

104TH CONGRESS  
1ST SESSION

# H. R. 2800

To amend the Internal Revenue Code of 1986 to impose a 5-percent tax on all wagering and to use the revenues from such tax to enhance funding for public elementary and secondary education, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 18 (legislative day, DECEMBER 15), 1995

Mr. FIELDS of Louisiana introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Economic and Educational Opportunities, 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 impose a 5-percent tax on all wagering and to use the revenues from such tax to enhance funding for public elementary and secondary education, and for other purposes.

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 Trust Fund  
5 Act”.

1 **TITLE I—TAX AND TRUST FUND**

2 **SEC. 101. ADDITIONAL 5 PERCENT TAX ON NET PROCEEDS**  
 3 **OF WAGERING.**

4 (a) IN GENERAL.—Chapter 35 of the Internal Reve-  
 5 nue Code of 1986 (relating to taxes on wagering) is  
 6 amended by redesignating subchapter C as subchapter D  
 7 and by inserting after subchapter B the following new sub-  
 8 chapter:

9 **“Subchapter C—Tax on Net Proceeds From**  
 10 **Wagers**

“Sec. 4415. Imposition of tax.

“Sec. 4416. Definitions and special rules.

11 **“SEC. 4415. IMPOSITION OF TAX.**

12 “(a) IN GENERAL.—There is hereby imposed on the  
 13 payment of wagering proceeds an excise tax equal to 5  
 14 percent of the net wagering proceeds paid during any cal-  
 15 endar quarter.

16 “(b) NET WAGERING PROCEEDS.—For purposes of  
 17 subsection (a)—

18 “(1) IN GENERAL.—The term ‘net wagering  
 19 proceeds’ means the proceeds from a wager deter-  
 20 mined—

21 “(A) by reducing the amount paid by the  
 22 amount of the wager, and

23 “(B) without regard to any tax imposed by  
 24 this section.

1           “(2) NONCASH PROCEEDS.—Proceeds which are  
2           not money shall be taken into account at their fair  
3           market value.

4           “(c) LIABILITY FOR TAX.—The tax imposed by sub-  
5           section (a) shall be paid by the person making payment  
6           of the wagering proceeds.

7           “(d) CREDIT FOR DEDICATED STATE TAXES.—

8           “(1) IN GENERAL.—The tax imposed by this  
9           section on the net wagering proceeds paid during  
10          any calendar quarter shall be reduced (but not below  
11          zero) by an amount equal to the dedicated State tax  
12          imposed on such proceeds.

13          “(2) DEDICATED STATE TAX.—For purposes of  
14          paragraph (1), the term ‘dedicated State tax’ means  
15          any excise tax imposed by a maintenance-of effort  
16          State on net wagering proceeds to the extent that  
17          the revenues from such tax are set-aside solely for  
18          purposes described in title II of the Education Trust  
19          Fund Act.

20          “(3) MAINTENANCE-OF-EFFORT STATE.—For  
21          purposes of paragraph (2), the term ‘maintenance-  
22          of-effort State’ means, with respect to any calendar  
23          year, any State if—

24                  “(A) the average per pupil expenditure in  
25                  such State (as determined for purposes of part

1 A of title I of the Elementary and Secondary  
2 Education Act of 1965) for such calendar year  
3 is not less than such average for the preceding  
4 calendar year, or

5 “(B) in any case in which such average for  
6 the calendar year is less than such average for  
7 the preceding calendar year, there is a percent-  
8 age reduction in State expenditures for all pur-  
9 poses which is at least as great as the percent-  
10 age reduction in such average.

11 For purposes of the preceding sentence, State fund-  
12 ing shall be determined without regard to any dedi-  
13 cated State tax on net wagering proceeds to the ex-  
14 tent the amount of such tax on such proceeds does  
15 not exceed 5 percent of such proceeds.

