

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to establish tax credits to encourage individual and corporate taxpayers to contribute to scholarships for students through eligible scholarship-granting organizations and eligible workforce training organizations, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Mr. CRUZ introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to establish tax credits to encourage individual and corporate taxpayers to contribute to scholarships for students through eligible scholarship-granting organizations and eligible workforce training organizations, and for other purposes.

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 “Education Freedom  
5 Scholarships and Opportunity Act”.

1 **SEC. 2. PURPOSE.**

2 The purpose of this Act is to encourage individual  
3 and corporate taxpayers to contribute to scholarships for  
4 individual students through eligible scholarship-granting  
5 organizations and eligible workforce training organiza-  
6 tions, as identified by States.

7 **TITLE I—AMENDMENTS TO THE**  
8 **INTERNAL REVENUE CODE**  
9 **OF 1986**

10 **SEC. 101. REFERENCES TO THE INTERNAL REVENUE CODE**  
11 **OF 1986.**

12 Except as otherwise expressly provided, whenever in  
13 this title an amendment or repeal is expressed in terms  
14 of an amendment to, or repeal of, a section or other provi-  
15 sion, the reference shall be considered to be made to a  
16 section or other provision of the Internal Revenue Code  
17 of 1986.

18 **SEC. 102. TAX CREDITS FOR CONTRIBUTIONS TO ELIGIBLE**  
19 **SCHOLARSHIP-GRANTING ORGANIZATIONS**  
20 **AND ELIGIBLE WORKFORCE TRAINING ORGA-**  
21 **NIZATIONS.**

22 (a) CREDIT FOR INDIVIDUALS.—

23 (1) IN GENERAL.—Subpart A of part IV of sub-  
24 chapter A of chapter 1 is amended by adding after  
25 section 25E the following new section:

1 **“SEC. 25F. CONTRIBUTIONS TO ELIGIBLE SCHOLARSHIP-**  
2 **GRANTING ORGANIZATIONS AND ELIGIBLE**  
3 **WORKFORCE TRAINING ORGANIZATIONS.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
5 dividual, there shall be allowed as a credit against the tax  
6 imposed by this chapter for the taxable year an amount  
7 equal to the sum of any qualified contributions made by  
8 the taxpayer during the taxable year.

9 “(b) AMOUNT OF CREDIT.—The credit allowed under  
10 subsection (a) in any taxable year shall not exceed 10 per-  
11 cent of the taxpayer’s adjusted gross income for the tax-  
12 able year.

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

14 “(1) QUALIFIED CONTRIBUTION.—The term  
15 ‘qualified contribution’ means a contribution of cash  
16 to any eligible scholarship-granting organization or  
17 eligible workforce training organization.

18 “(2) QUALIFIED EXPENSE.—The term ‘quali-  
19 fied expense’ means any educational expense that  
20 is—

21 “(A) for an individual student’s elementary  
22 or secondary education, as recognized by the  
23 State,

24 “(B) for the secondary education compo-  
25 nent of an individual elementary or secondary  
26 student’s career and technical education, as de-





1           portunity Act, to receive contributions that  
2           are eligible for a State tax credit if such  
3           contributions are used by the organization  
4           to provide scholarships to individual ele-  
5           mentary and secondary students, including  
6           scholarships for attending private schools.

7           “(4) ELIGIBLE WORKFORCE TRAINING ORGANI-  
8           ZATION.—

9           “(A) IN GENERAL.—The term ‘eligible  
10          workforce training organization’ means any or-  
11          ganization—

12                 “(i) which is—

13                         “(I) described in section  
14                         501(c)(3) and exempt from taxation  
15                         under section 501(a), and

16                         “(II) not a private foundation (as  
17                         defined in section 509),

18                 “(ii) whose purpose is to provide voca-  
19                 tional education and training, workforce  
20                 development, or apprenticeship training to  
21                 eligible potential secondary or postsec-  
22                 ondary students, including organizations  
23                 whose purpose is to provide scholarships  
24                 for portable certificates or credentials, or  
25                 industry recognized certifications or



1                   “(I) career and technical edu-  
2                   cation, or

3                   “(II) training or apprenticeships,  
4                   including, but not limited to, training  
5                   or apprenticeships operated by a col-  
6                   lective bargaining organization or that  
7                   provide industry recognized certifi-  
8                   cations or credentials.

9                   “(iv) Community organizations that  
10                  provide training that results in a certifi-  
11                  cation.

