

117TH CONGRESS  
2D SESSION

# H. R. 8137

To amend the Internal Revenue Code of 1986 to allow a credit against tax for charitable donations to nonprofit organizations providing education scholarships to qualified elementary and secondary students.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 2022

Mrs. WALORSKI (for herself, Mr. OWENS, Mr. KELLY of Pennsylvania, Mr. BANKS, Ms. FOXX, Ms. STEFANIK, Mr. BAIRD, Mr. JORDAN, Mrs. MILLER-MEEKS, Mr. MOOLENAAR, and Mr. MCHENRY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and Labor, 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

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against tax for charitable donations to nonprofit organizations providing education scholarships to qualified elementary and secondary students.

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 “Educational Choice  
5 for Children Act”.

1 **SEC. 2. TAX CREDIT FOR CONTRIBUTIONS TO SCHOLAR-**  
2 **SHIP GRANTING ORGANIZATIONS.**

3 (a) CREDIT FOR INDIVIDUALS.—

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

8 **“SEC. 25E. QUALIFIED ELEMENTARY AND SECONDARY EDU-**  
9 **CATION SCHOLARSHIPS.**

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

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

18 “(1) 10 percent of the adjusted gross income of  
19 the taxpayer for the taxable year, or

20 “(2) \$2,000.

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

22 “(1) ELIGIBLE STUDENT.—The term ‘eligible  
23 student’ means an individual who—

24 “(A) is a member of a household with an  
25 income which is not greater than 300 percent

1 of the area median gross income (as such term  
2 is used in section 42), and

3 “(B) is eligible to enroll in a public ele-  
4 mentary or secondary school.

5 “(2) QUALIFIED CONTRIBUTION.—The term  
6 ‘qualified contribution’ means a charitable contribu-  
7 tion (as defined by section 170(c)) to a scholarship  
8 granting organization in the form of cash or market-  
9 able securities.

10 “(3) QUALIFIED ELEMENTARY OR SECONDARY  
11 EDUCATION EXPENSE.—The term ‘qualified elemen-  
12 tary or secondary education expense’ has the same  
13 meaning given the term ‘qualified higher education  
14 expenses’ under paragraph (3) of section 529(e), ex-  
15 cept that such paragraph shall be applied—

16 “(A) by substituting ‘elementary school or  
17 secondary school (as such terms are defined in  
18 section 8101 of the Elementary and Secondary  
19 Education Act of 1965 (20 U.S.C. 7801))’ for  
20 ‘eligible educational institution’ each place it  
21 appears, and

22 “(B) in subparagraph (B) thereof, by sub-  
23 stituting ‘such school’ for ‘such institution’ each  
24 place it appears.

1           “(4) SCHOLARSHIP GRANTING ORGANIZA-  
2           TION.—The term ‘scholarship granting organization’  
3           means any organization—

4                   “(A) which—

5                           “(i) is described in section 501(c)(3)  
6                           and exempt from tax under section 501(a),  
7                           and

8                           “(ii) is not a private foundation,

9                   “(B) whose exclusive purpose is to provide  
10                   scholarships for qualified elementary or sec-  
11                   ondary education expenses of eligible students,  
12                   and

13                   “(C)(i) which meets the requirements of  
14                   subsection (d), or

15                   “(ii) which, pursuant to State law, was  
16                   able, as of the date of the enactment of the  
17                   Educational Choice for Children Act, to receive  
18                   contributions that are eligible for a State tax  
19                   credit if such contributions are used by the or-  
20                   ganization to provide scholarships to individual  
21                   elementary and secondary students, including  
22                   scholarships for attending private schools.

