

108TH CONGRESS
1ST SESSION

S. 272

To provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 30, 2003

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. GRASSLEY, Mr. BAYH, Mr. HATCH, Ms. LANDRIEU, Mr. SMITH, Mr. NELSON of Florida, Mr. TALENT, Mr. LUGAR, Mr. FRIST, and Mr. MILLER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Charity Aid, Recovery, and Empowerment Act of 2003”
6 or the “CARE Act of 2003”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-
 2 wise expressly provided, whenever in this Act an amend-
 3 ment or repeal is expressed in terms of an amendment
 4 to, or repeal of, a section or other provision, the reference
 5 shall be considered to be made to a section or other provi-
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents for
 8 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—CHARITABLE GIVING INCENTIVES

- Sec. 101. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
- Sec. 102. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 103. Charitable deduction for contributions of food inventories.
- Sec. 104. Charitable deduction for contributions of book inventories.
- Sec. 105. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 106. Modifications to encourage contributions of capital gain real property made for conservation purposes.
- Sec. 107. Exclusion of 25 percent of gain on sales or exchanges of land or water interests to eligible entities for conservation purposes.
- Sec. 108. Tax exclusion for cost-sharing payments under Partners for Fish and Wildlife Program.
- Sec. 109. Adjustment to basis of S corporation stock for certain charitable contributions.
- Sec. 110. Enhanced deduction for charitable contribution of literary, musical, artistic, and scholarly compositions.
- Sec. 111. Mileage reimbursements to charitable volunteers excluded from gross income.

TITLE II—IMPROVE OVERSIGHT OF TAX-EXEMPT ORGANIZATIONS

- Sec. 201. Disclosure of written determinations.
- Sec. 202. Disclosure of Internet web site and name under which organization does business.
- Sec. 203. Modification to reporting capital transactions.
- Sec. 204. Disclosure that Form 990 is publicly available.
- Sec. 205. Disclosure to State officials of proposed actions related to section 501(c) organizations.
- Sec. 206. Expansion of penalties to preparers of Form 990.
- Sec. 207. Notification requirement for entities not currently required to file.
- Sec. 208. Suspension of tax-exempt status of terrorist organizations.

TITLE III—OTHER CHARITABLE AND EXEMPT ORGANIZATION
PROVISIONS

- Sec. 301. Modification of excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 302. Modifications to section 512(b)(13).
- Sec. 303. Simplification of lobbying expenditure limitation.
- Sec. 304. Expedited review process for certain tax-exemption applications.
- Sec. 305. Clarification of definition of church tax inquiry.
- Sec. 306. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 307. Definition of convention or association of churches.
- Sec. 308. Payments by charitable organizations to victims of war on terrorism.
- Sec. 309. Modification of scholarship foundation rules.
- Sec. 310. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.

TITLE IV—SOCIAL SERVICES BLOCK GRANT

- Sec. 401. Restoration of funds for the Social Services Block Grant.
- Sec. 402. Restoration of authority to transfer up to 10 percent of TANF funds to the Social Services Block Grant.
- Sec. 403. Requirement to submit annual report on State activities.

TITLE V—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 501. Short title.
- Sec. 502. Purposes.
- Sec. 503. Definitions.
- Sec. 504. Structure and administration of qualified individual development account programs.
- Sec. 505. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 506. Deposits by qualified individual development account programs.
- Sec. 507. Withdrawal procedures.
- Sec. 508. Certification and termination of qualified individual development account programs.
- Sec. 509. Reporting, monitoring, and evaluation.
- Sec. 510. Authorization of appropriations.
- Sec. 511. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.
- Sec. 512. Account funds disregarded for purposes of certain means-tested Federal programs.

TITLE VI—MANAGEMENT OF EXEMPT ORGANIZATIONS

- Sec. 601. Authorization of appropriations.

TITLE VII—COMPASSION CAPITAL FUND

- Sec. 701. Support for nonprofit community-based organizations; Department of Health and Human Services.
- Sec. 702. Support for nonprofit community-based organizations; Corporation for National and Community Service.
- Sec. 703. Support for nonprofit community-based organizations; Department of Justice.

Sec. 704. Support for nonprofit community-based organizations; Department of Housing and Urban Development.

Sec. 705. Coordination.

TITLE VIII—EQUAL TREATMENT FOR NONGOVERNMENTAL PROVIDERS

Sec. 801. Nongovernmental organizations.

TITLE IX—MATERNITY GROUP HOMES

Sec. 901. Maternity group homes.

1 **TITLE I—CHARITABLE GIVING**
2 **INCENTIVES**

3 **SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CON-**
4 **TRIBUTIONS TO BE ALLOWED TO INDIVID-**
5 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

6 (a) IN GENERAL.—Section 170 (relating to chari-
7 table, etc., contributions and gifts) is amended by redesignig-
8 nating subsection (m) as subsection (n) and by inserting
9 after subsection (l) the following new subsection:

10 “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
11 DEDUCTIONS.—In the case of an individual who does not
12 itemize deductions for any taxable year, there shall be
13 taken into account as a direct charitable deduction under
14 section 63 an amount equal to the amount allowable under
15 subsection (a) for the taxable year for cash contributions,
16 but only with respect to such contributions which exceed
17 \$250 (\$500 in the case of a joint return), but do not ex-
18 ceed \$500 (\$1,000 in the case of a joint return).”.

19 (b) DIRECT CHARITABLE DEDUCTION.—

1 (1) IN GENERAL.—Subsection (b) of section 63
2 (defining taxable income) is amended by striking
3 “and” at the end of paragraph (1), by striking the
4 period at the end of paragraph (2) and inserting “,
5 and”, and by adding at the end the following new
6 paragraph:

7 “(3) the direct charitable deduction.”.

8 (2) DEFINITION.—Section 63 is amended by re-
9 designating subsection (g) as subsection (h) and by
10 inserting after subsection (f) the following new sub-
11 section:

12 “(g) DIRECT CHARITABLE DEDUCTION.—For pur-
13 poses of this section, the term ‘direct charitable deduction’
14 means that portion of the amount allowable under section
15 170(a) which is taken as a direct charitable deduction for
16 the taxable year under section 170(m).”.

17 (3) CONFORMING AMENDMENT.—Subsection (d)
18 of section 63 is amended by striking “and” at the
19 end of paragraph (1), by striking the period at the
20 end of paragraph (2) and inserting “, and”, and by
21 adding at the end the following new paragraph:

22 “(3) the direct charitable deduction.”.

23 (c) STUDY.—

24 (1) IN GENERAL.—The Secretary of the Treas-
25 ury shall study the effect of the amendments made

1 by this section on increased charitable giving and
 2 taxpayer compliance, including a comparison of tax-
 3 payer compliance by those who itemize their chari-
 4 table contributions with those who claim a direct
 5 charitable deduction.

6 (2) REPORT.—By not later than December 31,
 7 2004, the Secretary of the Treasury shall report on
 8 the study required under paragraph (1) to the Com-
 9 mittee on Finance of the Senate and the Committee
 10 on Ways and Means of the House of Representa-
 11 tives.

12 (d) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2002, and before January 1, 2005.

15 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
 16 **TIREMENT ACCOUNTS FOR CHARITABLE**
 17 **PURPOSES.**

18 (a) IN GENERAL.—Subsection (d) of section 408 (re-
 19 lating to individual retirement accounts) is amended by
 20 adding at the end the following new paragraph:

21 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
 22 POSES.—

23 “(A) IN GENERAL.—No amount shall be
 24 includible in gross income by reason of a quali-
 25 fied charitable distribution.

1 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
2 term ‘qualified charitable distribution’ means
3 any distribution from an individual retirement
4 account—
5

6 “(i) which is made directly by the
7 trustee—

8 “(I) to an organization described
9 in section 170(c), or

10 “(II) to a split-interest entity,
11 and

12 “(ii) which is made on or after the
13 date that the individual for whose benefit
14 the account is maintained has attained—

15 “(I) in the case of any distribu-
16 tion described in clause (i)(I), age
17 70½, and

18 “(II) in the case of any distribu-
19 tion described in clause (i)(II), age
20 59½.

21 A distribution shall be treated as a qualified
22 charitable distribution only to the extent that
23 the distribution would be includible in gross in-
24 come without regard to subparagraph (A) and,
25 in the case of a distribution to a split-interest

1 entity, only if no person holds an income inter-
2 est in the amounts in the split-interest entity
3 attributable to such distribution other than one
4 or more of the following: the individual for
5 whose benefit such account is maintained, the
6 spouse of such individual, or any organization
7 described in section 170(c).

8 “(C) CONTRIBUTIONS MUST BE OTHER-
9 WISE DEDUCTIBLE.—For purposes of this para-
10 graph—

11 “(i) DIRECT CONTRIBUTIONS.—A dis-
12 tribution to an organization described in
13 section 170(c) shall be treated as a quali-
14 fied charitable distribution only if a deduc-
15 tion for the entire distribution would be al-
16 lowable under section 170 (determined
17 without regard to subsection (b) thereof
18 and this paragraph).

19 “(ii) SPLIT-INTEREST GIFTS.—A dis-
20 tribution to a split-interest entity shall be
21 treated as a qualified charitable distribu-
22 tion only if a deduction for the entire value
23 of the interest in the distribution for the
24 use of an organization described in section
25 170(c) would be allowable under section

1 170 (determined without regard to sub-
2 section (b) thereof and this paragraph).

3 “(D) APPLICATION OF SECTION 72.—Not-
4 withstanding section 72, in determining the ex-
5 tent to which a distribution is a qualified chari-
6 table distribution, the entire amount of the dis-
7 tribution shall be treated as includible in gross
8 income without regard to subparagraph (A) to
9 the extent that such amount does not exceed
10 the aggregate amount which would be so includ-
11 ible if all amounts were distributed from all in-
12 dividual retirement accounts otherwise taken
13 into account in determining the inclusion on
14 such distribution under section 72. Proper ad-
15 justments shall be made in applying section 72
16 to other distributions in such taxable year and
17 subsequent taxable years.

18 “(E) SPECIAL RULES FOR SPLIT-INTEREST
19 ENTITIES.—

20 “(i) CHARITABLE REMAINDER
21 TRUSTS.—Notwithstanding section 664(b),
22 distributions made from a trust described
23 in subparagraph (G)(i) shall be treated as
24 ordinary income in the hands of the bene-
25 ficiary to whom is paid the annuity de-

1 scribed in section 664(d)(1)(A) or the pay-
2 ment described in section 664(d)(2)(A).

3 “(ii) POOLED INCOME FUNDS.—No
4 amount shall be includible in the gross in-
5 come of a pooled income fund (as defined
6 in subparagraph (G)(ii)) by reason of a
7 qualified charitable distribution to such
8 fund, and all distributions from the fund
9 which are attributable to qualified chari-
10 table distributions shall be treated as ordi-
11 nary income to the beneficiary.

12 “(iii) CHARITABLE GIFT ANNU-
13 ITIES.—Qualified charitable distributions
14 made for a charitable gift annuity shall not
15 be treated as an investment in the con-
16 tract.

17 “(F) DENIAL OF DEDUCTION.—Qualified
18 charitable distributions shall not be taken into
19 account in determining the deduction under sec-
20 tion 170.