12                  “(5) QUALIFYING SCHOLARSHIP.—The term  
13                  ‘qualifying scholarship’ means—

14                  “(A) a scholarship granted by an eligible  
15                  scholarship-granting organization to an indi-  
16                  vidual elementary or secondary student, or

17                  “(B) a scholarship granted by an eligible  
18                  workforce training organization as a scholarship  
19                  to a secondary or postsecondary student for the  
20                  purpose of vocational education and training,  
21                  workforce development, obtaining portable cer-  
22                  tificates or credentials, or industry recognized  
23                  certification or credentialing programs, includ-  
24                  ing preparation and examination costs,

25                  under this section.



1           “(6) STATE.—The term ‘State’ means each of  
2           the 50 States, the District of Columbia, the Com-  
3           monwealth of Puerto Rico, American Samoa, Guam,  
4           the Commonwealth of the Northern Mariana Is-  
5           lands, the United States Virgin Islands, and the De-  
6           partment of the Interior (acting through the Bureau  
7           of Indian Education).

8           “(d) RULES OF CONSTRUCTION.—

9           “(1) IN GENERAL.—A scholarship awarded to a  
10          student from the proceeds of a qualified contribution  
11          under this section or section 45BB shall not be con-  
12          sidered assistance to the school, eligible workforce  
13          training organization, or other educational provider  
14          that enrolls, or provides educational services to, the  
15          student or the student’s parents.

16          “(2) NOT TREATED AS INCOME.—The amount  
17          of any such scholarship shall not be treated as in-  
18          come of the student or their parents for purposes of  
19          Federal tax laws or for determining eligibility for  
20          any other Federal program.

21          “(3) PROHIBITION OF CONTROL OVER NON-  
22          PUBLIC EDUCATION PROVIDERS.—

23                 “(A) Nothing in this Act shall be con-  
24                 strued to permit, allow, encourage, or authorize  
25                 any Federal control over any aspect of any pri-

1 vate, religious, or home education provider,  
2 whether or not a home education provider is  
3 treated as a private school or home school  
4 under State law. This Act shall not be con-  
5 strued to exclude private, religious, or home  
6 education providers from participation in pro-  
7 grams or services under this Act.

8 “(B) Nothing in this Act shall be con-  
9 strued to permit, allow, encourage, or authorize  
10 an entity submitting a list of eligible scholar-  
11 ship-granting organizations or eligible workforce  
12 training organizations on behalf of a State to  
13 mandate, direct, or control any aspect of a pri-  
14 vate or home education provider, regardless of  
15 whether or not a home education provider is  
16 treated as a private school under State law.

17 “(C) No participating State or entity act-  
18 ing on behalf of a State shall exclude, discrimi-  
19 nate against, or otherwise disadvantage any  
20 education provider with respect to programs or  
21 services under this Act based in whole or in  
22 part on the provider’s religious education char-  
23 acter or affiliation, including religiously or mis-  
24 sion-based policies or practices.

1           “(4) PARENTAL RIGHTS TO USE SCHOLAR-  
2           SHIPS.—No participating State or entity acting on  
3           behalf of a State shall disfavor or discourage the use  
4           of such scholarships for the purchase of elementary  
5           and secondary or workforce training education serv-  
6           ices, including those services provided by private or  
7           nonprofit entities, such as faith-based providers.

8           “(5) STATE AND LOCAL AUTHORITY.—Nothing  
9           in this section or section 45BB shall be construed to  
10          modify a State or local government’s authority and  
11          responsibility to fund education.

12          “(e) LIMITATIONS.—

13                 “(1) TAX LIABILITY.—No credit allowed under  
14                 this section or section 45BB shall exceed the tax-  
15                 payer’s Federal income tax liability for the taxable  
16                 year.

17                 “(2) PROHIBITIONS.—A taxpayer is prohibited  
18                 from selling or transferring any portion of a tax  
19                 credit allowed under this section or section 45BB.

20                 “(3) DENIAL OF DOUBLE BENEFIT.—The Sec-  
21                 retary shall prescribe such regulations or other guid-  
22                 ance to ensure that the sum of the tax benefits pro-  
23                 vided by Federal, State, or local law for a qualified  
24                 contribution receiving a Federal tax credit in any  
25                 taxable year shall not exceed the sum of the quali-

1       fied contributions made by the taxpayer for the tax-  
2       able year.

3       “(f) CARRYOVER OF CREDIT.—If a tax credit allowed  
4       under this section or section 45BB is not fully used within  
5       the applicable taxable year because of insufficient tax li-  
6       ability on the part of the taxpayer, the unused amount  
7       may be carried forward for a period not to exceed 5 years.

8       “(g) ELECTION.—This section shall apply to a tax-  
9       payer for a taxable year only if the taxpayer elects to have  
10      this section apply for such taxable year.