23           “(d) REQUIREMENTS FOR SCHOLARSHIP GRANTING  
24           ORGANIZATIONS.—

1           “(1) IN GENERAL.—An organization meets the  
2 requirements of this subsection if—

3           “(A) such organization provides scholar-  
4 ships to 2 or more students, provided that not  
5 all such students attend the same school,

6           “(B) such organization does not provide  
7 scholarships for any expenses other than quali-  
8 fied elementary or secondary education ex-  
9 penses,

10          “(C) such organization provides a scholar-  
11 ship to eligible students with a priority for—

12           “(i) students awarded a scholarship  
13 the previous school year, and

14           “(ii) after application of clause (i),  
15 any such students who have a sibling who  
16 was awarded a scholarship from such orga-  
17 nization,

18          “(D) such organization does not earmark  
19 or set aside contributions for scholarships on  
20 behalf of any particular student,

21          “(E) such organization takes appropriate  
22 steps to verify the annual household income and  
23 family size of eligible students to whom it  
24 awards scholarships, and limits them to a mem-  
25 ber of a household for which the income does

1 not exceed the amount established under sub-  
2 section (c)(1)(A),

3 “(F) such organization—

4 “(i) obtains from an independent cer-  
5 tified public accountant annual financial  
6 and compliance audits, and

7 “(ii) certifies to the Secretary (at such  
8 time, and in such form and manner, as the  
9 Secretary may prescribe) that the audit de-  
10 scribed in clause (i) has been completed,  
11 and

12 “(G) no officer or board member of such  
13 organization has been convicted of a felony.

14 “(2) INDEPENDENT CERTIFIED PUBLIC AC-  
15 COUNTANT.—For purposes of paragraph (1)(F), the  
16 term ‘independent certified public accountant’  
17 means, with respect to an organization, a certified  
18 public accountant who is not a person described in  
19 section 465(b)(3)(A) with respect to such organiza-  
20 tion or any employee of such organization.

21 “(3) PROHIBITION ON SELF-DEALING.—

22 “(A) IN GENERAL.—A scholarship grant-  
23 ing organization may not award a scholarship  
24 to any disqualified person.

1           “(B) DISQUALIFIED PERSON.—For pur-  
2           poses of this paragraph, a disqualified person  
3           shall be determined pursuant to rules similar to  
4           the rules of section 4946.

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

9           “(f) CARRYFORWARD OF UNUSED CREDIT.—

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

18           “(2) LIMITATION.—No credit may be carried  
19           forward under this subsection to any taxable year  
20           following the fifth taxable year after the taxable year  
21           in which the credit arose. For purposes of the pre-  
22           ceding sentence, credits shall be treated as used on  
23           a first-in first-out basis.

24           “(g) APPLICATION OF VOLUME CAP.—A qualified  
25           contribution shall be taken into account under this section

1 only if such contribution is not in excess of the volume  
2 cap established under section 3 of the Educational Choice  
3 for Children Act.”.

4 (2) CLERICAL AMENDMENT.—The table of sec-  
5 tions for subpart A of part IV of subchapter A of  
6 chapter 1 of such Code is amended by inserting  
7 after the item relating to section 25D the following  
8 new item:

“Sec. 25E. Qualified elementary and secondary education scholarships.”.

9 (b) CREDIT FOR CORPORATIONS.—

10 (1) IN GENERAL.—Subpart D of part IV of  
11 subchapter A of chapter 1 of such Code is amended  
12 by adding after section 45T the following:

13 **“SEC. 45U. CONTRIBUTIONS TO SCHOLARSHIP GRANTING**  
14 **ORGANIZATIONS.**

15 “(a) GENERAL RULE.—For purposes of section 38,  
16 in the case of a corporation, the education scholarship  
17 credit determined under this section for the taxable year  
18 is the aggregate amount of qualified contributions for the  
19 taxable year.

20 “(b) AMOUNT OF CREDIT.—The credit allowed under  
21 subsection (a) for any taxable year shall not exceed 5 per-  
22 cent of the taxable income (as defined in section  
23 170(b)(2)(D)) of the corporation for such taxable year.



1       “(c) QUALIFIED CONTRIBUTIONS.—For purposes of  
2 this section, the term ‘qualified contribution’ has the  
3 meaning given such term under section 25E.

4       “(d) DENIAL OF DOUBLE BENEFIT.—No deduction  
5 shall be allowed under any provision of this chapter for  
6 any expense for which a credit is allowed under this sec-  
7 tion.

8       “(e) APPLICATION OF VOLUME CAP.—A qualified  
9 contribution shall be taken into account under this section  
10 only if such contribution is not in excess of the volume  
11 cap established under section 3 of the Educational Choice  
12 for Children Act.”.