16 **“SEC. 4416. DEFINITIONS AND SPECIAL RULES.**

17 “(a) WAGER.—For purposes of section 4415, the  
18 term ‘wager’ means—

19 “(1) any wager placed with a person engaged in  
20 the business of accepting wagers,

21 “(2) any wager placed in a wagering pool if  
22 such pool is conducted for profit, and

23 “(3) any wager placed in a lottery conducted  
24 for profit.

25 Such term shall not include bingo.

1       “(b) TERRITORIAL EXTENT.—The tax imposed by  
2 this subchapter shall apply only to wagers—

3               “(1) accepted in the United States, or

4               “(2) placed by a person who is in the United  
5 States—

6                       “(A) with a person who is a citizen or resi-  
7 dent of the United States, or

8                       “(B) in a wagering pool or lottery con-  
9 ducted by a person who is a citizen or resident  
10 of the United States.”

11       (b) CONFORMING AMENDMENTS.—

12               (1) Subsection (a) of section 4411 of such Code  
13 is amended by inserting “or 4415” after “4401”.

14               (2) Paragraph (1) of section 4421 of such Code  
15 is amended by striking “The term” and inserting  
16 “Except as provided in section 4416, the term”.

17               (3) The table of subchapters for chapter 35 of  
18 such Code is amended by striking the last item and  
19 inserting the following new items:

                    “Subchapter C. Tax on net proceeds from wagers.  
                    “Subchapter D. Miscellaneous provisions.”

20       (c) EFFECTIVE DATE.—

21               (1) IN GENERAL.—The amendments made by  
22 this section shall apply to calendar quarters begin-  
23 ning more than 90 days after the date of the enact-  
24 ment of this Act.

1           (2) TRANSITIONAL RULE.—Any person who, on  
2           the first day of the first calendar quarter beginning  
3           more than 90 days after the date of the enactment  
4           of this Act, is engaged in an activity which makes  
5           such person liable for payment of the tax imposed by  
6           section 4415 of the Internal Revenue Code of 1986  
7           shall be treated as commencing such activity on such  
8           date for purposes of such section and section 4901  
9           of such Code. The preceding sentence shall not apply  
10          to any person who before such date paid the tax im-  
11          posed by section 4411 of such Code for the year  
12          which includes such date.

13 **SEC. 102. NATIONAL EDUCATION TRUST FUND.**

14          (a) IN GENERAL.—Subchapter A of chapter 98 of the  
15          Internal Revenue Code of 1986 (relating to trust fund  
16          code) is amended by adding at the end the following new  
17          section:

18 **“SEC. 9512. NATIONAL EDUCATION TRUST FUND.**

19          “(a) CREATION OF TRUST FUND.—There is estab-  
20          lished in the Treasury of the United States a trust fund  
21          to be known as the ‘National Education Trust Fund’, con-  
22          sisting of such amounts as may be appropriated or cred-  
23          ited to such Trust Fund as provided in this section or sec-  
24          tion 9602(b).

25          “(b) TRANSFERS TO TRUST FUND.—

1           “(1) IN GENERAL.—There are hereby appro-  
2           priated to the National Education Trust Fund  
3           amounts equivalent to the net revenues received in  
4           the Treasury from the taxes imposed by section  
5           4401 (relating to tax on wagers) to the extent at-  
6           tributable to the basic percentage under such sec-  
7           tion.

8           “(2) NET REVENUES.—For purposes of para-  
9           graph (1), the term ‘net revenues’ means the  
10          amount estimated by the Secretary based on the ex-  
11          cess of—

12                   “(A) the taxes referred to in paragraph (1)  
13                   which are received in the Treasury, over

14                   “(B) the decrease in the tax imposed by  
15                   chapter 1 resulting from such taxes.

16          “(c) EXPENDITURES FROM TRUST FUND.—Amounts  
17          in the National Education Trust Fund shall be available,  
18          as provided in appropriation Acts, only for purposes of  
19          making expenditures to carry out title II of the Education  
20          Trust Fund Act.”

21          (b) CLERICAL AMENDMENT.—The table of sections  
22          for such subchapter A is amended by adding at the end  
23          the following new item:

                  “Sec. 9512. National Education Trust Fund.”

