

119TH CONGRESS
1ST SESSION

S. _____

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 SENATE OF THE UNITED STATES

Mr. SCOTT of South Carolina introduced the following bill; which was read twice and referred to the Committee on _____

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 meaning given such term in section
21 4310 of the Elementary and Secondary Education
22 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 entity
3 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, that—

12 “(I)(aa) has received a grant for
13 the replication or expansion of high-
14 quality charter schools under section
15 4305(b) of the Elementary and Sec-
16 ondary Education Act of 1965 (20
17 U.S.C. 7221d(b)), or

18 “(bb) manages or operates a
19 charter school that has been sup-
20 ported under such a grant, 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 entity is in the highest 10
25 percent of charter management orga-

1 nizations (as so defined) or charter
2 schools, as the case may be, for stu-
3 dent performance in the State,

4 “(iii) separate from any other funds
5 or contributions received by the entity,
6 maintains and accounts for any contribu-
7 tions made by any person for the purpose
8 of the creation or expansion of charter
9 schools operated or managed by such enti-
10 ty,

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 (iv) 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-

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

3 “(f) APPLICATION OF VOLUME CAP.—

4 “(1) IN GENERAL.—Subject to paragraph (2), a
5 qualified contribution shall not be taken into account
6 under this section if such contribution would result
7 in the aggregate amount of credits claimed under
8 this section exceeding the volume cap established
9 under section 4 of the High-Quality Charter Schools
10 Act.

11 “(2) STATE ALLOCATIONS.—For purposes of
12 the allocation made to a State pursuant to subpara-
13 graph (A) of section 4(a)(1) of the High-Quality
14 Charter Schools Act, if a qualified contribution made
15 by an individual residing in such State would result
16 in the aggregate amount of credits claimed under
17 this section by individuals residing in such State ex-
18 ceeding the allocation made to such State pursuant
19 to such subparagraph, such contribution shall only
20 be taken into account under this section if such con-
21 tribution does not result in the aggregate amount of
22 credits claimed by individuals pursuant to subpara-
23 graph (B) of such section exceeding the amount
24 made available pursuant to such subparagraph.”.

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

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

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

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

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

“Sec. 4969. Failure to expend receipts.

12 **“SEC. 4969. FAILURE TO EXPEND RECEIPTS.**

13 “(a) IN GENERAL.—In the case of any eligible char-
14 ter school organization (as defined in section 25F(c)(2))
15 which has been determined by the Secretary to have failed
16 to satisfy the requirement under subsection (b) for any
17 taxable year, any contribution made to such organization
18 during the first taxable year beginning after the date of
19 such determination shall not be treated as a qualified con-
20 tribution (as defined in section 25F(c)(3)) for purposes
21 of section 25F.

22 “(b) REQUIREMENT.—The requirement described in
23 this subsection is that the amount of qualified contribu-
24 tions of the eligible charter school organization for the tax-

1 able year which are expended before the expenditure dead-
2 line with respect to such receipts shall not be less than
3 the required expenditure amount with respect to such tax-
4 able year.

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

6 “(1) REQUIRED EXPENDITURE AMOUNT.—

7 “(A) IN GENERAL.—The required expendi-
8 ture amount with respect to a taxable year is
9 the amount equal to 100 percent of qualified
10 contributions for such taxable year—

11 “(i) reduced by the sum of such quali-
12 fied contributions that are retained for rea-
13 sonable administrative expenses for the
14 taxable year or are carried to the suc-
15 ceeding taxable year under subparagraph
16 (C), and

17 “(ii) increased by the amount of the
18 carryover under subparagraph (C) from
19 the preceding taxable year.

20 “(B) SAFE HARBOR FOR REASONABLE AD-
21 MINISTRATIVE EXPENSES.—For purposes of
22 subparagraph (A)(i), if the percentage of total
23 qualified contributions to an eligible charter
24 school organization for a taxable year which are
25 used for administrative purposes related to ac-

1 tivities for the creation or expansion of charter
2 schools (as defined in section 25F(c)(1)) oper-
3 ated or managed by such organization is equal
4 to or less than 10 percent, such expenses shall
5 be deemed to be reasonable for purposes of
6 such subparagraph.