11      “(h) ALTERNATIVE MINIMUM TAX.—For purposes of  
12      calculating the alternative minimum tax under section 55,  
13      a taxpayer may use any credit received for a qualified con-  
14      tribution under this section.”.

15               (2) CLERICAL AMENDMENT.—The table of sec-  
16      tions for subpart A of part IV of subchapter A of  
17      chapter 1 of is amended by inserting after the item  
18      relating to section 25E the following new item:

“Sec. 25F. Contributions to eligible scholarship-granting organizations and eli-  
gible workforce training organizations.”.

19      (b) CREDIT FOR CORPORATIONS.—

20               (1) IN GENERAL.—Subpart D of part IV of  
21      subchapter A of chapter 1 is amended by adding at  
22      the end the following new section:

1 **“SEC. 45BB. CONTRIBUTIONS TO ELIGIBLE SCHOLARSHIP-**  
2 **GRANTING ORGANIZATIONS AND ELIGIBLE**  
3 **WORKFORCE TRAINING ORGANIZATIONS.**

4 “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
5 tion 38, in the case of a domestic corporation, there shall  
6 be allowed as a credit against the tax imposed by this  
7 chapter for the taxable year an amount equal to the sum  
8 of any qualified contributions (as defined in section  
9 25F(c)(1)) made by such corporation taxpayer during the  
10 taxable year.

11 “(b) AMOUNT OF CREDIT.—The credit allowed under  
12 subsection (a) for any taxable year shall not exceed 5 per-  
13 cent of the taxable income (as defined in section  
14 170(b)(2)(D)) of the domestic corporation for such taxable  
15 year.

16 “(c) ADDITIONAL PROVISIONS.—For purposes of this  
17 section, any qualified contributions made by a domestic  
18 corporation shall be subject to the provisions of section  
19 25F, to the extent applicable.

20 “(d) ELECTION.—This section shall apply to a tax-  
21 payer for a taxable year only if the taxpayer elects to have  
22 this section apply for such taxable year.”.

23 (2) CREDIT PART OF GENERAL BUSINESS  
24 CREDIT.—Section 38(b) is amended—

25 (A) by striking “plus” at the end of para-  
26 graph (40);

1 (B) by striking the period at the end of  
2 paragraph (41) and inserting “, plus”; and

3 (C) by adding at the end the following new  
4 paragraph:

5 “(42) the credit for qualified contributions de-  
6 termined under section 45BB(a).”.

7 (3) CLERICAL AMENDMENT.—The table of sec-  
8 tions for subpart D of part IV of subchapter A of  
9 chapter 1 is amended by adding at the end the fol-  
10 lowing new item:

“Sec. 45BB. Contributions to eligible scholarship-granting organizations and el-  
igible workforce training organizations.”.

11 **TITLE II—EDUCATION FREEDOM**  
12 **SCHOLARSHIPS AND OPPOR-**  
13 **TUNITY ACT WEB PORTAL**  
14 **AND ADMINISTRATION**

15 **SEC. 201. EDUCATION FREEDOM SCHOLARSHIPS AND OP-**  
16 **PORTUNITY ACT WEB PORTAL AND ADMINIS-**  
17 **TRATION.**

18 (a) IN GENERAL.—The Secretary of Education shall,  
19 in coordination with the Secretary of the Treasury and  
20 the Secretary of Labor, establish, host, and maintain a  
21 Web portal that—

22 (1) lists all scholarship-granting organizations  
23 and workforce training organizations that are eligi-

1 ble under section 25F or 45BB of the Internal Rev-  
2 enue Code of 1986;

3 (2) enables a taxpayer to make a qualifying  
4 contribution to one or more eligible scholarship-  
5 granting organizations and eligible workforce train-  
6 ing organizations and to immediately obtain both a  
7 pre-approval of a tax credit for that contribution  
8 and a receipt for tax filings;

9 (3) provides information about the tax benefits  
10 of the provisions of the Education Freedom Scholar-  
11 ships and Opportunity Act under the Internal Rev-  
12 enue Code of 1986; and

13 (4) enables a State to submit and update infor-  
14 mation about its programs and its eligible scholar-  
15 ship-granting organizations and eligible workforce  
16 training organizations for informational purposes  
17 only, including information on—

18 (A) student eligibility;

19 (B) allowable educational expenses;

20 (C) the types of allowable education pro-  
21 viders;

22 (D) the percentage of funds an organiza-  
23 tion may use for program administration; and

24 (E) the percentage of total contributions  
25 the organization awards in a calendar year.

