

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 2 *section shall apply to taxable years beginning after Decem-*  
 3 *ber 31, 2025.*

4       ***Subchapter B—Permanent Investments in***  
 5       ***Students and Reforms to Tax-exempt In-***  
 6       ***stitutions***

7       ***SEC. 70411. TAX CREDIT FOR CONTRIBUTIONS OF INDIVID-***  
 8                       ***UALS TO SCHOLARSHIP GRANTING ORGANI-***  
 9                       ***ZATIONS.***

10       (a) *ALLOWANCE OF CREDIT FOR CONTRIBUTIONS OF*  
 11 *INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZA-*  
 12 *TIONS.*—

13               (1) *IN GENERAL.*—*Subpart A of part IV of sub-*  
 14 *chapter A of chapter 1 is amended by inserting after*  
 15 *section 25E the following new section:*

16       ***“SEC. 25F. QUALIFIED ELEMENTARY AND SECONDARY EDU-***  
 17                       ***CATION SCHOLARSHIPS.***

18       ***“(a) ALLOWANCE OF CREDIT.***—*In the case of an indi-*  
 19 *vidual who is a citizen or resident of the United States*  
 20 *(within the meaning of section 7701(a)(9)), there shall be*  
 21 *allowed as a credit against the tax imposed by this chapter*  
 22 *for the taxable year an amount equal to the aggregate*  
 23 *amount of qualified contributions made by the taxpayer*  
 24 *during the taxable year.*

25       ***“(b) LIMITATIONS.***—

1           “(1) *IN GENERAL.*—*The credit allowed under*  
 2           *subsection (a) to any taxpayer for any taxable year*  
 3           *shall not exceed \$1,700.*

4           “(2) *REDUCTION BASED ON STATE CREDIT.*—*The*  
 5           *amount allowed as a credit under subsection (a) for*  
 6           *a taxable year shall be reduced by the amount allowed*  
 7           *as a credit on any State tax return of the taxpayer*  
 8           *for qualified contributions made by the taxpayer dur-*  
 9           *ing the taxable year.*

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

11           “(1) *COVERED STATE.*—*The term ‘covered State’*  
 12           *means one of the States, or the District of Columbia,*  
 13           *that, for a calendar year, voluntarily elects to partici-*  
 14           *pate under this section and to identify scholarship*  
 15           *granting organizations in the State, in accordance*  
 16           *with subsection (g).*

17           “(2) *ELIGIBLE STUDENT.*—*The term ‘eligible*  
 18           *student’ means an individual who—*

19           “(A) *is a member of a household with an*  
 20           *income which, for the calendar year prior to the*  
 21           *date of the application for a scholarship, is not*  
 22           *greater than 300 percent of the area median*  
 23           *gross income (as such term is used in section*  
 24           *42), and*

1                   “(B) is eligible to enroll in a public elemen-  
2                   tary or secondary school.

3                   “(3) QUALIFIED CONTRIBUTION.—The term  
4                   ‘qualified contribution’ means a charitable contribu-  
5                   tion of cash to a scholarship granting organization  
6                   that uses the contribution to fund scholarships for eli-  
7                   gible students solely within the State in which the or-  
8                   ganization is listed pursuant to subsection (g).

9                   “(4) QUALIFIED ELEMENTARY OR SECONDARY  
10                  EDUCATION EXPENSE.—The term ‘qualified elemen-  
11                  tary or secondary education expense’ means any ex-  
12                  pense of an eligible student which is described in sec-  
13                  tion 530(b)(3)(A).

14                  “(5) SCHOLARSHIP GRANTING ORGANIZATION.—  
15                  The term ‘scholarship granting organization’ means  
16                  any organization—

17                         “(A) which—

18                                 “(i) is described in section 501(c)(3)  
19                                 and exempt from tax under section 501(a),  
20                                 and

21                                 “(ii) is not a private foundation,

22                                 “(B) which prevents the co-mingling of  
23                                 qualified contributions with other amounts by  
24                                 maintaining one or more separate accounts ex-  
25                                 clusively for qualified contributions,

1           “(C) *which satisfies the requirements of sub-*  
 2           *section (d), and*

3           “(D) *which is included on the list submitted*  
 4           *for the applicable covered State under subsection*  
 5           *(g) for the applicable year.*

6           “(d) *REQUIREMENTS FOR SCHOLARSHIP GRANTING*  
 7           *ORGANIZATIONS.—*

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

10           “(A) *such organization provides scholar-*  
 11           *ships to 10 or more students who do not all at-*  
 12           *tend the same school,*

13           “(B) *such organization spends not less than*  
 14           *90 percent of the income of the organization on*  
 15           *scholarships for eligible students,*

16           “(C) *such organization does not provide*  
 17           *scholarships for any expenses other than quali-*  
 18           *fied elementary or secondary education expenses,*

19           “(D) *such organization provides a scholar-*  
 20           *ship to eligible students with a priority for—*

21           “(i) *students awarded a scholarship the*  
 22           *previous school year, and*

23           “(ii) *after application of clause (i),*  
 24           *any eligible students who have a sibling*

1           *who was awarded a scholarship from such*  
 2           *organization,*

3           “(E) *such organization does not earmark or*  
 4           *set aside contributions for scholarships on behalf*  
 5           *of any particular student, and*

6           “(F) *such organization—*

7                 “(i) *verifies the annual household in-*  
 8                 *come and family size of eligible students*  
 9                 *who apply for scholarships to ensure such*  
 10                *students meet the requirement of subsection*  
 11                *(c)(2)(A), and*

12               “(ii) *limits the awarding of scholar-*  
 13                *ships to eligible students who are a member*  
 14                *of a household for which the income does not*  
 15                *exceed the amount established under sub-*  
 16                *section (c)(2)(A).*

17           “(2) *PROHIBITION ON SELF-DEALING.—*

18               “(A) *IN GENERAL.—A scholarship granting*  
 19                *organization may not award a scholarship to*  
 20                *any disqualified person.*

21               “(B) *DISQUALIFIED PERSON.—For purposes*  
 22                *of this paragraph, a disqualified person shall be*  
 23                *determined pursuant to rules similar to the rules*  
 24                *of section 4946.*

1       “(e) *DENIAL OF DOUBLE BENEFIT.*—Any qualified  
 2       contribution for which a credit is allowed under this section  
 3       shall not be taken into account as a charitable contribution  
 4       for purposes of section 170.