21 “(G) SPLIT-INTEREST ENTITY DEFINED.—
22 For purposes of this paragraph, the term ‘split-
23 interest entity’ means—

24 “(i) a charitable remainder annuity
25 trust or a charitable remainder unitrust

1 (as such terms are defined in section
2 664(d)) which must be funded exclusively
3 by qualified charitable distributions,

4 “(ii) a pooled income fund (as defined
5 in section 642(c)(5)), but only if the fund
6 accounts separately for amounts attrib-
7 utable to qualified charitable distributions,
8 and

9 “(iii) a charitable gift annuity (as de-
10 fined in section 501(m)(5)).”.

11 (b) MODIFICATIONS RELATING TO INFORMATION RE-
12 TURNS BY CERTAIN TRUSTS.—

13 (1) RETURNS.—Section 6034 (relating to re-
14 turns by trusts described in section 4947(a)(2) or
15 claiming charitable deductions under section 642(c))
16 is amended to read as follows:

17 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
18 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
19 **TIONS UNDER SECTION 642(c).**

20 “(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—
21 Every trust described in section 4947(a)(2) shall furnish
22 such information with respect to the taxable year as the
23 Secretary may by forms or regulations require.

24 “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION
25 UNDER SECTION 642(c).—

1 “(1) IN GENERAL.—Every trust not required to
2 file a return under subsection (a) but claiming a
3 charitable, etc., deduction under section 642(c) for
4 the taxable year shall furnish such information with
5 respect to such taxable year as the Secretary may by
6 forms or regulations prescribe, including:

7 “(A) the amount of the charitable, etc., de-
8 duction taken under section 642(c) within such
9 year,

10 “(B) the amount paid out within such year
11 which represents amounts for which charitable,
12 etc., deductions under section 642(c) have been
13 taken in prior years,

14 “(C) the amount for which charitable, etc.,
15 deductions have been taken in prior years but
16 which has not been paid out at the beginning
17 of such year,

18 “(D) the amount paid out of principal in
19 the current and prior years for charitable, etc.,
20 purposes,

21 “(E) the total income of the trust within
22 such year and the expenses attributable thereto,
23 and

1 “(F) a balance sheet showing the assets, li-
2 abilities, and net worth of the trust as of the
3 beginning of such year.

4 “(2) EXCEPTIONS.—Paragraph (1) shall not
5 apply in the case of a taxable year if all the net in-
6 come for such year, determined under the applicable
7 principles of the law of trusts, is required to be dis-
8 tributed currently to the beneficiaries. Paragraph (1)
9 shall not apply in the case of a trust described in
10 section 4947(a)(1).”.

11 (2) INCREASE IN PENALTY RELATING TO FIL-
12 ING OF INFORMATION RETURN BY SPLIT-INTEREST
13 TRUSTS.—Paragraph (2) of section 6652(c) (relating
14 to returns by exempt organizations and by certain
15 trusts) is amended by adding at the end the fol-
16 lowing new subparagraph:

17 “(C) SPLIT-INTEREST TRUSTS.—In the
18 case of a trust which is required to file a return
19 under section 6034(a), subparagraphs (A) and
20 (B) of this paragraph shall not apply and para-
21 graph (1) shall apply in the same manner as if
22 such return were required under section 6033,
23 except that—

1 “(i) the 5 percent limitation in the
2 second sentence of paragraph (1)(A) shall
3 not apply,

4 “(ii) in the case of any trust with
5 gross income in excess of \$250,000, the
6 first sentence of paragraph (1)(A) shall be
7 applied by substituting ‘\$100’ for ‘\$20’,
8 and the second sentence thereof shall be
9 applied by substituting ‘\$50,000’ for
10 ‘\$10,000’, and

11 “(iii) the third sentence of paragraph
12 (1)(A) shall be disregarded.

13 In addition to any penalty imposed on the trust
14 pursuant to this subparagraph, if the person re-
15 quired to file such return knowingly fails to file
16 the return, such penalty shall also be imposed
17 on such person who shall be personally liable
18 for such penalty.”.

19 (3) CONFIDENTIALITY OF NONCHARITABLE
20 BENEFICIARIES.—Subsection (b) of section 6104
21 (relating to inspection of annual information re-
22 turns) is amended by adding at the end the fol-
23 lowing new sentence: “In the case of a trust which
24 is required to file a return under section 6034(a),
25 this subsection shall not apply to information re-

1 regarding beneficiaries which are not organizations de-
 2 scribed in section 170(c).”.

3 (c) EFFECTIVE DATES.—

4 (1) SUBSECTION (a).—The amendment made
 5 by subsection (a) shall apply to distributions made
 6 after the date of the enactment.

7 (2) SUBSECTION (b).—The amendments made
 8 by subsection (b) shall apply to returns for taxable
 9 years beginning after December 31, 2003.

10 **SEC. 103. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 11 **OF FOOD INVENTORIES.**

12 (a) IN GENERAL.—Subsection (e) of section 170 (re-
 13 lating to certain contributions of ordinary income and cap-
 14 ital gain property) is amended by adding at the end the
 15 following new paragraph:

16 “(7) APPLICATION OF PARAGRAPH (3) TO CER-
 17 TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For
 18 purposes of this section—

19 “(A) EXTENSION TO INDIVIDUALS.—In the
 20 case of a charitable contribution of apparently
 21 wholesome food—

22 “(i) paragraph (3)(A) shall be applied
 23 without regard to whether the contribution
 24 is made by a C corporation, and

1 “(ii) in the case of a taxpayer other
2 than a C corporation, the aggregate
3 amount of such contributions from any
4 trade or business (or interest therein) of
5 the taxpayer for any taxable year which
6 may be taken into account under this sec-
7 tion shall not exceed 10 percent of the tax-
8 payer’s net income from any such trade or
9 business, computed without regard to this
10 section, for such taxable year.

11 “(B) LIMITATION ON REDUCTION.—In the
12 case of a charitable contribution of apparently
13 wholesome food, notwithstanding paragraph
14 (3)(B), the amount of the reduction determined
15 under paragraph (1)(A) shall not exceed the
16 amount by which the fair market value of such
17 property exceeds twice the basis of such prop-
18 erty.

19 “(C) DETERMINATION OF BASIS.—If a
20 taxpayer—

21 “(i) does not account for inventories
22 under section 471, and

23 “(ii) is not required to capitalize indi-
24 rect costs under section 263A,

1 the taxpayer may elect, solely for purposes of
2 paragraph (3)(B), to treat the basis of any ap-
3 parently wholesome food as being equal to 25
4 percent of the fair market value of such food.

5 “(D) DETERMINATION OF FAIR MARKET
6 VALUE.—In the case of a charitable contribu-
7 tion of apparently wholesome food which is a
8 qualified contribution (within the meaning of
9 paragraph (3), as modified by subparagraph
10 (A) of this paragraph) and which, solely by rea-
11 son of internal standards of the taxpayer or
12 lack of market, cannot or will not be sold, the
13 fair market value of such contribution shall be
14 determined—

15 “(i) without regard to such internal
16 standards or such lack of market and

17 “(ii) by taking into account the price
18 at which the same or substantially the
19 same food items (as to both type and qual-
20 ity) are sold by the taxpayer at the time of
21 the contribution (or, if not so sold at such
22 time, in the recent past).

23 “(E) APPARENTLY WHOLESOME FOOD.—
24 For purposes of this paragraph, the term ‘ap-
25 parently wholesome food’ has the meaning given

1 such term by section 22(b)(2) of the Bill Emer-
 2 son Good Samaritan Food Donation Act (42
 3 U.S.C. 1791(b)(2)), as in effect on the date of
 4 the enactment of this paragraph.”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall apply to contributions made after the
 7 date of the enactment of this Act.

8 **SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 9 **OF BOOK INVENTORIES.**

10 (a) IN GENERAL.—Section 170(e)(3) (relating to cer-
 11 tain contributions of ordinary income and capital gain
 12 property) is amended by redesignating subparagraph (C)
 13 as subparagraph (D) and by inserting after subparagraph
 14 (B) the following new subparagraph:

15 “(C) SPECIAL RULE FOR CONTRIBUTIONS
 16 OF BOOK INVENTORY FOR EDUCATIONAL PUR-
 17 POSES.—

18 “(i) CONTRIBUTIONS OF BOOK INVEN-
 19 TORY.—In determining whether a qualified
 20 book contribution is a qualified contribu-
 21 tion, subparagraph (A) shall be applied
 22 without regard to whether—

23 “(I) the donee is an organization
 24 described in the matter preceding
 25 clause (i) of subparagraph (A), and

1 “(II) the property is to be used
2 by the donee solely for the care of the
3 ill, the needy, or infants.

4 “(ii) AMOUNT OF REDUCTION.—Not-
5 withstanding subparagraph (B), the
6 amount of the reduction determined under
7 paragraph (1)(A) shall not exceed the
8 amount by which the fair market value of
9 the contributed property (as determined by
10 the taxpayer using a bona fide published
11 market price for such book) exceeds twice
12 the basis of such property.

13 “(iii) QUALIFIED BOOK CONTRIBU-
14 TION.—For purposes of this paragraph,
15 the term ‘qualified book contribution’
16 means a charitable contribution of books,
17 but only if the requirements of clauses (iv)
18 and (v) are met.

19 “(iv) IDENTITY OF DONEE.—The re-
20 quirement of this clause is met if the con-
21 tribution is to an organization—

22 “(I) described in subclause (I) or
23 (III) of paragraph (6)(B)(i), or

24 “(II) described in section
25 501(c)(3) and exempt from tax under

1 section 501(a) (other than a private
2 foundation, as defined in section
3 509(a), which is not an operating
4 foundation, as defined in section
5 4942(j)(3)), which is organized pri-
6 marily to make books available to the
7 general public at no cost or to operate
8 a literacy program.

9 “(v) CERTIFICATION BY DONEE.—The
10 requirement of this clause is met if, in ad-
11 dition to the certifications required by sub-
12 paragraph (A) (as modified by this sub-
13 paragraph), the donee certifies in writing
14 that—

15 “(I) the books are suitable, in
16 terms of currency, content, and quan-
17 tity, for use in the donee’s educational
18 programs, and

19 “(II) the donee will use the books
20 in its educational programs.

21 “(vi) BONA FIDE PUBLISHED MARKET
22 PRICE.—For purposes of this subpara-
23 graph, the term ‘bona fide published mar-
24 ket price’ means, with respect to any book,
25 a price—

1 “(I) determined using the same
2 printing and edition,

3 “(II) published within 7 years
4 preceding the contribution of such
5 book,

6 “(III) determined as a result of
7 an arm’s length transaction, and

8 “(IV) for which such a book has
9 been customarily sold.”.

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to contributions made after the
12 date of the enactment of this Act

13 **SEC. 105. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
14 **LOWED FOR SCIENTIFIC PROPERTY USED**
15 **FOR RESEARCH AND FOR COMPUTER TECH-**
16 **NOLOGY AND EQUIPMENT USED FOR EDU-**
17 **CATIONAL PURPOSES.**

18 (a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—

19 (1) IN GENERAL.—Clause (ii) of section
20 170(e)(4)(B) (defining qualified research contribu-
21 tions) is amended by inserting “or assembled” after
22 “constructed”.

23 (2) CONFORMING AMENDMENT.—Clause (iii) of
24 section 170(e)(4)(B) is amended by inserting “or as-
25 sembling” after “construction”.

1 (b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR
2 EDUCATIONAL PURPOSES.—

3 (1) IN GENERAL.—Clause (ii) of section
4 170(e)(6)(B) is amended by inserting “or assem-
5 bled” after “constructed” and “or assembling” after
6 “construction”.