7 “(C) CARRYOVER.—With respect to the
8 amount of the total qualified contributions to
9 an eligible charter school organization with re-
10 spect to any taxable year, an amount not great-
11 er than 15 percent of such amount may, at the
12 election of such organization, be carried to the
13 succeeding taxable year.

14 “(2) EXPENDITURES.—The term ‘expenditures’
15 includes amounts which are formally committed but
16 not expended. A formal commitment described in the
17 preceding sentence may include qualified contribu-
18 tions set aside for the creation or expansion of char-
19 ter schools operated or managed by such organiza-
20 tion for more than one year.

21 “(3) EXPENDITURE DEADLINE.—The expendi-
22 ture deadline with respect to qualified contributions
23 for a taxable year is the first day of the fifth taxable
24 year following the taxable year in which such quali-

1 fied contributions are received by the eligible charter
2 school organization.

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

6 (b) CLERICAL AMENDMENT.—The table of sub-
7 chapters for chapter 42 of such Code is amended by add-
8 ing at the end the following new item:

 “SUBCHAPTER I. ELIGIBLE CHARTER SCHOOL ORGANIZATIONS”.

9 **SEC. 4. VOLUME CAP.**

10 (a) ALLOCATION.—

11 (1) IN GENERAL.—For purposes of section
12 25F(f) of the Internal Revenue Code of 1986 (as
13 added by this Act), the volume cap applicable with
14 respect to such section shall be \$5,000,000,000 of
15 tax credits for taxable years beginning in calendar
16 year 2026 and each subsequent year thereafter, with
17 such amount to be allocated as follows:

18 (A) \$10,000,000 of tax credits shall be al-
19 located to each State (as defined in section
20 7701(a)(10) of the Internal Revenue Code of
21 1986), with such amount to be made available,
22 in the manner described in subsection (b), for
23 any individual residing in such State to claim
24 the credit allowed under section 25F of the In-
25 ternal Revenue Code of 1986 with respect to

1 any qualified contributions (as defined in such
2 section) made by such individual during any
3 taxable year beginning during such calendar
4 year.

5 (B) With respect to the amount remaining
6 after the allocation under subparagraph (A),
7 such amount (as adjusted pursuant to para-
8 graph (3)) shall be made available, in the man-
9 ner described in subsection (b), for any indi-
10 vidual to claim the credit allowed under section
11 25F of the Internal Revenue Code of 1986 with
12 respect to any qualified contributions made by
13 such individual during any taxable year begin-
14 ning during such calendar year.

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

21 (3) INCREASE IN NATIONWIDE VOLUME CAP.—
22 For purposes of paragraph (1)(B), if the Secretary
23 determines during any calendar year that the
24 amount of tax credits allowable under section 25F
25 with respect to qualified contributions made during

1 such calendar year is equal to or greater than 90
2 percent of the total amount made available under
3 such paragraph for such calendar year, such amount
4 shall be increased by an amount equal to 5 percent
5 of the total amount made available under such para-
6 graph as of January 1 of such calendar year, with
7 such increase to remain in effect for the subsequent
8 calendar year.

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

14 (c) REAL-TIME INFORMATION.—For purposes of this
15 section, the Secretary of the Treasury (or the Secretary's
16 delegate) shall develop a system to track the amount of
17 qualified contributions made during the calendar year for
18 which a credit may be claimed under section 25F of the
19 Internal Revenue Code of 1986, with such information to
20 be updated in real time.

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

22 (a) PROHIBITION OF CONTROL OVER ELIGIBLE
23 CHARTER SCHOOL ORGANIZATIONS.—

24 (1) IN GENERAL.—An eligible charter school or-
25 ganization shall not, by virtue of participation under

1 any provision of this Act or any amendment made
2 by this Act, be regarded as acting on behalf of any
3 governmental entity.

4 (2) MAXIMUM FREEDOM.—To the extent per-
5 missible by law, this Act, and any amendment made
6 by this Act, shall be construed to allow eligible char-
7 ter school organizations maximum freedom to pro-
8 vide for the needs of the students served by the
9 charter schools operated or managed by the organi-
10 zation without governmental control.

11 (b) DEFINITIONS.—For purposes of this section, the
12 terms “charter school” and “eligible charter school organi-
13 zation” shall have the same meanings given such terms
14 under section 25F(c) of the Internal Revenue Code of
15 1986 (as added by section 2(a) of this Act).

16 **SEC. 6. EFFECTIVE DATE.**

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