

109TH CONGRESS
1ST SESSION

H. R. 2426

To establish the Supportive Communities Helping Offer Opportunities for Learning Program and to allow an income tax credit for contributions to qualified scholarship granting organizations.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2005

Mr. GREEN of Wisconsin (for himself, Mr. PETRI, Ms. HART, Mr. JINDAL, Mr. MILLER of Florida, Mr. HOSTETTLER, Mr. FEENEY, and Mr. SOUDER) 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 establish the Supportive Communities Helping Offer Opportunities for Learning Program and to allow an income tax credit for contributions to qualified scholarship granting organizations.

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 “Supportive Commu-
5 nities Helping Offer Opportunities for Learning Act of
6 2005” or as the “SCHOOL Act of 2005”.

1 **SEC. 2. ESTABLISHMENT OF SUPPORTIVE COMMUNITIES**
2 **HELPING OFFER OPPORTUNITIES FOR**
3 **LEARNING PROGRAM.**

4 (a) **IN GENERAL.**—The Secretary of Education shall
5 establish a program to be known as the “Supportive Com-
6 munities Helping Offer Opportunities for Learning Pro-
7 gram” or as the “SCHOOL Program”.

8 (b) **CERTIFICATION OF SCHOLARSHIP GRANTING OR-**
9 **GANIZATIONS.**—

10 (1) **IN GENERAL.**—The Secretary of Education
11 may certify an organization as a scholarship grant-
12 ing organization participating in the SCHOOL Pro-
13 gram if such organization meets all of the following
14 requirements:

15 (A) Notifies the Secretary of its intent to
16 provide educational scholarships for eligible stu-
17 dents attending qualified schools.

18 (B) Demonstrates to the Secretary that it
19 is described in section 501(c)(3) of the Internal
20 Revenue Code of 1986 and exempt from tax
21 under section 501(a) of such Code.

22 (C) Provides a receipt to taxpayers for
23 contributions made to the organization.

24 (D) Ensures that at least 90 percent of its
25 annual receipts are spent on educational schol-
26 arships, and that all receipts from interest or

1 investments is spent on educational scholar-
2 ships.

3 (E) Spends each year a portion of its ex-
4 penditures on scholarships for low-income eligi-
5 ble students equal to the percentage of low-in-
6 come eligible students in the county where the
7 organization expends the majority of its schol-
8 arships.

9 (F) Ensures that at least 30 percent of
10 first time recipients of educational scholarships
11 were not continuously enrolled in a private ele-
12 mentary or secondary school during the pre-
13 vious year.

14 (G) Distributes periodic scholarship pay-
15 ments as checks made out to a student's parent
16 or guardian and mailed to the qualified school
17 where the student is enrolled.

18 (H) Cooperates with the Secretary in con-
19 ducting criminal background checks on all of its
20 employees and board members and excluding
21 from employment or governance any individual
22 that might reasonably pose a risk to the appro-
23 priate use of contributed funds.

24 (I) Ensures that scholarships are portable
25 during the school year and can be used at any

1 qualified school that accepts the student accord-
2 ing to a parent's wishes.

3 (J) Ensures that if a student moves to a
4 new qualified school during a school year, the
5 scholarship amount may be prorated.

6 (K) Demonstrates its financial account-
7 ability by—

8 (i) submitting a financial information
9 report for the organization that complies
10 with uniform financial accounting stand-
11 ards established by the Secretary and that
12 has been conducted by a certified public
13 accountant; and

14 (ii) having an auditor certify that the
15 report is free of material misstatements.

16 (L) Demonstrates its financial viability, if
17 the organization is to receive donations of
18 \$50,000 or more during any school year (as de-
19 termined by the Secretary), by—

20 (i) filing with the Secretary prior to
21 the start of the school year a surety bond
22 payable to the Federal Government in an
23 amount equal to the aggregate amount of
24 contributions expected to be received dur-
25 ing the school year; or

1 (ii) filing with the Secretary prior to
2 the start of the school year financial infor-
3 mation that demonstrates the financial via-
4 bility of the organization.