7 (2) SPECIAL RULE MADE PERMANENT.—Sec-
8 tion 170(e)(6) is amended by striking subparagraph
9 (G).

10 (3) CONFORMING AMENDMENTS.—Subpara-
11 graph (D) of section 170(e)(6) is amended by insert-
12 ing “or assembled” after “constructed” and “or as-
13 sembling” after “construction”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2002.

17 **SEC. 106. MODIFICATIONS TO ENCOURAGE CONTRIBU-**
18 **TIONS OF CAPITAL GAIN REAL PROPERTY**
19 **MADE FOR CONSERVATION PURPOSES.**

20 (a) IN GENERAL.—Section 170(h) (relating to quali-
21 fied conservation contribution) is amended by adding at
22 the end the following new paragraph:

23 “(7) ADDITIONAL INCENTIVES FOR QUALIFIED
24 CONSERVATION CONTRIBUTIONS.—

1 “(A) IN GENERAL.—In the case of any
2 qualified conservation contribution (as defined
3 in paragraph (1)) made by an individual—

4 “(i) subparagraph (C) of subsection
5 (b)(1) shall not apply,

6 “(ii) except as provided in subpara-
7 graph (B)(i), subsections (b)(1)(A) and
8 (d)(1) shall be applied separately with re-
9 spect to such contributions by treating ref-
10 erences to 50 percent of the taxpayer’s
11 contribution base as references to the
12 amount of such percentage of such base re-
13 duced by the amount of other contributions
14 allowable under subsection (b)(1)(A), and

15 “(iii) subparagraph (A) of subsection
16 (d)(1) shall be applied—

17 “(I) by substituting ‘15 suc-
18 ceeding taxable years’ for ‘5 suc-
19 ceeding taxable years’, and

20 “(II) by applying clause (ii) to
21 each of the 15 succeeding taxable
22 years.

23 “(B) SPECIAL RULES FOR ELIGIBLE FARM-
24 ERS AND RANCHERS.—

1 “(i) IN GENERAL.—In the case of any
2 such contributions made by an eligible
3 farmer or rancher—

4 “(I) if the taxpayer is an indi-
5 vidual, subsections (b)(1)(A) and
6 (d)(1) shall be applied separately with
7 respect to such contributions by sub-
8 stituting ‘the taxpayer’s contribution
9 base reduced by the amount of other
10 contributions allowable under sub-
11 section (b)(1)(A)’ for ‘50 percent of
12 the taxpayer’s contribution base’ each
13 place it appears, and

14 “(II) if the taxpayer is a corpora-
15 tion, subsections (b)(2) and (d)(2)
16 shall be applied separately with re-
17 spect to such contributions, subsection
18 (b)(2) shall be applied with respect to
19 such contributions as if such sub-
20 section did not contain the words ‘10
21 percent of’ and as if subparagraph
22 (A) thereof read ‘the deduction under
23 this section for qualified conservation
24 contributions’, and rules similar to the
25 rules of subparagraph (A)(iii) shall

1 apply for purposes of subsection
2 (d)(2).

3 “(ii) DEFINITION.—For purposes of
4 clause (i), the term ‘eligible farmer or
5 rancher’ means a taxpayer whose gross in-
6 come from the trade or business of farm-
7 ing (within the meaning of section
8 2032A(e)(5)) is at least 51 percent of the
9 taxpayer’s gross income for the taxable
10 year, and, in the case of a C corporation,
11 the stock of which is not publicly traded on
12 a recognized exchange.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to contributions made after the
15 date of the enactment of this Act.

16 **SEC. 107. EXCLUSION OF 25 PERCENT OF GAIN ON SALES**
17 **OR EXCHANGES OF LAND OR WATER INTER-**
18 **ESTS TO ELIGIBLE ENTITIES FOR CONSERVA-**
19 **TION PURPOSES.**

20 (a) IN GENERAL.—Part III of subchapter B of chap-
21 ter 1 (relating to items specifically excluded from gross
22 income) is amended by inserting after section 121 the fol-
23 lowing new section:

1 **“SEC. 121A. 25-PERCENT EXCLUSION OF GAIN ON SALES OR**
2 **EXCHANGES OF LAND OR WATER INTERESTS**
3 **TO ELIGIBLE ENTITIES FOR CONSERVATION**
4 **PURPOSES.**

5 “(a) EXCLUSION.—Gross income shall not include 25
6 percent of the qualifying gain from a conservation sale of
7 a long-held qualifying land or water interest.

8 “(b) QUALIFYING GAIN.—For purposes of this sec-
9 tion—

10 “(1) IN GENERAL.—The term ‘qualifying gain’
11 means any gain which would be recognized as long-
12 term capital gain, reduced by the amount of any
13 long-term capital gain attributable to disqualified
14 improvements.

15 “(2) DISQUALIFIED IMPROVEMENT.—For pur-
16 poses of paragraph (1), the term ‘disqualified im-
17 provement’ means any building, structure, or other
18 improvement, other than—

19 “(A) any improvement which is described
20 in section 175(c)(1), determined—

21 “(i) without regard to the require-
22 ments that the taxpayer be engaged in
23 farming, and

24 “(ii) without taking into account sub-
25 paragraphs (A) and (B) thereof, or

1 “(B) any improvement which the Secretary
2 determines directly furthers conservation pur-
3 poses.

4 “(3) SPECIAL RULE FOR SALES OF STOCK.—If
5 the long-held qualifying land or water interest is 1
6 or more shares of stock in a qualifying land or water
7 corporation, the qualifying gain is equal to the lesser
8 of—

9 “(A) the qualifying gain determined under
10 paragraph (1), or

11 “(B) the product of—

12 “(i) the percentage of such corpora-
13 tion’s stock which is transferred by the
14 taxpayer, times

15 “(ii) the amount which would have
16 been the qualifying gain (determined under
17 paragraph (1)) if there had been a con-
18 servation sale by such corporation of all of
19 its interests in the land and water for a
20 price equal to the product of the fair mar-
21 ket value of such interests times the ratio
22 of—

23 “(I) the proceeds of the conserva-
24 tion sale of the stock, to

1 “(II) the fair market value of the
2 stock which was the subject of the
3 conservation sale.

4 “(c) CONSERVATION SALE.—For purposes of this
5 section, the term ‘conservation sale’ means a sale or ex-
6 change which meets the following requirements:

7 “(1) TRANSFEREE IS AN ELIGIBLE ENTITY.—
8 The transferee of the long-held qualifying land or
9 water interest is an eligible entity.

10 “(2) QUALIFYING LETTER OF INTENT RE-
11 QUIRED.—At the time of the sale or exchange, such
12 transferee provides the taxpayer with a qualifying
13 letter of intent.

14 “(3) NONAPPLICATION TO CERTAIN SALES.—
15 The sale or exchange is not made pursuant to an
16 order of condemnation or eminent domain.

17 “(4) CONTROLLING INTEREST IN STOCK SALE
18 REQUIRED.—In the case of the sale or exchange of
19 stock in a qualifying land or water corporation, at
20 the end of the taxpayer’s taxable year in which such
21 sale or exchange occurs, the transferee’s ownership
22 of stock in such corporation meets the requirements
23 of section 1504(a)(2) (determined by substituting
24 ‘90 percent’ for ‘80 percent’ each place it appears).

1 “(d) LONG-HELD QUALIFYING LAND OR WATER IN-
2 TEREST.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘long-held quali-
4 fying land or water interest’ means any qualifying
5 land or water interest owned by the taxpayer or a
6 member of the taxpayer’s family (as defined in sec-
7 tion 2032A(e)(2)) at all times during the 5-year pe-
8 riod ending on the date of the sale.

9 “(2) QUALIFYING LAND OR WATER INTER-
10 EST.—

11 “(A) IN GENERAL.—The term ‘qualifying
12 land or water interest’ means a real property
13 interest which constitutes—

14 “(i) a taxpayer’s entire interest in
15 land,

16 “(ii) a taxpayer’s entire interest in
17 water rights,

18 “(iii) a qualified real property interest
19 (as defined in section 170(h)(2)), or

20 “(iv) stock in a qualifying land or
21 water corporation.

22 “(B) ENTIRE INTEREST.—For purposes of
23 clause (i) or (ii) of subparagraph (A)—

24 “(i) a partial interest in land or water
25 is not a taxpayer’s entire interest if an in-

1 terest in land or water was divided in order
2 to create such partial interest in order to
3 avoid the requirements of such clause or
4 section 170(f)(3)(A), and

5 “(ii) a taxpayer’s entire interest in
6 certain land does not fail to satisfy sub-
7 paragraph (A)(i) solely because the tax-
8 payer has retained an interest in other
9 land, even if the other land is contiguous
10 with such certain land and was acquired by
11 the taxpayer along with such certain land
12 in a single conveyance.

13 “(e) OTHER DEFINITIONS.—For purposes of this
14 section—

15 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-
16 tity’ means—

17 “(A) a governmental unit referred to in
18 section 170(e)(1), or an agency or department
19 thereof operated primarily for 1 or more of the
20 conservation purposes specified in clause (i),
21 (ii), or (iii) of section 170(h)(4)(A), or

22 “(B) an entity which is—

23 “(i) described in section
24 170(b)(1)(A)(vi) or section 170(h)(3)(B),
25 and

1 “(ii) organized and at all times oper-
2 ated primarily for 1 or more of the con-
3 servation purposes specified in clause (i),
4 (ii), or (iii) of section 170(h)(4)(A).

5 “(2) QUALIFYING LETTER OF INTENT.—The
6 term ‘qualifying letter of intent’ means a written let-
7 ter of intent which includes the following statement:
8 ‘The transferee’s intent is that this acquisition will
9 serve 1 or more of the conservation purposes speci-
10 fied in clause (i), (ii), or (iii) of section 170(h)(4)(A)
11 of the Internal Revenue Code of 1986, that the
12 transferee’s use of the property so acquired will be
13 consistent with section 170(h)(5) of such Code, and
14 that the use of the property will continue to be con-
15 sistent with such section, even if ownership or pos-
16 session of such property is subsequently transferred
17 to another person.’

18 “(3) QUALIFYING LAND OR WATER CORPORA-
19 TION.—The term ‘qualifying land or water corpora-
20 tion’ means a C corporation (as defined in section
21 1361(a)(2)) if, as of the date of the conservation
22 sale—

23 “(A) the fair market value of the corpora-
24 tion’s interests in land or water held by the cor-
25 poration at all times during the preceding 5

1 years equals or exceeds 90 percent of the fair
2 market value of all of such corporation's assets,
3 and

4 “(B) not more than 50 percent of the total
5 fair market value of such corporation's assets
6 consists of water rights or infrastructure re-
7 lated to the delivery of water, or both.

8 “(f) TAX ON SUBSEQUENT TRANSFERS OR REMOV-
9 ALS OF CONSERVATION RESTRICTIONS.—

10 “(1) IN GENERAL.—A tax is hereby imposed on
11 any subsequent—

12 “(A) transfer by an eligible entity of own-
13 ership or possession, whether by sale, exchange,
14 or lease, of property acquired directly or indi-
15 rectly in—

16 “(i) a conservation sale described in
17 subsection (a), or

18 “(ii) a transfer described in clause (i),
19 (ii), or (iii) of paragraph (4)(A), or

20 “(B) removal of a conservation restriction
21 contained in an instrument of conveyance of
22 such property.

