I

119TH CONGRESS
1ST SESSION

H. R. 2798

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 HOUSE OF REPRESENTATIVES

APRIL 9, 2025

Ms. TENNEY (for herself, Mr. KILEY of California, Ms. MALLIOTAKIS, and Mr. OWENS) introduced the following bill; which was referred to the Committee on Ways and Means

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘High-Quality Charter Schools Act’’.

SEC. 2. TAX CREDIT FOR CONTRIBUTIONS TO ELIGIBLE CHARTER SCHOOL ORGANIZATIONS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 is amended by inserting after section 25E the following new section:

"SEC. 25F. CONTRIBUTIONS TO ELIGIBLE CHARTER SCHOOL ORGANIZATIONS.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual who is a citizen or resident of the United States (as defined in section 7701(a)(9)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 75 percent of the amount of qualified contributions made by the taxpayer during the taxable year.

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

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

"(2) $5,000.

"(c) DEFINITIONS.—For purposes of this section—

"(1) CHARTER SCHOOL.—The term 'charter school' has the same meaning given such term in section 4310 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221i).

"(2) ELIGIBLE CHARTER SCHOOL ORGANIZATION.—

"(A) In general.—The term 'eligible charter school organization' means an organization which—

"(i) is described in section 501(c)(3) and exempt from tax under section 501(a) and is not a private foundation,

"(ii) is a charter management organization (as defined in section 4310 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221i)), or a charter school (as defined in section 4310 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221i)), that—

"(I) has received, or manages a charter school that has received, a grant for the replication or expansion of high-quality charter schools under section 4305(b) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221d(b)), or

"(II) has been selected by a State for eligibility under this section based on a determination by the State that the organization is in the highest 10 percent of charter management organizations (as so defined) or charter schools (as so defined) for student performance in the State,

"(iii) separate from any other funds or contributions received by such organization, maintains and accounts for any contributions made by any person for the purpose of the creation or expansion of charter schools operated or managed by such organization,

"(iv) obtains from an independent certified public accountant annual financial and compliance audits, and

"(v) certifies to the Secretary (at such time, and in such form and manner, as the Secretary may prescribe) that the audit described in clause (iii) has been completed.

"(B) INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT.—For purposes of subparagraph (A), the term 'independent certified public accountant' means, with respect to an organization, a certified public accountant who is not a person described in section 465(b)(3)(A) with respect to such organization or any employee of such organization.

"(3) QUALIFIED CONTRIBUTION.—The term 'qualified contribution' means a charitable contribution (as defined by section 170(c)) to an eligible charter school organization in the form of cash or marketable securities for the purpose of the creation or expansion of charter schools managed or operated by such organization.

"(d) DENIAL OF DOUBLE BENEFIT.—Any qualified contribution for which a credit is allowed under this section shall not be taken into account as a charitable contribution for purposes of section 170.

"(e) CARRYFORWARD OF UNUSED CREDIT.—

"(1) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section, section 23, and section 25D), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.

"(2) LIMITATION.—No credit may be carried forward under this subsection to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For purposes of the preceding sentence, credits shall be treated as used on a first-in first-out basis.

''(f) APPLICATION OF VOLUME CAP.—A qualified contribution shall be taken into account under this section only if such contribution would not result in aggregate tax credits under this section that are in excess of the volume cap established under section 4 of the High-Quality Charter Schools Act.''.

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

SEC. 3. FAILURE OF ELIGIBLE CHARTER SCHOOL ORGANIZATION TO MAKE EXPENDITURES.

(a) IN GENERAL.—Chapter 42 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

''Subchapter I—Eligible Charter School Organizations

''SEC. 4969. FAILURE TO EXPEND RECEIPTS.

''(a) IN GENERAL.—In the case of any eligible charter school organization (as defined in section 25F(c)(2)) which has been determined by the Secretary to have failed to satisfy the requirement under subsection (b) for any taxable year, any contribution made to such organization during the first taxable year beginning after the date of such determination shall not be treated as a qualified contribution (as defined in section 25F(c)(3)) for purposes of section 25F.

"(b) REQUIREMENT.—The requirement described in this subsection is that the amount of qualified contributions of the eligible charter school organization for the taxable year which are expended before the expenditure deadline with respect to such receipts shall not be less than the required expenditure amount with respect to such taxable year.