13           (2) CONFORMING AMENDMENTS.—Section  
14 38(b) of such Code is amended by striking “plus” at  
15 the end of paragraph (32), by striking the period  
16 and inserting “, plus” at the end of paragraph (33),  
17 and by adding at the end the following new para-  
18 graph:

19           “(34) the education scholarship credit deter-  
20 mined under section 45U(a).”.

21           (3) CLERICAL AMENDMENT.—The table of sec-  
22 tions for subpart D of part IV of subchapter A of  
23 chapter 1 of such Code, as amended by this Act, is  
24 amended by adding at the end the following new  
25 item:

“Sec. 45U. Contributions to scholarship granting organizations.”.

1 (c) FAILURE OF SCHOLARSHIP GRANTING ORGANI-  
2 ZATIONS TO MAKE DISTRIBUTIONS.—

3 (1) IN GENERAL.—Chapter 42 of such Code is  
4 amended by adding at the end the following new  
5 subchapter:

6 **“Subchapter I—Scholarship Granting**  
7 **Organizations**

“Sec. 4969. Failure to distribute receipts.

8 **“SEC. 4969. FAILURE TO DISTRIBUTE RECEIPTS.**

9 “(a) IN GENERAL.—In the case of any scholarship  
10 granting organization (as defined in section 25E) which  
11 has been determined by the Secretary to have failed to  
12 satisfy the requirement under subsection (b) for any tax-  
13 able year, any contribution made to such organization dur-  
14 ing the first taxable year beginning after the date of such  
15 determination shall not be treated as a qualified contribu-  
16 tion (as defined in section 25E(c)(2)) for purposes of sec-  
17 tions 25E and 45U.

18 “(b) REQUIREMENT.—The requirement described in  
19 this subsection is that the amount of receipts of the schol-  
20 arship granting organization for the taxable year which  
21 are distributed before the distribution deadline with re-  
22 spect to such receipts shall not be less than the required  
23 distribution amount with respect to such taxable year.

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

1 “(1) REQUIRED DISTRIBUTION AMOUNT.—

2 “(A) IN GENERAL.—The required distribu-  
3 tion amount with respect to a taxable year is  
4 the amount equal to 100 percent of the total re-  
5 ceipts of the scholarship granting organization  
6 for such taxable year—

7 “(i) reduced by the sum of such re-  
8 ceipts that are retained for reasonable ad-  
9 ministrative expenses for the taxable year  
10 or are carried to the succeeding taxable  
11 year under subparagraph (C), and

12 “(ii) increased by the amount of the  
13 carryover under subparagraph (C) from  
14 the preceding taxable year.

15 “(B) SAFE HARBOR FOR REASONABLE AD-  
16 MINISTRATIVE EXPENSES.—For purposes of  
17 subparagraph (A)(i), if the percentage of total  
18 receipts of a scholarship granting organization  
19 for a taxable year which are used for adminis-  
20 trative purposes is equal to or less than 10 per-  
21 cent, such expenses shall be deemed to be rea-  
22 sonable for purposes of such subparagraph.

23 “(C) CARRYOVER.—With respect to the  
24 amount of the total receipts of a scholarship  
25 granting organization with respect to any tax-

1           able year, an amount not greater than 15 per-  
2           cent of such amount may, at the election of  
3           such organization, be carried to the succeeding  
4           taxable year.

5           “(2) DISTRIBUTIONS.—The term ‘distribution’  
6           includes amounts which are formally committed but  
7           not distributed. A formal commitment described in  
8           the preceding sentence may include contributions set  
9           aside for eligible students for more than one year.

10           “(3) DISTRIBUTION DEADLINE.—The distribu-  
11           tion deadline with respect to receipts for a taxable  
12           year is the first day of the third taxable year fol-  
13           lowing the taxable year in which such receipts are  
14           received by the scholarship granting organization.”.

15           (2) CLERICAL AMENDMENT.—The table of sub-  
16           chapters for chapter 42 of such Code is amended by  
17           adding at the end the following new item:

          “SUBCHAPTER I. SCHOLARSHIP GRANTING ORGANIZATIONS”.