1           (b) NONPORTAL CONTRIBUTIONS.—A taxpayer may  
2 opt to make a contribution directly to an eligible scholar-  
3 ship-granting organization or an eligible workforce train-  
4 ing organization, instead of through the Web portal de-  
5 scribed in subsection (a), provided that the taxpayer, or  
6 the eligible scholarship-granting organization or eligible  
7 workforce training organization on behalf of the taxpayer,  
8 applies for, and receives pre-approval for a tax credit from  
9 the Secretary of Education in coordination with the Sec-  
10 retary of the Treasury.

11           (c) NATIONAL AND STATE CAPS ON CREDITS.—

12           (1) NATIONAL CAP.—There is a cap of  
13 \$10,000,000,000 on the sum of the contributions  
14 that qualify for a credit under section 25F and sec-  
15 tion 45BB of the Internal Revenue Code of 1986 for  
16 each calendar year, of which—

17                   (A) \$5,000,000,000 shall be allotted for  
18 qualified contributions to eligible scholarship-  
19 granting organizations; and

20                   (B) \$5,000,000,000 shall be allotted for  
21 qualified contributions to eligible workforce  
22 training organizations.

23           (2) ALLOCATION OF CAP.—



1 (A) INITIAL ALLOCATIONS.—For each cal-  
2 endar year, the Secretary of Education, in co-  
3 ordination with the Secretary of Labor, shall—

4 (i) from the amount allotted under  
5 paragraph (1)(A)—

6 (I) first reserve, for each State,  
7 an amount equal to the sum of the  
8 qualifying contributions made in the  
9 State in the previous year; and

10 (II) next, allocate the remaining  
11 amount among the participating  
12 States by allocating to each State the  
13 sum of—

14 (aa) an amount that bears  
15 the same relationship to 20 per-  
16 cent of such remaining amount  
17 as the number of individuals  
18 aged 5 through 17 in the State,  
19 as determined by the Secretary of  
20 Education on the basis of the  
21 most recent satisfactory data,  
22 bears to the number of those in-  
23 dividuals in all such States, as so  
24 determined; and

1 (bb) an amount that bears  
2 the same relationship to 80 per-  
3 cent of such remaining amount  
4 as the number of individuals  
5 aged 5 through 17 from families  
6 with incomes below the poverty  
7 line in the State, as determined  
8 by the Secretary of Education, on  
9 the basis of the most recent sat-  
10 isfactory data, bears to the num-  
11 ber of those individuals in all  
12 such States, as so determined;  
13 and

14 (ii) from the amount allotted under  
15 paragraph (1)(B)—

16 (I) first reserve, for each State,  
17 an amount equal to the sum of the  
18 qualifying contributions made in the  
19 State in the previous year attributable  
20 to eligible workforce training organi-  
21 zations; and

22 (II) next, allocate the remaining  
23 amount among the participating  
24 States by allocating to each State an  
25 amount determined through a system,

1 as established and maintained by the  
2 Secretary of Labor, that accurately  
3 reflects demand and potential quali-  
4 fied participants for apprenticeships  
5 and workforce training within that  
6 State.

7 (B) MINIMUM ALLOCATION.—Notwith-  
8 standing subparagraph (A), no State receiving  
9 an allotment under this section may receive less  
10 than one-half of one percent of the amount al-  
11 lotted for a fiscal year.

12 (C) ALTERNATIVE ALLOCATION FOR  
13 QUALIFIED CONTRIBUTIONS TO ELIGIBLE  
14 SCHOLARSHIP-GRANTING ORGANIZATIONS.—

15 (i) IN GENERAL.—Not later than the  
16 end of the fifth year of the program or one  
17 year after the end of the first fiscal year  
18 for which the total amount of credits  
19 claimed under section 25F and section  
20 45BB of the Internal Revenue Code of  
21 1986 for qualified contributions to eligible  
22 scholarship-granting organizations is  
23 \$2,500,000,000 or more, whichever comes  
24 first, the Secretary of Education shall, by  
25 regulation, provide for an alternative allo-

1 cation method for the amount described in  
2 paragraph (1)(A) that shall take effect be-  
3 ginning with the first fiscal year after the  
4 regulation takes effect.

5 (ii) ALTERNATIVE ALLOCATION METH-  
6 OD.—The alternative allocation method de-  
7 scribed in clause (i) shall be expressed as  
8 a formula based on a combination of the  
9 following data for each State, as reported  
10 by the State to the Secretary of Education:

11 (I) The relative percentage of  
12 students in the State who receive an  
13 elementary or secondary scholarship  
14 through a State program that is fi-  
15 nanced through State tax-credited do-  
16 nations or appropriations and that  
17 permits the elementary or secondary  
18 scholarship to be used to attend a pri-  
19 vate school.