1           **TITLE II—EDUCATIONAL**  
2                           **ENHANCEMENT**

3   **SEC. 201. EDUCATION TRUST FUND PURPOSES.**

4           Funds from the National Education Trust Fund may  
5 be used by local educational agencies only for the purpose  
6 of educating students, including improving classroom in-  
7 structional materials, renovating or building school facili-  
8 ties and buildings, and increasing teacher salaries.

9   **SEC. 202. GRANTS TO LOCAL EDUCATIONAL AGENCIES.**

10          (a) IN GENERAL.—The Secretary of Education is au-  
11 thorized to provide grants from the National Education  
12 Trust Fund established under section 9512 of the Internal  
13 Revenue Code of 1986 to State educational agencies for  
14 use by local educational agencies to improve education in  
15 elementary and secondary schools as described in section  
16 201.

17          (b) ELIGIBILITY OF LOCAL EDUCATIONAL AGEN-  
18 CIES.—A local educational agency in a State is eligible to  
19 receive a grant under this section from the Education  
20 Trust Fund established pursuant to section 9512 of the  
21 Internal Revenue Code of 1986 for any fiscal year if the  
22 number of children in the local educational agency counted  
23 under subsection 1124(c) of the Elementary and Second-  
24 ary Education Act of 1965, before application of the  
25 weighting factor described in subsection (d) of this section,

1 is at least 10, and if the number of children counted for  
2 grants under section 1124 of the Elementary and Second-  
3 ary Education Act of 1965 is at least 18 percent of the  
4 total population aged 5 to 17 years, inclusive, in the local  
5 educational agency. Funds made available as a result of  
6 applying this subsection shall be reallocated by the State  
7 educational agency to other eligible local educational agen-  
8 cies in the State in proportion to the distribution of other  
9 funds under this section.

10 (c) GRANTS FOR LOCAL EDUCATIONAL AGENCIES,  
11 THE DISTRICT OF COLUMBIA, AND PUERTO RICO.—

12 (1) IN GENERAL.—Of the funds made available  
13 for the National Education Trust Fund as estab-  
14 lished under section 9512 of the Internal Revenue  
15 Code of 1986 in a fiscal year, seventy-four percent  
16 shall be made available to carry out this section. The  
17 amount of the grant that a local educational agency  
18 in a State or that the District of Columbia is eligible  
19 to receive under this section for any fiscal year shall  
20 be the product of—

21 (A) the weighted child count determined  
22 under subsection (d); and

23 (B) the amount in the second sentence of  
24 subparagraph 1124(a)(1) of the Elementary  
25 and Secondary Education Act of 1965.

1           (2) PUERTO RICO.—For each fiscal year, the  
2 amount of the grant for which the Commonwealth of  
3 Puerto Rico is eligible under this section shall be  
4 equal to the number of children counted under sub-  
5 section (d) for Puerto Rico, multiplied by the  
6 amount determined in subparagraph 1124(a)(3) of  
7 the Elementary and Secondary Education Act of  
8 1965.

9           (d) WEIGHTED CHILD COUNT.—

10           (1) IN GENERAL.—The weighted child count  
11 used to determine a local educational agency's allo-  
12 cation under this section is the larger of the two  
13 amounts determined under clause (i) or (ii), as fol-  
14 lows:

15           (A) BY PERCENTAGE OF CHILDREN.—This  
16 amount is determined by adding—

17           (i) the number of children determined  
18 under section 1124(c) of the Elementary  
19 and Secondary Education Act of 1965 for  
20 that local educational agency constituting  
21 up to 12.20 percent, inclusive, of the local  
22 educational agency's total population aged  
23 5 to 17, inclusive, multiplied by 1.0;

24           (ii) the number of such children con-  
25 stituting more than 12.20 percent, but not

1 more than 17.70 percent, of such popu-  
2 lation, multiplied by 1.75;

3 (iii) the number of such children con-  
4 stituting more than 17.70 percent, but not  
5 more than 22.80 percent, of such popu-  
6 lation, multiplied by 2.5;

7 (iv) the number of such children con-  
8 stituting more than 22.80 percent, but not  
9 more than 29.70 percent, of such popu-  
10 lation, multiplied by 3.25; and

11 (v) the number of such children con-  
12 stituting more than 29.70 percent of such  
13 population, multiplied by 4.0.