18 **SEC. 3. VOLUME CAP.**

19           (a) ALLOCATION.—

20           (1) IN GENERAL.—For purposes of sections  
21           25E(g) and 45U(e) of the Internal Revenue Code of  
22           1986 (as added by this Act), the volume cap applica-  
23           ble with respect to both such sections shall be  
24           \$10,000,000,000 for calendar year 2023 and each

1 subsequent year thereafter, with such amount to be  
2 allocated as follows:

3 (A) \$1,000,000,000 shall be allocated to  
4 the States, with such amount to be allocated in  
5 equal amounts to each State. With respect to  
6 the amount which has been allocated to a State  
7 for any calendar year—

8 (i) 50 percent of such amount shall be  
9 made available for any individual residing  
10 in such State to claim the credit allowed  
11 under section 25E of the Internal Revenue  
12 Code of 1986 with respect to any qualified  
13 contributions (as defined in such section)  
14 made by such individual during any tax-  
15 able year beginning during such calendar  
16 year, and

17 (ii) 50 percent of such amount shall  
18 be made available for any corporation cre-  
19 ated or organized in such State to claim  
20 the credit determined under section 45U of  
21 such Code with respect to any qualified  
22 contributions made by such corporation  
23 during any taxable year beginning during  
24 such calendar year.

1 (B) With respect to the amount remaining  
2 after the allocation under subparagraph (A)—

3 (i) 50 percent of such amount shall be  
4 made available for any individual to claim  
5 the credit allowed under section 25E of the  
6 Internal Revenue Code of 1986 with re-  
7 spect to any qualified contributions made  
8 by such individual during any taxable year  
9 beginning during such calendar year, and

10 (ii) 50 percent of such amount shall  
11 be made available for any corporation to  
12 claim the credit determined under section  
13 45U of such Code with respect to any  
14 qualified contributions made by such cor-  
15 poration during any for any taxable year  
16 beginning during such calendar year.

17 (2) CARRYOVER.—The amount of any allotment  
18 to a State under paragraph (1)(A) for any calendar  
19 year which is not claimed by taxpayers described in  
20 such paragraph during such calendar year shall be  
21 added to the allotment provided to such State under  
22 such paragraph for the subsequent calendar year.

23 (b) FIRST-COME, FIRST-SERVE.—For purposes of  
24 applying the volume cap under this section, such volume  
25 cap shall be applied based on a first-come, first-serve

1 basis, as determined based on the date on which the tax-  
2 payer made the qualified contribution.

3 (c) REAL-TIME INFORMATION.—For purposes of this  
4 section, the Secretary of the Treasury (or the Secretary’s  
5 delegate) shall develop a system to track the amount of  
6 qualified contributions made during the calendar year for  
7 which a credit may be claimed under section 25E or 45U  
8 of the Internal Revenue Code of 1986, with such informa-  
9 tion to be updated in real time.

10 **SEC. 4. EXEMPTION FROM GROSS INCOME FOR SCHOLAR-**  
11 **SHIPS FOR QUALIFIED ELEMENTARY OR SEC-**  
12 **ONDARY EDUCATION EXPENSES OF ELIGIBLE**  
13 **STUDENTS.**

14 (a) IN GENERAL.—Part III of subchapter B of chap-  
15 ter 1 of the Internal Revenue Code of 1986 is amended  
16 by inserting before section 140 the following new section:

17 **“SEC. 139I. SCHOLARSHIPS FOR QUALIFIED ELEMENTARY**  
18 **OR SECONDARY EDUCATION EXPENSES OF**  
19 **ELIGIBLE STUDENTS.**

20 “(a) IN GENERAL.—In the case of an individual,  
21 gross income shall not include any amounts provided to  
22 any dependent of such individual pursuant to a scholar-  
23 ship for qualified elementary or secondary education ex-  
24 penses of an eligible student which is provided by a schol-  
25 arship granting organization.

1       “(b) DEFINITIONS.—In this section, the terms ‘quali-  
 2       fied elementary or secondary education expense’, ‘eligible  
 3       student’, and ‘scholarship granting organization’ have the  
 4       same meaning given such terms under section 25E(c).”.

5       (b) CONFORMING AMENDMENT.—The table of sec-  
 6       tions for part III of subchapter B of chapter 1 of the In-  
 7       ternal Revenue Code of 1986 is amended by inserting be-  
 8       fore the item relating to section 140 the following new  
 9       item:

      “Sec. 139I. Scholarships for qualified elementary or secondary education ex-  
       penses of eligible students.”.