5       “(f) *CARRYFORWARD OF UNUSED CREDIT.*—

6               “(1) *IN GENERAL.*—If the credit allowable under  
 7       subsection (a) for any taxable year exceeds the limita-  
 8       tion imposed by section 26(a) for such taxable year  
 9       reduced by the sum of the credits allowable under this  
 10      subpart (other than this section, section 23, and sec-  
 11      tion 25D), such excess shall be carried to the suc-  
 12      ceeding taxable year and added to the credit allowable  
 13      under subsection (a) for such taxable year.

14              “(2) *LIMITATION.*—No credit may be carried for-  
 15      ward under this subsection to any taxable year fol-  
 16      lowing the fifth taxable year after the taxable year in  
 17      which the credit arose. For purposes of the preceding  
 18      sentence, credits shall be treated as used on a first-in  
 19      first-out basis.

20      “(g) *STATE LIST OF SCHOLARSHIP GRANTING ORGA-*  
 21      *NIZATIONS.*—

22              “(1) *LIST.*—

23                      “(A) *IN GENERAL.*—Not later than January  
 24                      1 of each calendar year (or, with respect to the  
 25                      first calendar year for which this section applies,

1           *as early as practicable), a State that voluntarily*  
 2           *elects to participate under this section shall pro-*  
 3           *vide to the Secretary a list of the scholarship*  
 4           *granting organizations that meet the require-*  
 5           *ments described in subsection (c)(5) and are lo-*  
 6           *cated in the State.*

7           “(B) *PROCESS.*—*The election under this*  
 8           *paragraph shall be made by the Governor of the*  
 9           *State or by such other individual, agency, or en-*  
 10          *tity as is designated under State law to make*  
 11          *such elections on behalf of the State with respect*  
 12          *to Federal tax benefits.*

13          “(2) *CERTIFICATION.*—*Each list submitted under*  
 14          *paragraph (1) shall include a certification that the*  
 15          *individual, agency, or entity submitting such list on*  
 16          *behalf of the State has the authority to perform this*  
 17          *function.*

18          “(h) *REGULATIONS AND GUIDANCE.*—*The Secretary*  
 19          *shall issue such regulations or other guidance as the Sec-*  
 20          *retary determines necessary to carry out the purposes of this*  
 21          *section, including regulations or other guidance—*

22                 “(1) *providing for enforcement of the require-*  
 23          *ments under subsections (d) and (g), and*

1           “(2) *with respect to recordkeeping or information*  
 2           *reporting for purposes of administering the require-*  
 3           *ments of this section.*”.

4           (2) *CONFORMING AMENDMENTS.*—

5                   (A) *Section 25(e)(1)(C) is amended by*  
 6                   *striking “and 25D” and inserting “25D, and*  
 7                   *25F”.*

8                   (B) *The table of sections for subpart A of*  
 9                   *part IV of subchapter A of chapter 1 is amended*  
 10                   *by inserting after the item relating to section*  
 11                   *25E the following new item:*

          “*Sec. 25F. Qualified elementary and secondary education scholarships.*”.

12           (b) *EXCLUSION FROM GROSS INCOME FOR SCHOLAR-*  
 13           *SHIPS FOR QUALIFIED ELEMENTARY OR SECONDARY EDU-*  
 14           *CATION EXPENSES OF ELIGIBLE STUDENTS.*—

15                   (1) *IN GENERAL.*—*Part III of subchapter B of*  
 16                   *chapter 1 is amended by inserting before section 140*  
 17                   *the following new section:*

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

21                   “(a) *IN GENERAL.*—*In the case of an individual, gross*  
 22                   *income shall not include any amounts provided to such in-*  
 23                   *dividual or any dependent of such individual pursuant to*  
 24                   *a scholarship for qualified elementary or secondary edu-*



1 cation expenses of an eligible student which is provided by  
 2 a scholarship granting organization.

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

7 (2) *CONFORMING AMENDMENT.*—The table of sec-  
 8 tions for part III of subchapter B of chapter 1 is  
 9 amended by inserting before the item relating to sec-  
 10 tion 140 the following new item:

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

11 (c) *EFFECTIVE DATE.*—

12 (1) *IN GENERAL.*—Except as otherwise provided  
 13 in this subsection, the amendments made by this sec-  
 14 tion shall apply to taxable years ending after Decem-  
 15 ber 31, 2026.

16 (2) *EXCLUSION FROM GROSS INCOME.*—The  
 17 amendments made by subsection (b) shall apply to  
 18 amounts received after December 31, 2026, in taxable  
 19 years ending after such date.

20 **SEC. 70412. EXCLUSION FOR EMPLOYER PAYMENTS OF STU-**  
 21 **DENT LOANS.**

22 (a) *IN GENERAL.*—Section 127(c)(1)(B) is amended by  
 23 striking “in the case of payments made before January 1,  
 24 2026,”.