14 (B) BY NUMBER OF CHILDREN.—This  
15 amount is determined by adding—

16 (i) the number of children determined  
17 under section 1124(e) of the Elementary  
18 and Secondary Education Act of 1965 con-  
19 stituting up to 1,917, inclusive, of the local  
20 educational agency's total population aged  
21 5 to 17, inclusive, multiplied by 1.0;

22 (ii) the number of such children be-  
23 tween 1,918 and 5,938, inclusive, in such  
24 population, multiplied by 1.5;

1 (iii) the number of such children be-  
2 tween 5,939 and 20,199, inclusive, in such  
3 population, multiplied by 2.0;

4 (iv) the number of such children be-  
5 tween 20,200 and 77,999, inclusive, in  
6 such population, multiplied by 2.5; and

7 (v) the number of such children in ex-  
8 cess of 77,999 in such population, multi-  
9 plied by 3.0.

10 (2) PUERTO RICO.—Notwithstanding subpara-  
11 graph (A), the weighting factor for Puerto Rico  
12 under this paragraph shall not be greater than the  
13 total number of children counted under subsection  
14 1124(c) of the Elementary and Secondary Education  
15 Act of 1965 multiplied by 1.72.

16 **SEC. 203. LOANS TO LOCAL EDUCATIONAL AGENCIES.**

17 (a) ELIGIBILITY OF LOCAL EDUCATIONAL AGEN-  
18 CIES.—A local educational agency in a State is eligible to  
19 receive a low interest loan, payable over a period not to  
20 exceed 30 years, under this section from the Education  
21 Trust Fund established pursuant to section 9512 of the  
22 Internal Revenue Code of 1986 for any fiscal year if the  
23 number of children in the local educational agency counted  
24 under subsection 1124(c) of the Elementary and Second-  
25 ary Education Act of 1965, before application of the

1 weighting factor described in section 201(c), is at least  
2 10, and if the number of children counted for grants under  
3 section 1124 of the Elementary and Secondary Education  
4 Act of 1965 is less than 18 percent of the total population  
5 aged 5 to 17 years, inclusive, in the local educational agen-  
6 cy.

7 (b) LOANS FOR LOCAL EDUCATIONAL AGENCIES,  
8 THE DISTRICT OF COLUMBIA, AND PUERTO RICO.—

9 (1) IN GENERAL.—Of the funds made available  
10 for the National Education Trust Fund as estab-  
11 lished under the section 9512 of the Internal Reve-  
12 nue Code of 1986 in a fiscal year, twenty-four per-  
13 cent shall be made available to carry out this sec-  
14 tion. The amount of the loan that a local educational  
15 agency in a State or that the District of Columbia  
16 is eligible to receive under this section for any fiscal  
17 year shall be the product of—

18 (A) the weighted child count determined  
19 under section 202(c); and

20 (B) the amount in the second sentence of  
21 subparagraph 1124(a)(1) of the Elementary  
22 and Secondary Education Act of 1965.

23 (2) PUERTO RICO.—For each fiscal year, the  
24 amount of the grant for which the Commonwealth of  
25 Puerto Rico is eligible under this section shall be

1 equal to the number of children counted under sec-  
2 tion 202(c) for Puerto Rico, multiplied by the  
3 amount determined in subparagraph 1124(a)(3) of  
4 the Elementary and Secondary Education Act of  
5 1965.

6 (c) LOAN REPAYMENT.—Interest for a loan received  
7 under subsection (a) shall be based upon administrative  
8 costs, but shall not exceed 2 percent of the loan amount.