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

11       (a) PROHIBITION OF CONTROL OVER SCHOLARSHIP  
 12       ORGANIZATIONS.—

13               (1) IN GENERAL.—

14                       (A) TREATMENT.—A scholarship granting  
 15                       organization shall not, by virtue of participation  
 16                       under any provision of this Act or any amend-  
 17                       ment made by this Act, be regarded as acting  
 18                       on behalf of any governmental entity.

19                       (B) NO GOVERNMENTAL CONTROL.—Noth-  
 20                       ing in this Act, or any amendment made by this  
 21                       Act, shall be construed to permit, allow, encour-  
 22                       age, or authorize any Federal, State, or local  
 23                       government entity, or officer or employee there-



1 of, to mandate, direct, or control any aspect of  
2 any scholarship granting organization.

3 (C) MAXIMUM FREEDOM.—To the extent  
4 permissible by law, this Act, and any amend-  
5 ment made by this Act, shall be construed to  
6 allow scholarship granting organizations max-  
7 imum freedom to provide for the needs of the  
8 participants without governmental control.

9 (2) PROHIBITION OF CONTROL OVER NON-PUB-  
10 LIC SCHOOLS.—

11 (A) NO GOVERNMENTAL CONTROL.—Noth-  
12 ing in this Act, or any amendment made by this  
13 Act, shall be construed to permit, allow, encour-  
14 age, or authorize any Federal, State, or local  
15 government entity, or officer or employee there-  
16 of, to mandate, direct, or control any aspect of  
17 any private or religious elementary or secondary  
18 education institution.

19 (B) NO EXCLUSION OF PRIVATE OR RELI-  
20 GIOUS SCHOOLS.—No Federal, State, or local  
21 government entity, or officer or employee there-  
22 of, shall impose or permit the imposition of any  
23 conditions or requirements that would exclude  
24 or operate to exclude educational expenses at  
25 private or religious elementary and secondary

1 education institutions from being considered  
2 qualified elementary or secondary education ex-  
3 penses.

4 (C) NO EXCLUSION OF QUALIFIED EX-  
5 PENSES DUE TO INSTITUTION'S RELIGIOUS  
6 CHARACTER OR AFFILIATION.—No Federal,  
7 State, or local government entity, or officer or  
8 employee thereof, shall exclude, discriminate  
9 against, or otherwise disadvantage any elemen-  
10 tary or secondary education institution with re-  
11 spect to qualified elementary or secondary edu-  
12 cation expenses at that institution based in  
13 whole or in part on the institution's religious  
14 character or affiliation, including religiously  
15 based or mission-based policies or practices.

16 (3) PARENTAL RIGHTS TO USE SCHOLAR-  
17 SHIPS.—No Federal, State, or local government en-  
18 tity, or officer or employee thereof, shall disfavor or  
19 discourage the use of scholarships granted by par-  
20 ticipating scholarship granting organizations for  
21 qualified elementary or secondary education ex-  
22 penses at private or nonprofit elementary and sec-  
23 ondary education institutions, including faith-based  
24 schools.

1           (4) PARENTAL RIGHT TO INTERVENE.—In any  
2           action filed in any State or Federal court which  
3           challenges the constitutionality (under the constitu-  
4           tion of such State or the Constitution of the United  
5           States) of any provision of this Act (or any amend-  
6           ment made by this Act), any parent of an eligible  
7           student who has received a scholarship from a schol-  
8           arship granting organization shall have the right to  
9           intervene in support of the constitutionality of such  
10          provision or amendment. To avoid duplication of ef-  
11          forts and reduce the burdens placed on the parties  
12          to the action, the court in any such action may re-  
13          quire interveners taking similar positions to file joint  
14          papers or to be represented by a single attorney at  
15          oral argument, provided that the court does not re-  
16          quire such interveners to join any brief filed on be-  
17          half of any State which is a defendant in such ac-  
18          tion.

19          (b) DEFINITIONS.—For purposes of this section, the  
20          terms “eligible student”, “scholarship granting organiza-  
21          tion”, and “qualified elementary or secondary education  
22          expense” shall have the same meanings given such terms  
23          under section 25E(c) of the Internal Revenue Code of  
24          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, 2022.

○