23 “(2) AMOUNT OF TAX.—The amount of tax im-
24 posed by paragraph (1) on any transfer or removal
25 shall be equal to the sum of—

1 “(A) either—

2 “(i) 20 percent of the fair market
3 value (determined at the time of the trans-
4 fer) of the property the ownership or pos-
5 session of which is transferred, or

6 “(ii) 20 percent of the fair market
7 value (determined at the time immediately
8 after the removal) of the property upon
9 which the conservation restriction was re-
10 moved, plus

11 “(B) the product of—

12 “(i) the highest rate of tax specified
13 in section 11, times

14 “(ii) any gain or income realized by
15 the transferor or person removing such re-
16 striction as a result of the transfer or re-
17 moval.

18 “(3) LIABILITY.—The tax imposed by para-
19 graph (1) shall be paid—

20 “(A) on any transfer, by the transferor,
21 and

22 “(B) on any removal of a conservation re-
23 striction contained in an instrument of convey-
24 ance, by the person removing such restriction.

1 “(4) RELIEF FROM LIABILITY.—The person
2 (otherwise liable for any tax imposed by paragraph
3 (1)) shall be relieved of liability for the tax imposed
4 by paragraph (1)—

5 “(A) with respect to any transfer if—

6 “(i) the transferee is an eligible entity
7 which provides such person, at the time of
8 transfer, a qualifying letter of intent,

9 “(ii) the transferee is not an eligible
10 entity, it is established to the satisfaction
11 of the Secretary, that the transfer of own-
12 ership or possession, as the case may be,
13 will be consistent with section 170(h)(5),
14 and the transferee provides such person, at
15 the time of transfer, a qualifying letter of
16 intent, or

17 “(iii) tax has previously been paid
18 under this subsection as a result of a prior
19 transfer of ownership or possession of the
20 same property, or

21 “(B) with respect to any removal of a con-
22 servation restriction contained in an instrument
23 of conveyance, if it is established to the satis-
24 faction of the Secretary that the retention of
25 the restriction was impracticable or impossible

1 and the proceeds continue to be used in a man-
2 ner consistent with 1 or more of the conserva-
3 tion purposes specified in clause (i), (ii), or (iii)
4 of section 170(h)(4)(A).

5 “(5) ADMINISTRATIVE PROVISIONS.—For pur-
6 poses of subtitle F, the taxes imposed by this sub-
7 section shall be treated as excise taxes with respect
8 to which the deficiency procedures of such subtitle
9 apply.

10 “(6) REPORTING.—The Secretary may require
11 such reporting as may be necessary or appropriate
12 to further the purpose under this section that any
13 conservation use be in perpetuity.”.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for part III of subchapter B of chapter 1 is amended by
16 inserting after the item relating to section 121 the fol-
17 lowing new item:

“Sec. 121A. 25-percent exclusion of gain on sales or exchanges
of land or water interests to eligible entities for
conservation purposes.”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to sales or exchanges occurring
20 after December 31, 2003.

1 **SEC. 108. TAX EXCLUSION FOR COST-SHARING PAYMENTS**
2 **UNDER PARTNERS FOR FISH AND WILDLIFE**
3 **PROGRAM.**

4 (a) **IN GENERAL.**—Section 126(a) (relating to cer-
5 tain cost-sharing payments) is amended by redesignating
6 paragraph (10) as paragraph (11) and by inserting after
7 paragraph (9) the following:

8 “(10) The Partners for Fish and Wildlife Pro-
9 gram authorized by the Fish and Wildlife Act of
10 1956 (16 U.S.C. 742a et seq.).”

11 (b) **EFFECTIVE DATE.**—The amendments made by
12 this section shall apply to payments received after the date
13 of the enactment of this Act.

14 **SEC. 109. ADJUSTMENT TO BASIS OF S CORPORATION**
15 **STOCK FOR CERTAIN CHARITABLE CON-**
16 **TRIBUTIONS.**

17 (a) **IN GENERAL.**—Paragraph (2) of section 1367(a)
18 (relating to adjustments to basis of stock of shareholders,
19 etc.) is amended by adding at the end the following new
20 flush sentence:

21 “The decrease under subparagraph (B) by reason of
22 a charitable contribution (as defined in section
23 170(c)) of property shall be the amount equal to the
24 shareholder’s pro rata share of the adjusted basis of
25 such property.”

1 (b) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to contributions made after the
 3 date of the enactment of this Act.

4 **SEC. 110. ENHANCED DEDUCTION FOR CHARITABLE CON-**
 5 **TRIBUTION OF LITERARY, MUSICAL, ARTIS-**
 6 **TIC, AND SCHOLARLY COMPOSITIONS.**

7 (a) IN GENERAL.—Subsection (e) of section 170 (re-
 8 lating to certain contributions of ordinary income and cap-
 9 ital gain property), as amended by this Act, is amended
 10 by adding at the end the following new paragraph:

11 “(8) SPECIAL RULE FOR CERTAIN CONTRIBU-
 12 TIONS OF LITERARY, MUSICAL, ARTISTIC, OR SCHOL-
 13 ARLY COMPOSITIONS.—

14 “(A) IN GENERAL.—In the case of a quali-
 15 fied artistic charitable contribution—

16 “(i) the amount of such contribution
 17 taken into account under this section shall
 18 be the fair market value of the property
 19 contributed (determined at the time of
 20 such contribution), and

21 “(ii) no reduction in the amount of
 22 such contribution shall be made under
 23 paragraph (1).

24 “(B) QUALIFIED ARTISTIC CHARITABLE
 25 CONTRIBUTION.—For purposes of this para-

1 graph, the term ‘qualified artistic charitable
2 contribution’ means a charitable contribution of
3 any literary, musical, artistic, or scholarly com-
4 position, or similar property, or the copyright
5 thereon (or both), but only if—

6 “(i) such property was created by the
7 personal efforts of the taxpayer making
8 such contribution no less than 18 months
9 prior to such contribution,

10 “(ii) the taxpayer—

11 “(I) has received a qualified ap-
12 praisal of the fair market value of
13 such property in accordance with the
14 regulations under this section, and

15 “(II) attaches to the taxpayer’s
16 income tax return for the taxable year
17 in which such contribution was made
18 a copy of such appraisal,

19 “(iii) the donee is an organization de-
20 scribed in subsection (b)(1)(A),

21 “(iv) the use of such property by the
22 donee is related to the purpose or function
23 constituting the basis for the donee’s ex-
24 emption under section 501 (or, in the case

1 of a governmental unit, to any purpose or
2 function described under section 501(e)),

3 “(v) the taxpayer receives from the
4 donee a written statement representing
5 that the donee’s use of the property will be
6 in accordance with the provisions of clause
7 (iv), and

8 “(vi) the written appraisal referred to
9 in clause (ii) includes evidence of the ex-
10 tent (if any) to which property created by
11 the personal efforts of the taxpayer and of
12 the same type as the donated property is
13 or has been—

14 “(I) owned, maintained, and dis-
15 played by organizations described in
16 subsection (b)(1)(A), and

17 “(II) sold to or exchanged by
18 persons other than the taxpayer,
19 donee, or any related person (as de-
20 fined in section 465(b)(3)(C)).

21 “(C) MAXIMUM DOLLAR LIMITATION; NO
22 CARRYOVER OF INCREASED DEDUCTION.—The
23 increase in the deduction under this section by
24 reason of this paragraph for any taxable year—

1 “(i) shall not exceed the artistic ad-
2 justed gross income of the taxpayer for
3 such taxable year, and

4 “(ii) shall not be taken into account in
5 determining the amount which may be car-
6 ried from such taxable year under sub-
7 section (d).

8 “(D) ARTISTIC ADJUSTED GROSS IN-
9 COME.—For purposes of this paragraph, the
10 term ‘artistic adjusted gross income’ means
11 that portion of the adjusted gross income of the
12 taxpayer for the taxable year attributable to—

13 “(i) income from the sale or use of
14 property created by the personal efforts of
15 the taxpayer which is of the same type as
16 the donated property, and

17 “(ii) income from teaching, lecturing,
18 performing, or similar activity with respect
19 to property described in clause (i).

20 “(E) PARAGRAPH NOT TO APPLY TO CER-
21 TAIN CONTRIBUTIONS.—Subparagraph (A) shall
22 not apply to any charitable contribution of any
23 letter, memorandum, or similar property which
24 was written, prepared, or produced by or for an
25 individual while the individual is an officer or

1 employee of any person (including any govern-
 2 ment agency or instrumentality) unless such
 3 letter, memorandum, or similar property is en-
 4 tirely personal.

5 “(F) COPYRIGHT TREATED AS SEPARATE
 6 PROPERTY FOR PARTIAL INTEREST RULE.—In
 7 the case of a qualified artistic charitable con-
 8 tribution, the tangible literary, musical, artistic,
 9 or scholarly composition, or similar property
 10 and the copyright on such work shall be treated
 11 as separate properties for purposes of this para-
 12 graph and subsection (f)(3).”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply to contributions made after the
 15 date of the enactment of this Act.

16 **SEC. 111. MILEAGE REIMBURSEMENTS TO CHARITABLE**
 17 **VOLUNTEERS EXCLUDED FROM GROSS IN-**
 18 **COME.**

19 (a) IN GENERAL.—Part III of subchapter B of chap-
 20 ter 1 is amended by inserting after section 139 the fol-
 21 lowing new section:

22 **“SEC. 139A. MILEAGE REIMBURSEMENTS TO CHARITABLE**
 23 **VOLUNTEERS.**

24 “(a) IN GENERAL.—Gross income of an individual
 25 does not include amounts received, from an organization

1 described in section 170(c), as reimbursement of operating
2 expenses with respect to use of a passenger automobile
3 for the benefit of such organization. The preceding sen-
4 tence shall apply only to the extent that such reimburse-
5 ment would be deductible under this chapter if section
6 274(d) were applied—

7 “(1) by using the standard business mileage
8 rate established under such section, and

9 “(2) as if the individual were an employee of an
10 organization not described in section 170(c).

11 “(b) APPLICATION TO VOLUNTEER SERVICES
12 ONLY.—Subsection (a) shall not apply with respect to any
13 expenses relating to the performance of services for com-
14 pensation.

15 “(c) NO DOUBLE BENEFIT.—A taxpayer may not
16 claim a deduction or credit under any other provision of
17 this title with respect to the expenses under subsection (a).

18 “(d) EXEMPTION FROM REPORTING REQUIRE-
19 MENTS.—Section 6041 shall not apply with respect to re-
20 imbursements excluded from income under subsection
21 (a).”

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for part III of subchapter B of chapter 1 is amended by
24 inserting after the item relating to section 139 and insert-
25 ing the following new item:

“Sec. 139A. Mileage reimbursements to charitable volunteers.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

4 **TITLE II—IMPROVE OVERSIGHT**
5 **OF TAX-EXEMPT ORGANIZA-**
6 **TIONS**

7 **SEC. 201. DISCLOSURE OF WRITTEN DETERMINATIONS.**

8 (a) IN GENERAL.—Section 6110(l) (relating to sec-
9 tion not to apply) is amended by striking all matter before
10 subparagraph (A) of paragraph (2) and inserting the fol-
11 lowing:

12 “(l) SECTION NOT TO APPLY.—

13 “(1) IN GENERAL.—This section shall not apply
14 to any matter to which section 6104 or 6105 ap-
15 plies, except that this section shall apply to any writ-
16 ten determination and related background file docu-
17 ment relating to an organization described under
18 subsection (c) or (d) of section 501 (including any
19 written determination denying an organization tax-
20 exempt status under such subsection) or a political
21 organization described in section 527 which is not
22 required to be disclosed by section 6104(a)(1)(A).