5 (M) Ensures that qualified schools that ac-
6 cept its scholarship students will—

7 (i) comply with all health and safety
8 laws or codes that apply to the school;

9 (ii) hold a valid occupancy permit if
10 required by their municipality;

11 (iii) certify that they will not discrimi-
12 nate in admissions on the basis of race,
13 color, national origin, religion or disability;
14 and

15 (iv) provide academic accountability to
16 parents of the students in the program by
17 regularly reporting to the parent on the
18 student's progress.

19 (N) Does not provide educational scholar-
20 ships for students to attend any school with
21 paid staff or board members, or relatives there-
22 of, in common with the organization.

23 (O) Publicly reports to the Secretary by
24 June 1 of each year the following information

1 prepared by a certified public accountant for
2 the previous calendar year—

3 (i) the name and address of the orga-
4 nization;

5 (ii) the total number and total dollar
6 amount of contributions received during
7 the previous calendar year;

8 (iii) the total number and total dollar
9 amount of educational scholarships award-
10 ed during the previous calendar year;

11 (iv) the total number and total dollar
12 amount of educational scholarships award-
13 ed during the previous year to low-income
14 eligible students; and

15 (v) the percentage of first time recipi-
16 ents of educational scholarships who were
17 continuously enrolled in a public elemen-
18 tary or secondary school during the pre-
19 vious year.

20 (2) DEFINITIONS.—For purposes of this sub-
21 section—

22 (A) EDUCATIONAL SCHOLARSHIPS.—The
23 term “educational scholarships” means grants
24 for eligible students to cover all or part of—

1 (i) in the case of a private or religious
2 school which charges tuition or fees, the
3 tuition and fees of such school,

4 (ii) in the case of a public school, the
5 cost of transportation to such school, and

6 (iii) in the case of any other school or
7 program, such expenses as the Secretary of
8 Education may provide.

9 (B) QUALIFIED SCHOOL.—The term
10 “qualified school” means any public, private,
11 religious, or other school or program which pro-
12 vides elementary or secondary education (as de-
13 termined under State law).

14 (C) ELIGIBLE STUDENT.—The term “eligi-
15 ble student” means any student who—

16 (i) has not—

17 (I) attained age 21, or

18 (II) been graduated from high
19 school, and

20 (ii) as of the time that such student
21 first receives assistance under the
22 SCHOOL Program, is a member of a
23 household whose total annual income dur-
24 ing the year before receipt of such assist-
25 ance does not exceed an amount equal to

1 2.5 times the highest amount of income
2 which qualifies for a reduced price lunch
3 under section 9(b)(1) of the Richard B.
4 Russell National School Lunch Act.

5 (D) LOW-INCOME ELIGIBLE STUDENT.—

6 The term “low-income eligible student” means
7 a student who meets the requirements of para-
8 graph (3)(A) and who qualifies for a free or re-
9 duced price lunch under section 9(b)(1) of the
10 Richard B. Russell National School Lunch Act.

11 (E) PARENT.—The term “parent” includes
12 a guardian, custodian, or other person with au-
13 thority to act on behalf of the child.

14 (c) DUTIES OF THE SECRETARY OF EDUCATION.—

15 The Secretary of Education shall—

16 (1) adopt such rules and procedures as are nec-
17 essary or appropriate to implement the SCHOOL
18 Program; and

19 (2) provide a standardized format for certified
20 organizations to report the information described in
21 subsection (b)(1)(O).

22 **SEC. 3. EDUCATIONAL IMPROVEMENT CONTRIBUTIONS**
23 **CREDIT.**

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

1 1986 (relating to other credits) is amended by adding at
2 the end the following new section:

3 **“SEC. 30B. EDUCATIONAL IMPROVEMENT CONTRIBUTIONS**
4 **CREDIT.**

5 “(a) IN GENERAL.—There shall be allowed as a cred-
6 it against the tax imposed by this chapter for the taxable
7 year an amount equal to the aggregate amount of the
8 qualified contributions made by the taxpayer to qualified
9 scholarship granting organizations during the taxable
10 year.