"(c) DEFINITIONS.—For purposes of this section—

"(1) REQUIRED EXPENDITURE AMOUNT.—

"(A) IN GENERAL.—The required expenditure amount with respect to a taxable year is the amount equal to 100 percent of qualified contributions for such taxable year—

"(i) reduced by the sum of such qualified contributions that are retained for reasonable administrative expenses for the taxable year or are carried to the succeeding taxable year under subparagraph (C), and ''(ii) increased by the amount of the carryover under subparagraph (C) from the preceding taxable year.

''(B) SAFE HARBOR FOR REASONABLE ADMINISTRATIVE EXPENSES.—For purposes of subparagraph (A)(i), if the percentage of total qualified contributions to an eligible charter school organization for a taxable year which are used for administrative purposes related to activities for the creation or expansion of charter schools (as defined in section 25F(c)(1)) operated or managed by such organization is equal to or less than 10 percent, such expenses shall be deemed to be reasonable for purposes of such subparagraph.

''(C) CARRYOVER.—With respect to the amount of the total qualified contributions to an eligible charter school organization with respect to any taxable year, an amount not greater than 15 percent of such amount may, at the election of such organization or school, be carried to the succeeding taxable year.

''(2) EXPENDITURES.—The term 'expenditures' includes amounts which are formally committed but not expended. A formal commitment described in the preceding sentence may include qualified contributions set aside for the creation or expansion of charter schools operated or managed by such organization for more than one year.

"(3) EXPENDITURE DEADLINE.—The expenditure deadline with respect to qualified contributions for a taxable year is the first day of the fifth taxable year following the taxable year in which such qualified contributions are received by the eligible charter school organization.

"(4) QUALIFIED CONTRIBUTIONS.—The term 'qualified contributions' means contributions eligible for the credit under section 25F.".

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 42 of such Code is amended by adding at the end the following new item:

"SUBCHAPTER I. ELIGIBLE CHARTER SCHOOL ORGANIZATIONS".

SEC. 4. VOLUME CAP.

(a) ALLOCATION.—

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

(A) $10,000,000 of tax credits shall be allocated to each State (as defined in section 7701(a)(10) of the Internal Revenue Code of 1986), with such amount to be made available, in the manner described in subsection (b), for any individual residing in such State to claim the credit allowed under section 25F of the Internal Revenue Code of 1986 with respect to any qualified contributions (as defined in such section) made by such individual during any taxable year beginning during such calendar year.

(B) With respect to the amount remaining after the allocation under subparagraph (A), such amount (as adjusted pursuant to paragraph (3)) shall be made available, in the manner described in subsection (b), for any individual to claim the credit allowed under section 25F of the Internal Revenue Code of 1986 with respect to any qualified contributions made by such individual during any taxable year beginning during such calendar year.

(2) CARRYOVER.—The amount of any allotment to a State under paragraph (1)(A) for any calendar year which is not claimed by taxpayers described in

such paragraph during such calendar year shall be added to the allotment provided under paragraph (1)(B) for the subsequent calendar year.

(3) INCREASE IN NATIONWIDE VOLUME CAP.—For purposes of paragraph (1)(B), if the Secretary determines during any calendar year that the amount of tax credits allowable under section 25F with respect to qualified contributions made during such calendar year is equal to or greater than 90 percent of the total amount made available under such paragraph for such calendar year, such amount shall be increased by an amount equal to 5 percent of the total amount made available under such paragraph as of January 1 of such calendar year, with such increase to remain in effect for the subsequent calendar year.

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

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

SEC. 5. ORGANIZATIONAL AND PARENTAL AUTONOMY.

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

(1) IN GENERAL.—An eligible charter school organization shall not, by virtue of participation under any provision of this Act or any amendment made by this Act, be regarded as acting on behalf of any governmental entity.

(2) MAXIMUM FREEDOM.—To the extent permissible by law, this Act, and any amendment made by this Act, shall be construed to allow eligible charter school organizations maximum freedom to provide for the needs of the students served by the charter schools operated or managed by the organization without governmental control.

(b) DEFINITIONS.—For purposes of this section, the terms ''charter school'' and ''eligible charter school organization'' shall have the same meanings given such terms under section 25F(c) of the Internal Revenue Code of 1986 (as added by section 2(a) of this Act).

SEC. 6. EFFECTIVE DATE.

The amendments made by this Act shall apply to taxable years beginning after December 31, 2025.

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