23 “(2) ADDITIONAL MATTERS.—This section shall
24 not apply to any—”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to written determinations issued
3 after the date of the enactment of this Act.

4 **SEC. 202. DISCLOSURE OF INTERNET WEB SITE AND NAME**
5 **UNDER WHICH ORGANIZATION DOES BUSI-**
6 **NESS.**

7 (a) IN GENERAL.—Section 6033 (relating to returns
8 by exempt organizations) is amended by redesignating
9 subsection (h) as subsection (i) and by inserting after sub-
10 section (g) the following new subsection:

11 “(h) DISCLOSURE OF NAME UNDER WHICH ORGANI-
12 ZATION DOES BUSINESS AND ITS INTERNET WEB
13 SITE.—Any organization which is subject to the require-
14 ments of subsection (a) shall include on the return re-
15 quired under subsection (a)—

16 “(1) any name under which such organization
17 operates or does business, and

18 “(2) the Internet web site address (if any) of
19 such organization.”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to returns filed after December 31,
22 2003.

1 **SEC. 203. MODIFICATION TO REPORTING CAPITAL TRANS-**
2 **ACTIONS.**

3 (a) **REQUIREMENT OF SUMMARY REPORT.**—Section
4 6033(c) (relating to additional provisions relating to pri-
5 vate foundations) is amended by adding at the end the
6 following new sentence: “Any information included in an
7 annual return regarding the gain or loss from the sale or
8 other disposition of property which is required to be fur-
9 nished in order to calculate the tax on net investment in-
10 come shall also be reported in summary form with a notice
11 that detailed information is available upon request by the
12 public.”.

13 (b) **DISCLOSURE REQUIREMENT.**—Section 6104(b)
14 (relating to inspection of annual information returns), as
15 amended by this Act, is amended by adding at the end
16 the following new sentences: “With respect to any private
17 foundation (as defined in section 509(a)), any information
18 regarding the gain or loss from the sale or other dispo-
19 sition of property which is required to be furnished in order
20 to calculate the tax on net investment income but which
21 is not in summary form is not required to be made avail-
22 able to the public under this subsection except upon the
23 explicit request by a member of the public to the Sec-
24 retary.”.

25 (c) **PUBLIC INSPECTION REQUIREMENT.**—Section
26 6104(d) (relating to public inspection of certain annual

1 returns, applications for exemptions, and notices of sta-
 2 tus) is amended by adding at the end the following new
 3 paragraph:

4 “(9) APPLICATION TO PRIVATE FOUNDATION
 5 CAPITAL TRANSACTION INFORMATION.—With re-
 6 spect to any private foundation (as defined in sec-
 7 tion 509(a)), any information regarding the gain or
 8 loss from the sale or other disposition of property
 9 which is required to be furnished in order to cal-
 10 culate the tax on net investment income but which
 11 is not in summary form is not required to be made
 12 available to the public under this subsection except
 13 upon the explicit request by a member of the public
 14 to the private foundation in the form and manner of
 15 a request described in paragraph (1)(B).”.

16 (d) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to returns filed after December 31,
 18 2003.

19 **SEC. 204. DISCLOSURE THAT FORM 990 IS PUBLICLY AVAIL-**
 20 **ABLE.**

21 (a) IN GENERAL.—The Commissioner of the Internal
 22 Revenue shall notify the public in appropriate publications
 23 or other materials of the extent to which an exempt orga-
 24 nization’s Form 990, Form 990–EZ, or Form 990–PF is
 25 publicly available.

1 (b) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to publications or other materials
 3 issued or revised after the date of the enactment of this
 4 Act.

5 **SEC. 205. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**
 6 **ACTIONS RELATED TO SECTION 501(c) ORGA-**
 7 **NIZATIONS.**

8 (a) IN GENERAL.—Subsection (c) of section 6104 is
 9 amended by striking paragraph (2) and inserting the fol-
 10 lowing new paragraphs:

11 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-
 12 LATED TO CHARITABLE ORGANIZATIONS.—

13 “(A) SPECIFIC NOTIFICATIONS.—In the
 14 case of an organization to which paragraph (1)
 15 applies, the Secretary may disclose to the ap-
 16 propriate State officer—

17 “(i) a notice of proposed refusal to
 18 recognize such organization as an organi-
 19 zation described in section 501(c)(3) or a
 20 notice of proposed revocation of such orga-
 21 nization’s recognition as an organization
 22 exempt from taxation,

23 “(ii) the issuance of a letter of pro-
 24 posed deficiency of tax imposed under sec-
 25 tion 507 or chapter 41 or 42, and

1 “(iii) the names, addresses, and tax-
2 payer identification numbers of organiza-
3 tions which have applied for recognition as
4 organizations described in section
5 501(c)(3).

6 “(B) ADDITIONAL DISCLOSURES.—Returns
7 and return information of organizations with
8 respect to which information is disclosed under
9 subparagraph (A) may be made available for in-
10 spection by or disclosed to an appropriate State
11 officer.

12 “(C) PROCEDURES FOR DISCLOSURE.—In-
13 formation may be inspected or disclosed under
14 subparagraph (A) or (B) only—

15 “(i) upon written request by an ap-
16 propriate State officer, and

17 “(ii) for the purpose of, and only to
18 the extent necessary in, the administration
19 of State laws regulating such organiza-
20 tions.

21 Such information may only be inspected by or
22 disclosed to representatives of the appropriate
23 State officer designated as the individuals who
24 are to inspect or to receive the returns or re-
25 turn information under this paragraph on be-

1 half of such officer. Such representatives shall
2 not include any contractor or agent.

3 “(D) DISCLOSURES OTHER THAN BY RE-
4 QUEST.—The Secretary may make available for
5 inspection or disclose returns and return infor-
6 mation of an organization to which paragraph
7 (1) applies to an appropriate State officer of
8 any State if the Secretary determines that such
9 inspection or disclosure may facilitate the reso-
10 lution of Federal or State issues relating to the
11 tax-exempt status of such organization.

12 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
13 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
14 quest by an appropriate State officer, the Secretary
15 may make available for inspection or disclosure re-
16 turns and return information of an organization de-
17 scribed in paragraph (2), (4), (6), (7), (8), (10), or
18 (13) of section 501(c) for the purpose of, and to the
19 extent necessary in, the administration of State laws
20 regulating the solicitation or administration of the
21 charitable funds or charitable assets of such organi-
22 zations. Such information may be inspected only by
23 or disclosed only to representatives of the appro-
24 priate State officer designated as the individuals who
25 are to inspect or to receive the returns or return in-

1 formation under this paragraph on behalf of such of-
2 ficer. Such representatives shall not include any con-
3 tractor or agent.

4 “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-
5 TIVE PROCEEDINGS.—Returns and return informa-
6 tion disclosed pursuant to this subsection may be
7 disclosed in civil administrative and civil judicial pro-
8 ceedings pertaining to the enforcement of State laws
9 regulating such organizations in a manner pre-
10 scribed by the Secretary similar to that for tax ad-
11 ministration proceedings under section 6103(h)(4).

12 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
13 turns and return information shall not be disclosed
14 under this subsection, or in any proceeding described
15 in paragraph (4), to the extent that the Secretary
16 determines that such disclosure would seriously im-
17 pair Federal tax administration.

18 “(6) DEFINITIONS.—For purposes of this sub-
19 section—

20 “(A) RETURN AND RETURN INFORMA-
21 TION.—The terms ‘return’ and ‘return informa-
22 tion’ have the respective meanings given to such
23 terms by section 6103(b).

24 “(B) APPROPRIATE STATE OFFICER.—The
25 term ‘appropriate State officer’ means—

1 “(i) the State attorney general,

2 “(ii) in the case of an organization to
3 which paragraph (1) applies, any other
4 State official charged with overseeing orga-
5 nizations of the type described in section
6 501(c)(3), and

7 “(iii) in the case of an organization to
8 which paragraph (3) applies, the head of
9 an agency designated by the State attorney
10 general as having primary responsibility
11 for overseeing the solicitation of funds for
12 charitable purposes.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subsection (a) of section 6103 is amend-
15 ed—

16 (A) by inserting “or any appropriate State
17 officer who has or had access to returns or re-
18 turn information under section 6104(c)” after
19 “this section” in paragraph (2), and

20 (B) by striking “or subsection (n)” in
21 paragraph (3) and inserting “subsection (n), or
22 section 6104(c)”.

23 (2) Subparagraph (A) of section 6103(p)(3) is
24 amended by inserting “and section 6104(c)” after
25 “section” in the first sentence.

1 (3) Paragraph (4) of section 6103(p) is amend-
2 ed—

3 (A) in the matter preceding subparagraph
4 (A), by striking “(16) or any other person de-
5 scribed in subsection (l)(16)” and inserting
6 “(16), any other person described in subsection
7 (l)(16), or any appropriate State officer (as de-
8 fined in section 6104(c))”, and

9 (B) in subparagraph (F), by striking “or
10 any other person described in subsection
11 (l)(16)” and inserting “any other person de-
12 scribed in subsection (l)(16), or any appropriate
13 State officer (as defined in section 6104(c))”.

14 (4) The heading for paragraph (1) of section
15 6104(c) is amended by inserting “FOR CHARITABLE
16 ORGANIZATIONS”.

17 (5) Paragraph (2) of section 7213(a) is amend-
18 ed by inserting “or under section 6104(c)” after
19 “6103”.

20 (6) Paragraph (2) of section 7213A(a) is
21 amended by inserting “or 6104(c)” after “6103”.

22 (7) Paragraph (2) of section 7431(a) is amend-
23 ed by inserting “(including any disclosure in viola-
24 tion of section 6104(c))” after “6103”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the date of the enactment
3 of this Act but shall not apply to requests made before
4 such date.

5 **SEC. 206. EXPANSION OF PENALTIES TO PREPARERS OF**
6 **FORM 990.**

7 (a) IN GENERAL.—Section 6695 (relating to other
8 assessable penalties with respect to the preparation of in-
9 come tax returns for other persons) is amended by adding
10 at the end the following new subsections:

11 “(h) CERTAIN OMISSIONS AND MISREPRESENTA-
12 TIONS.—

13 “(1) IN GENERAL.—Any person who prepares
14 for compensation any return under section 6033 who
15 omits or misrepresents any information with respect
16 to such return which was known or should have been
17 known by such person shall pay a penalty of \$250
18 with respect to such return.

19 “(2) EXCEPTION FOR MINOR, INADVERTENT
20 OMISSIONS.—Paragraph (1) shall not apply to
21 minor, inadvertent omissions.

22 “(3) RULES FOR DETERMINING RETURN PRE-
23 PARER.—For purposes of this subsection and sub-
24 section (i), any reference to a person who prepares
25 for compensation a return under section 6033—

1 “(A) shall include any person who employs
2 1 or more persons to prepare for compensation
3 a return under section 6033, and

4 “(B) shall not include any person who
5 would be described in clause (i), (ii), (iii), or
6 (iv) of section 7701(a)(36)(B) if such section
7 referred to a return under section 6033.

8 “(i) WILLFUL OR RECKLESS CONDUCT.—

9 “(1) IN GENERAL.—Any person who prepares
10 for compensation any return under section 6033 who
11 recklessly or intentionally misrepresents any infor-
12 mation or recklessly or intentionally disregards any
13 rule or regulation with respect to such return shall
14 pay a penalty of \$1,000 with respect to such return.

