

112TH CONGRESS  
1ST SESSION

# H. R. 956

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.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 2011

Mr. PAUL 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 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.

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 “Education Improve-  
5       ment Tax Cut Act”.

1 **SEC. 2. CREDIT FOR CONTRIBUTIONS TO CHARITABLE OR-**  
2 **GANIZATIONS WHICH PROVIDE ELEMENTARY**  
3 **OR SECONDARY SCHOOL SCHOLARSHIPS.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to nonrefundable personal credits) is  
7 amended by inserting after section 25D the following new  
8 section:

9 **“SEC. 25E. CONTRIBUTIONS TO ORGANIZATIONS PRO-**  
10 **VIDING ELEMENTARY OR SECONDARY**  
11 **SCHOOL SCHOLARSHIPS.**

12 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
13 dividual, there shall be allowed as a credit against the tax  
14 imposed by this chapter for the taxable year an amount  
15 equal to the qualified scholarship contributions of the tax-  
16 payer for the taxable year.

17 “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
18 section (a) for any taxable year shall not exceed \$5,000  
19 (one-half such amount in the case of a married individual  
20 (as determined under section 7703) filing a separate re-  
21 turn).

22 “(c) QUALIFIED SCHOLARSHIP CONTRIBUTION.—  
23 For purposes of this section—

24 “(1) IN GENERAL.—The term ‘qualified schol-  
25 arship contribution’ means, with respect to any tax-  
26 able year, the amount which would (but for sub-

1 section (d)) be allowable as a deduction under sec-  
2 tion 170 for cash contributions to a school tuition  
3 organization.

4 “(2) SCHOOL TUITION ORGANIZATION.—

5 “(A) IN GENERAL.—The term ‘school tui-  
6 tion organization’ means any organization de-  
7 scribed in section 170(e)(2) if the annual dis-  
8 bursements of the organization for elementary  
9 and secondary school scholarships are normally  
10 not less than 90 percent of the sum of such or-  
11 ganization’s annual gross income and contribu-  
12 tions and gifts.

13 “(B) ELEMENTARY AND SECONDARY  
14 SCHOOL SCHOLARSHIP.—The term ‘elementary  
15 and secondary school scholarship’ means any  
16 scholarship excludable from gross income under  
17 section 117 for expenses related to education at  
18 or below the 12th grade.

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

22 “(e) ELECTION TO HAVE CREDIT NOT APPLY.—

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

1           “(2) TIME FOR MAKING ELECTION.—An elec-  
2           tion under paragraph (1) for any taxable year may  
3           be made (or revoked) at any time before the expira-  
4           tion of the 3-year period beginning on the last date  
5           prescribed by law for filing the return for such tax-  
6           able year (determined without regard to extensions).

7           “(f) COST-OF-LIVING ADJUSTMENT.—In the case of  
8 any taxable year beginning in a calendar year after 2011,  
9 the dollar amount contained in subsection (b) shall be in-  
10 creased by an amount equal to—

11           “(1) such dollar amount, multiplied by

12           “(2) the cost-of-living adjustment determined  
13           under section 1(f)(3) for the calendar year in which  
14           the taxable year begins, by substituting ‘calendar  
15           year 2010’ for ‘calendar year 1992’ in subparagraph  
16           (B) thereof.

17 If any increase determined under the preceding sentence  
18 is not a multiple of \$10, such increase shall be increased  
19 to the next highest multiple of \$10. In the case of a mar-  
20 ried individual (as determined under section 7703) filing  
21 a separate return, the preceding sentence shall be applied  
22 by substituting ‘\$5’ for ‘\$10’ each place it appears.

23           “(g) REGULATIONS.—The Secretary shall prescribe  
24 regulations to carry out this section, including regulations

1 providing for claiming the credit under this section on  
2 Form 1040EZ.”.

3 (b) CLERICAL AMENDMENT.—The table of sections  
4 for subpart A of part IV of subchapter A of chapter 1  
5 of such Code is amended by inserting after the item relat-  
6 ing to section 25D the following new item:

“Sec. 25E. Contributions to organizations providing elementary or secondary  
school scholarships.”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2010.