11 “(b) LIMITATION.—

12 “(1) INDIVIDUALS.—In the case of an indi-
13 vidual, the amount of the credit determined under
14 this section for any taxable year shall not exceed
15 \$3,000 (\$6,000 in the case of a joint return).

16 “(2) CORPORATIONS.—In the case of a corpora-
17 tion, the amount of the credit determined under this
18 section for any taxable year shall not exceed the
19 lesser of—

20 “(A) 5 percent of the taxpayer’s regular
21 tax liability for the taxable year, or

22 “(B) \$20,000.

23 “(c) QUALIFIED SCHOLARSHIP GRANTING ORGANI-
24 ZATION.—For purposes of this section, the term ‘qualified

1 scholarship granting organization’ means any organization
2 which—

3 “(1) is described in section 501(c)(3) and ex-
4 empt from tax under section 501(a), and

5 “(2) has in effect a certification from the Sec-
6 retary of Education that such organization is a
7 scholarship granting organization participating in
8 the SCHOOL Program (within the meaning of sec-
9 tion 2 of the SCHOOL Act of 2005).

10 “(d) QUALIFIED CONTRIBUTIONS.—For purposes of
11 this section, the term ‘qualified contribution’ means any
12 cash contribution which the taxpayer elects (at such time
13 and in such form and manner as the Secretary may pre-
14 scribe) to treat as a qualified contribution.

15 “(e) COORDINATION WITH OTHER CREDITS; CARRY-
16 OVER OF UNUSED CREDIT.—

17 “(1) IN GENERAL.—If the credit allowable
18 under subsection (a) for a taxable year exceeds the
19 limitation imposed by paragraph (2) for such taxable
20 year, such excess shall be carried over to the suc-
21 ceeding taxable year and added to the credit allow-
22 able under subsection (a) for such succeeding tax-
23 able year. No credit may be carried forward under
24 this subsection to any taxable year following the
25 third taxable year after the taxable year in which the

1 credit arose. For purposes of the preceding sentence,
2 credits shall be treated as used on a first-in first-out
3 basis.

4 “(2) APPLICATION WITH OTHER CREDITS.—
5 The credit allowed by subsection (a) for any taxable
6 year shall not exceed the excess (if any) of—

7 “(A) the regular tax liability for the tax-
8 able year reduced by the sum of the credits al-
9 lowed by this part (other than this section),
10 over

11 “(B) the tentative minimum tax for the
12 taxable year.

13 “(f) SPECIAL RULES.—

14 “(1) SUBSTANTIATION.—No credit shall be al-
15 lowed under subsection (a) with respect to any con-
16 tribution to a qualified scholarship granting organi-
17 zation unless the taxpayer attaches to the taxpayer’s
18 return for the taxable year a receipt from such orga-
19 nization which meets such requirements as the Sec-
20 retary may establish.

21 “(2) CONTROLLED GROUPS.—Rules similar to
22 the rules of paragraphs (1) and (2) of section 41(f)
23 shall apply for purposes of this section.

24 “(3) DENIAL OF DOUBLE BENEFIT.—No deduc-
25 tion or credit shall be allowed under this subtitle for

1 any contribution which is taken into account under
2 this section.

3 “(g) REGULATIONS.—The Secretary may prescribe
4 such regulations as may be necessary or appropriate to
5 carry out the purposes of this section.”.

6 (b) COORDINATION WITH LIMITATIONS ON CHARITABLE
7 TABLE DEDUCTIONS.—Subsection (c) of section 170 of
8 such Code is amended by adding at the end the following:
9 “Such term shall not include any contribution taken into
10 account under section 30B.”

11 (c) CLERICAL AMENDMENT.—The table of sections
12 for subpart B of part IV of subchapter A of chapter 1
13 of such Code is amended by adding at the end the fol-
14 lowing new item:

“Sec. 30B. Educational improvement contributions credit.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to contributions made during tax-
17 able years beginning after the date of the enactment of
18 this Act.

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