15 “(2) COORDINATION WITH OTHER PEN-
16 ALTIES.—With respect to any return, the amount of
17 the penalty payable by any person by reason of para-
18 graph (1) shall be reduced by the amount of the
19 penalty paid by such person by reason of subsection
20 (h) or section 6694.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) The heading for section 6695 is amended by
23 inserting “**AND OTHER**” after “**INCOME TAX**”.

24 (2) The item relating to section 6695 in the
25 table of sections for part I of subchapter B of chap-

1 ter 68 is amended by inserting “and other” after
2 “income tax”.

3 (c) EFFECTIVE DATE.—The amendment made by
4 this section shall apply with respect to documents pre-
5 pared after the date of the enactment of this Act.

6 **SEC. 207. NOTIFICATION REQUIREMENT FOR ENTITIES NOT**
7 **CURRENTLY REQUIRED TO FILE.**

8 (a) IN GENERAL.—Section 6033 (relating to returns
9 by exempt organizations), as amended by section 202(a),
10 is amended by redesignating subsection (i) as subsection
11 (j) and by inserting after subsection (h) the following new
12 subsection:

13 “(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—

14 “(1) IN GENERAL.—Any organization the gross
15 receipts of which in any taxable year result in such
16 organization being referred to in subsection
17 (a)(2)(A)(ii) or (a)(2)(B)—

18 “(A) shall furnish annually information, at
19 such time and in such manner as the Secretary
20 may by forms or regulations prescribe, setting
21 forth—

22 “(i) the legal name of the organiza-
23 tion,

24 “(ii) any name under which such or-
25 ganization operates or does business,

1 “(iii) the organization’s mailing ad-
2 dress and Internet web site address (if
3 any),

4 “(iv) the organization’s taxpayer iden-
5 tification number,

6 “(v) the name and address of a prin-
7 cipal officer, and

8 “(vi) evidence of the continuing basis
9 for the organization’s exemption from the
10 filing requirements under subsection
11 (a)(1), and

12 “(B) upon the termination of the existence
13 of the organization, shall furnish notice of such
14 termination.

15 “(2) PENALTY FOR FAILURE TO NOTIFY.—

16 “(A) IN GENERAL.—If an organization de-
17 scribed in paragraph (1) fails to file 3 consecu-
18 tive annual notices required under such para-
19 graph, such organization’s status as an organi-
20 zation exempt from tax under section 501(a)
21 shall be considered revoked on and after the
22 date set by the Secretary for the filing of the
23 third annual notice. The Secretary shall publish
24 and maintain a list of organizations the status
25 of which is so revoked.

1 “(B) RETROACTIVE REINSTATEMENT IF
2 REASONABLE CAUSE SHOWN FOR FAILURE.—If
3 upon reapplication for status as an organization
4 exempt from tax under section 501(a), an orga-
5 nization described in subparagraph (A) can
6 show to the satisfaction of the Secretary evi-
7 dence of reasonable cause for the failure de-
8 scribed in such subparagraph, the organiza-
9 tion’s status shall be effective from the date of
10 the revocation under such subparagraph.”.

11 (b) NO DECLARATORY JUDGMENT RELIEF.—Section
12 7428(b) (relating to limitations) is amended by adding at
13 the end the following new paragraph:

14 “(4) NONAPPLICATION FOR CERTAIN REVOCATIONS.—No action may be brought under this section with respect to any revocation of status described in section 6033(i)(2)(A).”.

18 (c) NO INSPECTION REQUIREMENT.—Section
19 6104(b) (relating to inspection of annual information re-
20 turns) is amended by inserting “(other than subsection (i)
21 thereof)” after “6033”.

22 (d) NO DISCLOSURE REQUIREMENT.—Section
23 6104(d)(3) (relating to exceptions from disclosure require-
24 ments) is amended by redesignating subparagraph (B) as

1 subparagraph (C) and by inserting after subparagraph (A)
2 the following new subparagraph:

3 “(B) NONDISCLOSURE OF ANNUAL NO-
4 TICES.—Paragraph (1) shall not require the
5 disclosure of any notice required under section
6 6033(i)(1).”.

7 (e) NO MONETARY PENALTY FOR FAILURE TO NO-
8 TIFY.—Section 6652(c)(1) (relating to annual returns
9 under section 6033 or 6012(a)(6)) is amended by adding
10 at the end the following new subparagraph:

11 “(E) NO PENALTY FOR CERTAIN ANNUAL
12 NOTICES.—This paragraph shall not apply with
13 respect to any notice required under section
14 6033(i)(1).”.

15 (f) NOTICE OF REQUIREMENT BY SECRETARY.—The
16 Secretary of the Treasury shall notify in a timely manner
17 every organization described in section 6033(i)(1) of the
18 Internal Revenue Code of 1986 (as added by this section)
19 of the requirement under such section 6033(i)(1)—

20 (1) by mail, in the case of any organization the
21 identity and address of which is included in the list
22 of exempt organizations maintained by the Sec-
23 retary, and

24 (2) by Internet or other means of outreach, in
25 the case of any other organization.

1 (g) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to notices with respect to annual
3 periods beginning after 2003.

4 **SEC. 208. SUSPENSION OF TAX-EXEMPT STATUS OF TER-**
5 **RORIST ORGANIZATIONS.**

6 (a) IN GENERAL.—Section 501 of the Internal Rev-
7 enue Code of 1986 (relating to exemption from tax on cor-
8 porations, certain trusts, etc.) is amended by redesi-
9 gnating subsection (p) as subsection (q) and by inserting
10 after subsection (o) the following new subsection:

11 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF TER-
12 RORIST ORGANIZATIONS.—

13 “(1) IN GENERAL.—The exemption from tax
14 under subsection (a) with respect to any organiza-
15 tion described in paragraph (2), and the eligibility of
16 any organization described in paragraph (2) to apply
17 for recognition of exemption under subsection (a),
18 shall be suspended during the period described in
19 paragraph (3).

20 “(2) TERRORIST ORGANIZATIONS.—An organi-
21 zation is described in this paragraph if such organi-
22 zation is designated or otherwise individually identi-
23 fied—

24 “(A) under section 212(a)(3)(B)(vi)(II) or
25 219 of the Immigration and Nationality Act as

1 a terrorist organization or foreign terrorist or-
2 ganization,

3 “(B) in or pursuant to an Executive order
4 which is related to terrorism and issued under
5 the authority of the International Emergency
6 Economic Powers Act or section 5 of the
7 United Nations Participation Act of 1945 for
8 the purpose of imposing on such organization
9 an economic or other sanction, or

10 “(C) in or pursuant to an Executive order
11 issued under the authority of any Federal law
12 if—

13 “(i) the organization is designated or
14 otherwise individually identified in or pur-
15 suant to such Executive order as sup-
16 porting or engaging in terrorist activity (as
17 defined in section 212(a)(3)(B) of the Im-
18 migration and Nationality Act) or sup-
19 porting terrorism (as defined in section
20 140(d)(2) of the Foreign Relations Author-
21 ization Act, Fiscal Years 1988 and 1989);
22 and

23 “(ii) such Executive order refers to
24 this subsection.

1 “(3) PERIOD OF SUSPENSION.—With respect to
2 any organization described in paragraph (2), the pe-
3 riod of suspension—

4 “(A) begins on the date of the first publi-
5 cation of a designation or identification de-
6 scribed in paragraph (2) with respect to such
7 organization, and

8 “(B) ends on the first date that all des-
9 ignations and identifications described in para-
10 graph (2) with respect to such organization are
11 rescinded pursuant to the law or Executive
12 order under which such designation or identi-
13 fication was made.

14 “(4) DENIAL OF DEDUCTION.—No deduction
15 shall be allowed under section 170, 545(b)(2),
16 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for
17 any contribution to an organization described in
18 paragraph (2) during the period described in para-
19 graph (3).

20 “(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL
21 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
22 TION.—Notwithstanding section 7428 or any other
23 provision of law, no organization or other person
24 may challenge a suspension under paragraph (1), a
25 designation or identification described in paragraph

1 (2), the period of suspension described in paragraph
2 (3), or a denial of a deduction under paragraph (4)
3 in any administrative or judicial proceeding relating
4 to the Federal tax liability of such organization or
5 other person.

6 “(6) ERRONEOUS DESIGNATION.—

7 “(A) IN GENERAL.—If—

8 “(i) the tax exemption of any organi-
9 zation described in paragraph (2) is sus-
10 pended under paragraph (1),

11 “(ii) each designation and identifica-
12 tion described in paragraph (2) which has
13 been made with respect to such organiza-
14 tion is determined to be erroneous pursu-
15 ant to the law or Executive order under
16 which such designation or identification
17 was made, and

18 “(iii) the erroneous designations and
19 identifications result in an overpayment of
20 income tax for any taxable year by such
21 organization,

22 credit or refund (with interest) with respect to
23 such overpayment shall be made.

24 “(B) WAIVER OF LIMITATIONS.—If the
25 credit or refund of any overpayment of tax de-

1 scribed in subparagraph (A)(iii) is prevented at
2 any time by the operation of any law or rule of
3 law (including res judicata), such credit or re-
4 fund may nevertheless be allowed or made if the
5 claim therefor is filed before the close of the 1-
6 year period beginning on the date of the last
7 determination described in subparagraph
8 (A)(ii).

9 “(7) NOTICE OF SUSPENSIONS.—If the tax ex-
10 emption of any organization is suspended under this
11 subsection, the Internal Revenue Service shall up-
12 date the listings of tax-exempt organizations and
13 shall publish appropriate notice to taxpayers of such
14 suspension and of the fact that contributions to such
15 organization are not deductible during the period of
16 such suspension.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on the date of the enactment
19 of this Act.

1 **TITLE III—OTHER CHARITABLE**
2 **AND EXEMPT ORGANIZATION**
3 **PROVISIONS**

4 **SEC. 301. MODIFICATION OF EXCISE TAX ON UNRELATED**
5 **BUSINESS TAXABLE INCOME OF CHARITABLE**
6 **REMAINDER TRUSTS.**

7 (a) IN GENERAL.—Subsection (c) of section 664 (re-
8 lating to exemption from income taxes) is amended to read
9 as follows:

10 “(c) TAXATION OF TRUSTS.—

11 “(1) INCOME TAX.—A charitable remainder an-
12 nuity trust and a charitable remainder unitrust
13 shall, for any taxable year, not be subject to any tax
14 imposed by this subtitle.

15 “(2) EXCISE TAX.—

16 “(A) IN GENERAL.—In the case of a chari-
17 table remainder annuity trust or a charitable
18 remainder unitrust which has unrelated busi-
19 ness taxable income (within the meaning of sec-
20 tion 512, determined as if part III of sub-
21 chapter F applied to such trust) for a taxable
22 year, there is hereby imposed on such trust or
23 unitrust an excise tax equal to the amount of
24 such unrelated business taxable income.

1 “(B) CERTAIN RULES TO APPLY.—The tax
2 imposed by subparagraph (A) shall be treated
3 as imposed by chapter 42 for purposes of this
4 title other than subchapter E of chapter 42.

5 “(C) TAX COURT PROCEEDINGS.—For pur-
6 poses of this paragraph, the references in sec-
7 tion 6212(c)(1) to section 4940 shall be deemed
8 to include references to this paragraph.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to taxable years beginning after
11 December 31, 2002.

