

Qualified School Construction Bond (QSCB) Program

Tax Credit bonds were eliminated by the Tax Cuts and Jobs Act of 2017. While no new tax credit bonds can be issued after December 31, 2017, holders and issuers of tax credit bonds issued before 2018 will continue to be eligible to receive the federal tax credit of federal subsidy payment as applicable.

Statutory Reference

Internal Revenue Code, §54F, as added by the American Recovery and Reinvestment Act (ARRA) of 2009 (Public Law 111-5) and as amended by the Hiring Incentives to Restore Employment Act of 2010 (Public Law 111-147)

History/Relevant Background Information

The QSCB program was created when the US Congress enacted ARRA. This bill added §54F to the Internal Revenue Code, allowing school districts and charter schools to borrow money at no or nominal interest cost. QSCBs are bonds (or some other eligible borrowing instrument) that are intended to be used by school districts and charter schools to save money on school construction (including land purchase), rehabilitation, or repair projects. The federal government provided allocations to the states for the QSCB program in 2009 and 2010.

Description of Program

The QSCB program provides federal tax credits to bond holders that are approximately equal to the interest that states and communities would ordinarily pay the holders of taxable bonds. As an alternative to the tax credits, a recent modification to federal law (found in Public Law 111-147) allows a refundable tax credit to issuers of specified tax credit bonds. The QSCB program does not grant funding. No monetary payments or awards are issued from the state to a school district or a charter school. This program allows the state to grant program authorization to a limited number of qualifying school districts and charter schools. This authorization allows the school districts and charter schools to issue QSCBs that benefit qualifying individual campuses.

The 2009 Texas allocation for the QSCB program consisted of a general allocation of \$538.585 million to the state and a direct allocation of approximately \$466 million to 18 school districts selected by the US Department of Education (DOE). The 2010 Texas allocation for the QSCB program consisted of a general allocation of \$547.674 million to the state and a direct allocation of approximately \$467 million to the same 18 school districts selected by the DOE in the prior year. The 2009 and 2010 allocations have been fully authorized, and applications are no longer being accepted for the QSCB program. The Texas Education Agency (TEA) State Funding Division continues to monitor use of the allocations by school districts and charter schools. Any allocation that expires or is returned unused to the TEA is then made available to the next school district or charter school on the waiting list from the 2010 application cycle.

Contact for More Information

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