20 (II) The total amount of all ele-  
21 mentary and secondary scholarships  
22 awarded through a State program  
23 that is financed through State tax-  
24 credited donations or appropriations  
25 compared to the total amount of cur-

1                   rent State and local expenditures for  
2                   free public education in the State.

3                   (iii) ALLOCATION FORMULA.—For any  
4                   fiscal year to which clause (i) applies, the  
5                   Secretary of Education shall—

6                   (I) first reserve, for each State,  
7                   an amount equal to the sum of the  
8                   qualifying contributions made in the  
9                   State in the previous year;

10                  (II) next, allocate two-thirds of  
11                  the remaining amount of the national  
12                  cap for that year using the alternative  
13                  allocation method in clause (ii); and

14                  (III) then, allocate one-third of  
15                  the remaining amount in accordance  
16                  with subparagraph (A)(ii).

17                  (iv) INELIGIBILITY.—For any fiscal  
18                  year to which clause (i) applies, a State  
19                  that does not provide the Secretary of  
20                  Education with information described in  
21                  clause (ii) is not eligible to receive an allo-  
22                  cation through the alternative allocation  
23                  method under clause (ii).

24                  (3) ALLOWABLE PARTNERSHIPS.—A State may  
25                  choose to administer the allocation it receives under

1 paragraph (2) in partnership with one or more  
2 States, provided that the eligible scholarship-grant-  
3 ing organizations or eligible workforce training orga-  
4 nizations in each partner State serve students who  
5 reside in all States in the partnership.

6 (4) TOTAL ALLOCATION.—A State’s allocation,  
7 for any fiscal year, is the sum of the amount deter-  
8 mined for it under subparagraphs (A) and (B) of  
9 paragraph (2), except as provided in paragraph  
10 (2)(C).

11 (5) ALLOCATION AND ADJUSTMENTS.—

12 (A) INITIAL ALLOCATION TO STATES.—No  
13 later than November 1 of the year preceding a  
14 year for which there is a national cap on credits  
15 under paragraph (1) (hereafter in this section,  
16 the “applicable year”), or as early as prac-  
17 ticable with respect to the first year, the Sec-  
18 retary of Education shall announce the State  
19 allocations under paragraph (2) for the applica-  
20 ble year.

21 (B) LIST OF ELIGIBLE SCHOLARSHIP-  
22 GRANTING ORGANIZATIONS AND ELIGIBLE  
23 WORKFORCE TRAINING ORGANIZATIONS.—No  
24 later than January 1 of each applicable year, or  
25 as early as practicable with respect to the first

1 year, each State shall provide the Secretary of  
2 Education a list of eligible scholarship-granting  
3 organizations and eligible workforce training or-  
4 ganizations described in paragraphs (3)(A) and  
5 (4) of section 25F(c) of the Internal Revenue  
6 Code of 1986, including a certification that the  
7 entity submitting the list on behalf of the State  
8 has the authority to perform this function. Nei-  
9 ther this Act nor any other Federal law shall be  
10 construed as limiting the entities that may sub-  
11 mit the list on behalf of a State.

12 (C) REALLOCATION.—

13 (i) IN GENERAL.—The Secretary of  
14 Education shall, in accordance with para-  
15 graph (2), reallocate to any other States  
16 the allocation of a State which, for any ap-  
17 plicable year—

18 (I) fails to provide the Secretary  
19 of Education a list of eligible scholar-  
20 ship-granting organizations and eligi-  
21 ble workforce training organizations  
22 pursuant to subparagraph (B); and

23 (II) does not have an eligible  
24 scholarship-granting organization (as  
25 described in section 25F(c)(3)(B) of

1 the Internal Revenue Code of 1986)  
2 located in such State.

3 (ii) UNCLAIMED CREDITS.—On or  
4 after April 1 of any applicable year, the  
5 Secretary of Education may reallocate, to  
6 one or more other States that have eligible  
7 scholarship-granting organizations and eli-  
8 gible workforce training organizations in  
9 the States, without regard to paragraph  
10 (2), the allocation of a State for which the  
11 State's allocation has not been claimed.

12 (d) DEFINITIONS.—The definitions of terms in sec-  
13 tion 25F(c) of the Internal Revenue Code of 1986 apply  
14 to those terms as used in this title.

15 (e) AUTHORIZATION OF APPROPRIATIONS.—For the  
16 purpose of administering this section and sections 25F  
17 and 45BB of the Internal Revenue Code of 1986, there  
18 are authorized to be appropriated, and there are appro-  
19 priated, such sums as may be necessary for fiscal year  
20 2025 and each succeeding fiscal year.