year 2026 and each subsequent year thereafter, with such amount to be allocated as follows:

1 (A) \$10,000,000 of tax credits shall be al-
2 located to each State (as defined in section
3 7701(a)(10) of the Internal Revenue Code of
4 1986), with such amount to be made available,
5 in the manner described in subsection (b), for
6 any individual residing in such State to claim
7 the credit allowed under section 25F of the In-
8 ternal Revenue Code of 1986 with respect to
9 any qualified contributions (as defined in such
10 section) made by such individual during any
11 taxable year beginning during such calendar
12 year.

13 (B) With respect to the amount remaining
14 after the allocation under subparagraph (A),
15 such amount (as adjusted pursuant to para-
16 graph (3)) shall be made available, in the man-
17 ner described in subsection (b), for any indi-
18 vidual to claim the credit allowed under section
19 25F of the Internal Revenue Code of 1986 with
20 respect to any qualified contributions made by
21 such individual during any taxable year begin-
22 ning during such calendar year.

23 (2) CARRYOVER.—The amount of any allotment
24 to a State under paragraph (1)(A) for any calendar
25 year which is not claimed by taxpayers described in

1 such paragraph during such calendar year shall be
2 added to the allotment provided under paragraph
3 (1)(B) for the subsequent calendar year.

4 (3) INCREASE IN NATIONWIDE VOLUME CAP.—

5 For purposes of paragraph (1)(B), if the Secretary
6 determines during any calendar year that the
7 amount of tax credits allowable under section 25F
8 with respect to qualified contributions made during
9 such calendar year is equal to or greater than 90
10 percent of the total amount made available under
11 such paragraph for such calendar year, such amount
12 shall be increased by an amount equal to 5 percent
13 of the total amount made available under such para-
14 graph as of January 1 of such calendar year, with
15 such increase to remain in effect for the subsequent
16 calendar year.

17 (b) FIRST-COME, FIRST-SERVE.—For purposes of
18 applying the volume cap under this section, such volume
19 cap shall be applied based on a first-come, first-serve
20 basis, as determined based on the date on which the tax-
21 payer made the qualified contribution.

22 (c) REAL-TIME INFORMATION.—For purposes of this
23 section, the Secretary of the Treasury (or the Secretary's
24 delegate) shall develop a system to track the amount of
25 qualified contributions made during the calendar year for

1 which a credit may be claimed under section 25F of the
2 Internal Revenue Code of 1986, with such information to
3 be updated in real time.

4 **SEC. 5. ORGANIZATIONAL AND PARENTAL AUTONOMY.**

5 (a) PROHIBITION OF CONTROL OVER ELIGIBLE
6 CHARTER SCHOOL ORGANIZATIONS.—

7 (1) IN GENERAL.—An eligible charter school or-
8 ganization shall not, by virtue of participation under
9 any provision of this Act or any amendment made
10 by this Act, be regarded as acting on behalf of any
11 governmental entity.

12 (2) MAXIMUM FREEDOM.—To the extent per-
13 missible by law, this Act, and any amendment made
14 by this Act, shall be construed to allow eligible char-
15 ter school organizations maximum freedom to pro-
16 vide for the needs of the students served by the
17 charter schools operated or managed by the organi-
18 zation without governmental control.

19 (b) DEFINITIONS.—For purposes of this section, the
20 terms “charter school” and “eligible charter school organi-
21 zation” shall have the same meanings given such terms
22 under section 25F(c) of the Internal Revenue Code of
23 1986 (as added by section 2(a) of this Act).

1 **SEC. 6. EFFECTIVE DATE.**

2 The amendments made by this Act shall apply to tax-
3 able years beginning after December 31, 2025.

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