10 **SEC. 3. CREDIT FOR CONTRIBUTIONS OF AND FOR IN-**  
11 **STRUCTIONAL MATERIALS AND MATERIALS**  
12 **FOR EXTRACURRICULAR ACTIVITIES.**

13 (a) IN GENERAL.—Subpart A of part IV of sub-  
14 chapter A of chapter 1 of the Internal Revenue Code of  
15 1986 (relating to nonrefundable personal credits), as  
16 amended by this Act, is amended by inserting after section  
17 25E the following new section:

18 **“SEC. 25F. CONTRIBUTIONS OF AND FOR INSTRUCTIONAL**  
19 **MATERIALS AND MATERIALS FOR EXTRA-**  
20 **CURRICULAR ACTIVITIES.**

21 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
22 dividual, there shall be allowed as a credit against the tax  
23 imposed by this chapter for the taxable year an amount

1 equal to the qualified school materials contributions of the  
2 taxpayer for the taxable year.

3 “(b) MAXIMUM CREDIT.—The credit allowed by sub-  
4 section (a) for any taxable year shall not exceed \$5,000  
5 (one-half such amount in the case of a married individual  
6 (as determined under section 7703) filing a separate re-  
7 turn).

8 “(c) QUALIFIED SCHOOL MATERIALS CONTRIBU-  
9 TION.—For purposes of this section—

10 “(1) IN GENERAL.—The term ‘qualified school  
11 materials contribution’ means, with respect to any  
12 taxable year, the amount which would (but for sub-  
13 section (d)) be allowable as a deduction under sec-  
14 tion 170 for—

15 “(A) any cash contribution to any elemen-  
16 tary or secondary school if such contribution is  
17 designated to be used solely to acquire qualified  
18 school materials,

19 “(B) any contribution of qualified school  
20 materials to any elementary or secondary  
21 school, and

22 “(C) any cash contribution to a school ma-  
23 terials organization.

24 “(2) ELEMENTARY OR SECONDARY SCHOOL.—  
25 The term ‘elementary or secondary school’ means

1 any organization described in section  
2 170(b)(1)(A)(ii) which provides education solely at  
3 or below the 12th grade.

4 “(3) SCHOOL MATERIALS ORGANIZATION.—

5 “(A) IN GENERAL.—The term ‘school ma-  
6 terials organization’ means any organization de-  
7 scribed in section 170(c)(2) if—

8 “(i) the primary function of the orga-  
9 nization is to raise funds for elementary or  
10 secondary schools, and

11 “(ii) the annual disbursements of the  
12 organization for qualified school materials  
13 which are provided to elementary and sec-  
14 ondary schools are normally not less than  
15 90 percent of the sum of such organiza-  
16 tion’s annual gross income and contribu-  
17 tions and gifts.

18 “(B) QUALIFIED SCHOOL MATERIALS.—

19 The term ‘qualified school materials’ means—

20 “(i) instructional materials and equip-  
21 ment, including library books and mate-  
22 rials, computers, and computer software,  
23 and

24 “(ii) materials and equipment for  
25 school-sponsored extracurricular activities.

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

4       “(e) ELECTION TO HAVE CREDIT NOT APPLY.—

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

7           “(2) TIME FOR MAKING ELECTION.—An elec-  
8 tion under paragraph (1) for any taxable year may  
9 be made (or revoked) at any time before the expira-  
10 tion of the 3-year period beginning on the last date  
11 prescribed by law for filing the return for such tax-  
12 able year (determined without regard to extensions).

13       “(f) COST-OF-LIVING ADJUSTMENT.—In the case of  
14 any taxable year beginning in a calendar year after 2011,  
15 the dollar amount contained in subsection (b) shall be in-  
16 creased by an amount equal to—

17           “(1) such dollar amount, multiplied by

18           “(2) the cost-of-living adjustment determined  
19 under section 1(f)(3) for the calendar year in which  
20 the taxable year begins, by substituting ‘calendar  
21 year 2010’ for ‘calendar year 1992’ in subparagraph  
22 (B) thereof.

23 If any increase determined under the preceding sentence  
24 is not a multiple of \$10, such increase shall be increased  
25 to the next highest multiple of \$10. In the case of a mar-



1 ried individual (as determined under section 7703) filing  
2 a separate return, the preceding sentence shall be applied  
3 by substituting ‘\$5’ for ‘\$10’ each place it appears.

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

8 (b) CLERICAL AMENDMENT.—The table of sections  
9 for subpart A of part IV of subchapter A of chapter 1  
10 of such Code, as amended by this Act, is amended by in-  
11 serting after the item relating to section 25E the following  
12 new item:

“Sec. 25F. Contributions of and for instructional materials and materials for  
extracurricular activities.”.

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2010.

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