12 **SEC. 302. MODIFICATIONS TO SECTION 512(b)(13).**

13 (a) IN GENERAL.—Paragraph (13) of section 512(b)
14 (relating to special rules for certain amounts received from
15 controlled entities) is amended by redesignating subpara-
16 graph (E) as subparagraph (F) and by inserting after sub-
17 paragraph (D) the following new subparagraph:

18 “(E) PARAGRAPH TO APPLY ONLY TO EX-
19 CESS PAYMENTS.—

20 “(i) IN GENERAL.—Subparagraph (A)
21 shall apply only to the portion of a speci-
22 fied payment received or accrued by the
23 controlling organization that exceeds the
24 amount which would have been paid or ac-

1 crued if such payment met the require-
2 ments prescribed under section 482.

3 “(ii) ADDITION TO TAX FOR VALU-
4 ATION MISSTATEMENTS.—The tax imposed
5 by this chapter on the controlling organiza-
6 tion shall be increased by an amount equal
7 to 20 percent of the larger of—

8 “(I) such excess determined with-
9 out regard to any amendment or sup-
10 plement to a return of tax, or

11 “(II) such excess determined
12 with regard to all such amendments
13 and supplements.”.

14 (b) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendment made by
16 this section shall apply to payments received or ac-
17 crued after December 31, 2000.

18 (2) PAYMENTS SUBJECT TO BINDING CONTRACT
19 TRANSITION RULE.—If the amendments made by
20 section 1041 of the Taxpayer Relief Act of 1997 did
21 not apply to any amount received or accrued in the
22 first 2 taxable years beginning on or after the date
23 of the enactment of the Taxpayer Relief Act of 1997
24 under any contract described in subsection (b)(2) of
25 such section, such amendments also shall not apply

1 to amounts received or accrued under such contract
2 before January 1, 2001.

3 **SEC. 303. SIMPLIFICATION OF LOBBYING EXPENDITURE**
4 **LIMITATION.**

5 (a) REPEAL OF GRASSROOTS EXPENDITURE
6 LIMIT.—Paragraph (1) of section 501(h) (relating to ex-
7 penditures by public charities to influence legislation) is
8 amended to read as follows:

9 “(1) GENERAL RULE.—In the case of an orga-
10 nization to which this subsection applies, exemption
11 from taxation under subsection (a) shall be denied
12 because a substantial part of the activities of such
13 organization consists of carrying on propaganda, or
14 otherwise attempting, to influence legislation, but
15 only if such organization normally makes lobbying
16 expenditures in excess of the lobbying ceiling amount
17 for such organization for each taxable year.”.

18 (b) EXCESS LOBBYING EXPENDITURES.—Section
19 4911(b) is amended to read as follows:

20 “(b) EXCESS LOBBYING EXPENDITURES.—For pur-
21 poses of this section, the term ‘excess lobbying expendi-
22 tures’ means, for a taxable year, the amount by which the
23 lobbying expenditures made by the organization during the
24 taxable year exceed the lobbying nontaxable amount for
25 such organization for such taxable year.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 501(h)(2) is amended by striking
3 subparagraphs (C) and (D).

4 (2) Section 4911(c) is amended by striking
5 paragraphs (3) and (4).

6 (3) Paragraph (1)(A) of section 4911(f) is
7 amended by striking “limits of section 501(h)(1)
8 have” and inserting “limit of section 501(h)(1)
9 has”.

10 (4) Paragraph (1)(C) of section 4911(f) is
11 amended by striking “limits of section 501(h)(1)
12 are” and inserting “limit of section 501(h)(1) is”.

13 (5) Paragraphs (4)(A) and (4)(B) of section
14 4911(f) are each amended by striking “limits of sec-
15 tion 501(h)(1)” and inserting “limit of section
16 501(h)(1)”.

17 (6) Paragraph (8) of section 6033(b) (relating
18 to certain organizations described in section
19 501(c)(3)) is amended by inserting “and” at the end
20 of subparagraph (A) and by striking subparagraphs
21 (C) and (D).

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2002.

1 **SEC. 304. EXPEDITED REVIEW PROCESS FOR CERTAIN TAX-**
2 **EXEMPTION APPLICATIONS.**

3 (a) IN GENERAL.—The Secretary of the Treasury or
4 the Secretary’s delegate (in this section, referred to as the
5 “Secretary”) shall adopt procedures to expedite the con-
6 sideration of applications for exempt status under section
7 501(c)(3) of the Internal Revenue Code of 1986 filed after
8 December 31, 2003, by any organization that—

9 (1) is organized and operated for the primary
10 purpose of providing social services;

11 (2) is seeking a contract or grant under a Fed-
12 eral, State, or local program that provides funding
13 for social services programs;

14 (3) establishes that, under the terms and condi-
15 tions of the contract or grant program, an organiza-
16 tion is required to obtain such exempt status before
17 the organization is eligible to apply for a contract or
18 grant;

19 (4) includes with its exemption application a
20 copy of its completed Federal, State, or local con-
21 tract or grant application; and

22 (5) meets such other criteria as the Secretary
23 deems appropriate for expedited consideration.

24 The Secretary may prescribe other similar circumstances
25 in which such organizations may be entitled to expedited
26 consideration.

1 (b) WAIVER OF APPLICATION FEE FOR EXEMPT
2 STATUS.—Any organization that meets the conditions de-
3 scribed in subsection (a) (without regard to paragraph (3)
4 of that subsection) is entitled to a waiver of any fee for
5 an application for exempt status under section 501(c)(3)
6 of the Internal Revenue Code of 1986 if the organization
7 certifies that the organization has had (or expects to have)
8 average annual gross receipts of not more than \$50,000
9 during the preceding 4 years (or, in the case of an organi-
10 zation not in existence throughout the preceding 4 years,
11 during such organization’s first 4 years).

12 (c) SOCIAL SERVICES DEFINED.—For purposes of
13 this section—

14 (1) IN GENERAL.—The term “social services”
15 means services directed at helping people in need,
16 reducing poverty, improving outcomes of low-income
17 children, revitalizing low-income communities, and
18 empowering low-income families and low-income in-
19 dividuals to become self-sufficient, including—

20 (A) child care services, protective services
21 for children and adults, services for children
22 and adults in foster care, adoption services,
23 services related to the management and mainte-
24 nance of the home, day care services for adults,
25 and services to meet the special needs of chil-

1 dren, older individuals, and individuals with dis-
2 abilities (including physical, mental, or emo-
3 tional disabilities);

4 (B) transportation services;

5 (C) job training and related services, and
6 employment services;

7 (D) information, referral, and counseling
8 services;

9 (E) the preparation and delivery of meals,
10 and services related to soup kitchens or food
11 banks;

12 (F) health support services;

13 (G) literacy and mentoring programs;

14 (H) services for the prevention and treat-
15 ment of juvenile delinquency and substance
16 abuse, services for the prevention of crime and
17 the provision of assistance to the victims and
18 the families of criminal offenders, and services
19 related to the intervention in, and prevention of,
20 domestic violence; and

21 (I) services related to the provision of as-
22 sistance for housing under Federal law.

23 (2) EXCLUSIONS.—The term does not include a
24 program having the purpose of delivering edu-
25 cational assistance under the Elementary and Sec-

1 ondary Education Act of 1965 (20 U.S.C. 6301 et
2 seq.) or under the Higher Education Act of 1965
3 (20 U.S.C. 1001 et seq.).

4 **SEC. 305. CLARIFICATION OF DEFINITION OF CHURCH TAX**
5 **INQUIRY.**

6 Subsection (i) of section 7611 (relating to section not
7 to apply to criminal investigations, etc.) is amended by
8 striking “or” at the end of paragraph (4), by striking the
9 period at the end of paragraph (5) and inserting “, or”,
10 and by inserting after paragraph (5) the following:

11 “(6) information provided by the Secretary re-
12 lated to the standards for exemption from tax under
13 this title and the requirements under this title relat-
14 ing to unrelated business taxable income.”.

15 **SEC. 306. EXPANSION OF DECLARATORY JUDGMENT REM-**
16 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

17 (a) IN GENERAL.—Paragraph (1) of section 7428(a)
18 (relating to creation of remedy) is amended—

19 (1) in subparagraph (B) by inserting after
20 “509(a)” the following: “or as a private operating
21 foundation (as defined in section 4942(j)(3))”; and

22 (2) by amending subparagraph (C) to read as
23 follows:

24 “(C) with respect to the initial qualifica-
25 tion or continuing qualification of an organiza-

1 tion as an organization described in section
2 501(c) (other than paragraph (3)) or 501(d)
3 which is exempt from tax under section 501(a),
4 or”.

5 (b) COURT JURISDICTION.—Subsection (a) of section
6 7428 is amended in the material following paragraph (2)
7 by striking “United States Tax Court, the United States
8 Claims Court, or the district court of the United States
9 for the District of Columbia” and inserting the following:
10 “United States Tax Court (in the case of any such deter-
11 mination or failure) or the United States Claims Court
12 or the district court of the United States for the District
13 of Columbia (in the case of a determination or failure with
14 respect to an issue referred to in subparagraph (A) or (B)
15 of paragraph (1)),”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to pleadings filed with respect to
18 determinations (or requests for determinations) made
19 after December 31, 2002.

20 **SEC. 307. DEFINITION OF CONVENTION OR ASSOCIATION**
21 **OF CHURCHES.**

22 Section 7701 (relating to definitions) is amended by
23 redesignating subsection (n) as subsection (o) and by in-
24 serting after subsection (m) the following new subsection:

1 “(n) CONVENTION OR ASSOCIATION OF CHURCH-
2 ES.—For purposes of this title, any organization which is
3 otherwise a convention or association of churches shall not
4 fail to so qualify merely because the membership of such
5 organization includes individuals as well as churches or be-
6 cause individuals have voting rights in such organiza-
7 tion.”.

8 **SEC. 308. PAYMENTS BY CHARITABLE ORGANIZATIONS TO**
9 **VICTIMS OF WAR ON TERRORISM.**

10 (a) IN GENERAL.—For purposes of the Internal Rev-
11 enue Code of 1986—

12 (1) payments made by an organization de-
13 scribed in section 501(c)(3) of such Code to a mem-
14 ber of the Armed Forces of the United States, or to
15 an individual of such member’s immediate family by
16 reason of the death, injury, wounding, or illness of
17 such member incurred as the result of the military
18 response of the United States to the terrorist at-
19 tacks against the United States on September 11,
20 2001, shall be treated as related to the purpose or
21 function constituting the basis for such organiza-
22 tion’s exemption under section 501 of such Code if
23 such payments are made using an objective formula
24 which is consistently applied, and

1 (2) in the case of a private foundation (as de-
2 fined in section 509 of such Code), any payment de-
3 scribed in paragraph (1) shall not be treated as
4 made to a disqualified person for purposes of section
5 4941 of such Code.

6 (b) EFFECTIVE DATE.—This section shall apply to
7 payments made after the date of the enactment of this
8 Act and before September 11, 2004.

9 **SEC. 309. MODIFICATION OF SCHOLARSHIP FOUNDATION**
10 **RULES.**

11 In applying the limitations on the percentage of
12 scholarship grants which may be awarded after the date
13 of the enactment of this Act, to children of current or
14 former employees under Revenue Procedure 76–47, such
15 percentage shall be increased to 35 percent of the eligible
16 applicants to be considered by the selection committee and
17 to 20 percent of individuals eligible for the grants, but
18 only if the foundation awarding the grants demonstrates
19 that, in addition to meeting the other requirements of Rev-
20 enue Procedure 76–47, it provides a comparable number
21 and aggregate amount of grants during the same program
22 year to individuals who are not such employees, children
23 or dependents of such employees, or affiliated with the em-
24 ployer of such employees.