9 (d) DISTRIBUTION.—Funds made available as a re-  
10 sult of applying subsection (a) shall be reallocated by the  
11 State educational agency to other eligible local educational  
12 agencies in the State in proportion to the distribution of  
13 other funds under section 201.

14 **SEC. 204. EDUCATION COMMISSION.**

15 (a) ESTABLISHMENT.—There is established a com-  
16 mission to be known as the “National Commission on  
17 Educational Enhancement”.

18 (b) PURPOSE.—The purpose of the Commission is to  
19 make recommendations to the Secretary of Education to  
20 enhance educational programs for elementary and second-  
21 ary school students, including purchasing of necessary  
22 textbooks and providing a safe physical environment by  
23 improving the structural soundness of school facilities.

24 (c) MEMBERS.—

1           (1) APPOINTMENT.—The Commission shall be  
2           composed of 9 members, appointed by the President  
3           with not less than two individuals to represent the  
4           following groups or organizations:

5                   (A) Local educational agencies.

6                   (B) Teachers or principals.

7                   (C) Parents.

8           (2) CHAIRPERSON. The Chairperson shall be  
9           elected by the members of the Commission each  
10          year.

11          (3) TERMS.—The term of office of a member  
12          appointed to the Commission shall be for four years.

13          (4) VACANCY.—A member appointed to fill a  
14          vacancy shall be appointed only for the remainder of  
15          such term. A member may serve after the expiration  
16          of that member's term until a successor has taken  
17          office.

18          (5) APPOINTMENT DATE.—Members of the  
19          Commission shall be appointed no later than 90 days  
20          after the enactment of this Act.

21          (d) BASIC PAY.—

22                  (1) RATES OF PAY.—Except as provided in  
23                  paragraph (2), each member shall be entitled to re-  
24                  ceive the daily equivalent of the minimum annual  
25                  rate of basic pay payable for grade GS–15 of the

1 General Schedule for each day (including travel  
2 time) during which they are engaged in the actual  
3 performance of duties vested in the Commission.

4 (2) PROHIBITION OF COMPENSATION OF FED-  
5 ERAL EMPLOYEES.—Members of the Commission  
6 who are full-time officers or employees of the United  
7 States or Members of Congress may not receive ad-  
8 ditional pay, allowances, or benefits by reason of  
9 their service on the Commission.

10 (3) TRAVEL EXPENSES.—Each member shall receive  
11 travel expenses, including per diem in lieu of subsistence,  
12 in accordance with sections 5702 and 5703 of title 5,  
13 United States Code.

14 (e) APPLICABILITY OF CERTAIN CIVIL SERVICE  
15 LAWS.—The Director of the Commission may be ap-  
16 pointed without regard to the provisions of title 5, United  
17 States Code, governing appointments in the competitive  
18 service, and may be paid without regard to the provisions  
19 of chapter 51 and subchapter III of chapter 53 of that  
20 title relating to classification and General Schedule pay  
21 rates, except that an individual so appointed may not re-  
22 ceive pay in excess of the annual rate of basic pay payable  
23 for GS–15 of the General Schedule.

24 (f) EXPERTS AND CONSULTANTS.—The Commission  
25 may procure temporary and intermittent services under

1 section 3109(b) of title 5, United States Code, but at rates  
2 for individuals not to exceed the daily equivalent of the  
3 minimum annual rate of basic pay payable for GS-15 of  
4 the General Schedule.

5 (g) ANNUAL REPORT.—The Commission shall trans-  
6 mit an annual report to the Secretary of Education, Presi-  
7 dent, and the Congress not later than one year after the  
8 date of the appointment of a majority of members and  
9 every succeeding year thereafter. The report shall contain  
10 a detailed statement of the findings and conclusions of the  
11 Commission and a review of how funds from the Edu-  
12 cation Trust Fund were spent.

13 (h) FUNDS FOR COMMISSION.—Of the funds made  
14 available for the National Education Trust Fund as estab-  
15 lished under section 9512 of the Internal Revenue Code  
16 of 1986, two percent may be used by the Commission to  
17 comply with the requirements of this section.

○

HR 2800 IH—2