1 **SEC. 310. TREATMENT OF CERTAIN HOSPITAL SUPPORT**
 2 **ORGANIZATIONS AS QUALIFIED ORGANIZA-**
 3 **TIONS FOR PURPOSES OF DETERMINING AC-**
 4 **QUISITION INDEBTEDNESS.**

5 (a) IN GENERAL.—Subparagraph (C) of section
 6 514(c)(9) (relating to real property acquired by a qualified
 7 organization) is amended by striking “or” at the end of
 8 clause (ii), by striking the period at the end of clause (iii)
 9 and inserting “; or”, and by adding at the end the fol-
 10 lowing new clause:

11 “(iv) a qualified hospital support
 12 organization (as defined in subpara-
 13 graph (I)).”.

14 (b) QUALIFIED HOSPITAL SUPPORT ORGANIZA-
 15 TIONS.—Paragraph (9) of section 514(c) is amended by
 16 adding at the end the following new subparagraph:

17 “(I) QUALIFIED HOSPITAL SUPPORT ORGA-
 18 NIZATIONS.—For purposes of subparagraph
 19 (C)(iv), the term ‘qualified hospital support or-
 20 ganization’ means, with respect to any eligible
 21 indebtedness (including any qualified refi-
 22 nancing of such eligible indebtedness), a sup-
 23 port organization (as defined in section
 24 509(a)(3)) which supports a hospital described
 25 in section 119(d)(4)(B) and with respect to
 26 which—

1 “(i) more than half of the organi-
2 zation’s assets (by value) at any time
3 since its organization—

4 “(I) were acquired, directly
5 or indirectly, by testamentary gift
6 or devise, and

7 “(II) consisted of real prop-
8 erty, and

9 “(ii) the fair market value of the
10 organization’s real estate acquired, di-
11 rectly or indirectly, by gift or devise,
12 exceeded 25 percent of the fair mar-
13 ket value of all investment assets held
14 by the organization immediately prior
15 to the time that the eligible indebted-
16 ness was incurred.

17 For purposes of this subparagraph, the term
18 ‘eligible indebtedness’ means indebtedness se-
19 cured by real property acquired by the organi-
20 zation, directly or indirectly, by gift or devise,
21 the proceeds of which are used exclusively to ac-
22 quire any leasehold interest in such real prop-
23 erty or for improvements on, or repairs to, such
24 real property. A determination under clauses (i)
25 and (ii) of this subparagraph shall be made

1 each time such an eligible indebtedness (or the
2 qualified refinancing of such an eligible indebt-
3 edness) is incurred. For purposes of this sub-
4 paragraph, a refinancing of such an eligible in-
5 debtedness shall be considered qualified if such
6 refinancing does not exceed the amount of the
7 refinanced eligible indebtedness immediately be-
8 fore the refinancing.”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to indebtedness incurred after De-
11 cember 31, 2003.

12 **TITLE IV—SOCIAL SERVICES**

13 **BLOCK GRANT**

14 **SEC. 401. RESTORATION OF FUNDS FOR THE SOCIAL SERV-**

15 **ICES BLOCK GRANT.**

16 (a) FINDINGS.—Congress makes the following find-
17 ings:

18 (1) On August 22, 1996, the Personal Respon-
19 sibility and Work Opportunity Reconciliation Act of
20 1996 (Public Law 104–193; 110 Stat. 2105) was
21 signed into law.

22 (2) In enacting that law, Congress authorized
23 \$2,800,000,000 for fiscal year 2003 and each fiscal
24 year thereafter to carry out the Social Services

1 Block Grant program established under title XX of
2 the Social Security Act (42 U.S.C. 1397 et seq.).

3 (b) RESTORATION OF FUNDS.—Section 2003(c)(11)
4 of the Social Security Act (42 U.S.C. 1397b(c)(11)) is
5 amended by inserting “, except that, with respect to fiscal
6 year 2003, the amount shall be \$1,975,000,000, and with
7 respect to fiscal year 2004, the amount shall be
8 \$2,800,000,000” after “thereafter.”.

9 **SEC. 402. RESTORATION OF AUTHORITY TO TRANSFER UP**
10 **TO 10 PERCENT OF TANF FUNDS TO THE SO-**
11 **CIAL SERVICES BLOCK GRANT.**

12 (a) IN GENERAL.—Section 404(d)(2) of the Social
13 Security Act (42 U.S.C. 604(d)(2)) is amended to read
14 as follows:

15 “(2) LIMITATION ON AMOUNT TRANSFERABLE
16 TO TITLE XX PROGRAMS.—A State may use not
17 more than 10 percent of the amount of any grant
18 made to the State under section 403(a) for a fiscal
19 year to carry out State programs pursuant to title
20 XX.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) applies to amounts made available for fiscal
23 year 2003 and each fiscal year thereafter.

1 **SEC. 403. REQUIREMENT TO SUBMIT ANNUAL REPORT ON**
2 **STATE ACTIVITIES.**

3 (a) **IN GENERAL.**—Section 2006(c) of the Social Se-
4 curity Act (42 U.S.C. 1397e(c)) is amended by adding at
5 the end the following: “The Secretary shall compile the
6 information submitted by the States and submit that in-
7 formation to Congress on an annual basis.”.

8 (b) **EFFECTIVE DATE.**—The amendment made by
9 subsection (a) applies to information submitted by States
10 under section 2006 of the Social Security Act (42 U.S.C.
11 1397e) with respect to fiscal year 2002 and each fiscal
12 year thereafter.

13 **TITLE V—INDIVIDUAL**
14 **DEVELOPMENT ACCOUNTS**

15 **SEC. 501. SHORT TITLE.**

16 This title may be cited as the “Savings for Working
17 Families Act of 2003”.

18 **SEC. 502. PURPOSES.**

19 The purposes of this title are to provide for the estab-
20 lishment of individual development account programs that
21 will—

22 (1) provide individuals and families with limited
23 means an opportunity to accumulate assets and to
24 enter the financial mainstream,

25 (2) promote education, homeownership, and the
26 development of small businesses,

- 1 (3) stabilize families and build communities,
2 and
3 (4) support continued United States economic
4 expansion.

5 **SEC. 503. DEFINITIONS.**

6 As used in this title:

7 (1) ELIGIBLE INDIVIDUAL.—

8 (A) IN GENERAL.—The term “eligible indi-
9 vidual” means, with respect to any taxable year,
10 an individual who—

11 (i) has attained the age of 18 but not
12 the age of 61 as of the last day of such
13 taxable year,

14 (ii) is a citizen or lawful permanent
15 resident (within the meaning of section
16 7701(b)(6) of the Internal Revenue Code
17 of 1986) of the United States as of the
18 last day of such taxable year,

19 (iii) was not a student (as defined in
20 section 151(c)(4) of such Code) for the im-
21 mediately preceding taxable year,

22 (iv) is not an individual with respect
23 to whom a deduction under section 151 of
24 such Code is allowable to another taxpayer
25 for a taxable year of the other taxpayer

1 ending during the immediately preceding
2 taxable year of the individual,

3 (v) is not a taxpayer described in sub-
4 section (c), (d), or (e) of section 6402 of
5 such Code for the immediately preceding
6 taxable year,

7 (vi) is not a taxpayer described in sec-
8 tion 1(d) of such Code for the immediately
9 preceding taxable year, and

10 (vii) is a taxpayer the modified ad-
11 justed gross income of whom for the imme-
12 diately preceding taxable year does not ex-
13 ceed—

14 (I) \$18,000, in the case of a tax-
15 payer described in section 1(c) of such
16 Code,

17 (II) \$30,000, in the case of a
18 taxpayer described in section 1(b) of
19 such Code, and

20 (III) \$38,000, in the case of a
21 taxpayer described in section 1(a) of
22 such Code.

23 (B) INFLATION ADJUSTMENT.—

24 (i) IN GENERAL.—In the case of any
25 taxable year beginning after 2004, each

1 dollar amount referred to in subparagraph
2 (A)(vii) shall be increased by an amount
3 equal to—

4 (I) such dollar amount, multi-
5 plied by

6 (II) the cost-of-living adjustment
7 determined under section (1)(f)(3) of
8 the Internal Revenue Code of 1986
9 for the calendar year in which the tax-
10 able year begins, by substituting
11 “2003” for “1992”.

12 (ii) ROUNDING.—If any amount as
13 adjusted under clause (i) is not a multiple
14 of \$50, such amount shall be rounded to
15 the nearest multiple of \$50.

16 (C) MODIFIED ADJUSTED GROSS IN-
17 COME.—For purposes of subparagraph (A)(v),
18 the term “modified adjusted gross income”
19 means adjusted gross income—

20 (i) determined without regard to sec-
21 tions 86, 893, 911, 931, and 933 of the
22 Internal Revenue Code of 1986, and

23 (ii) increased by the amount of inter-
24 est received or accrued by the taxpayer

1 during the taxable year which is exempt
2 from tax.

3 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

4 The term “Individual Development Account” means
5 an account established for an eligible individual as
6 part of a qualified individual development account
7 program, but only if the written governing instru-
8 ment creating the account meets the following re-
9 quirements:

10 (A) The owner of the account is the indi-
11 vidual for whom the account was established.

12 (B) No contribution will be accepted unless
13 it is in cash, and, except in the case of any
14 qualified rollover, contributions will not be ac-
15 cepted for the taxable year in excess of \$1,500
16 on behalf of any individual.

17 (C) The trustee of the account is a quali-
18 fied financial institution.

19 (D) The assets of the account will not be
20 commingled with other property except in a
21 common trust fund or common investment
22 fund.

23 (E) Except as provided in section 507(b),
24 any amount in the account may be paid out

1 only for the purpose of paying the qualified ex-
2 penses of the account owner.

3 (3) PARALLEL ACCOUNT.—The term “parallel
4 account” means a separate, parallel individual or
5 pooled account for all matching funds and earnings
6 dedicated to an Individual Development Account
7 owner as part of a qualified individual development
8 account program, the trustee of which is a qualified
9 financial institution.

10 (4) QUALIFIED FINANCIAL INSTITUTION.—The
11 term “qualified financial institution” means any per-
12 son authorized to be a trustee of any individual re-
13 tirement account under section 408(a)(2) of the In-
14 ternal Revenue Code of 1986.

15 (5) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
16 COUNT PROGRAM.—The term “qualified individual
17 development account program” means a program es-
18 tablished upon approval of the Secretary under sec-
19 tion 504 after December 31, 2002, under which—

20 (A) Individual Development Accounts and
21 parallel accounts are held in trust by a qualified
22 financial institution, and

23 (B) additional activities determined by the
24 Secretary, in consultation with the Secretary of
25 Health and Human Services, as necessary to re-

1 sponsibly develop and administer accounts, in-
2 cluding recruiting, providing financial education
3 and other training to Account owners, and reg-
4 ular program monitoring, are carried out by the
5 qualified financial institution.

6 (6) QUALIFIED EXPENSE DISTRIBUTION.—

7 (A) IN GENERAL.—The term “qualified ex-
8 pense distribution” means any amount paid (in-
9 cluding through electronic payments) or distrib-
10 uted out of an Individual Development Account
11 or a parallel account established for an eligible
12 individual if such amount—

13 (i) is used exclusively to pay the quali-
14 fied expenses of the Individual Develop-
15 ment Account owner or such owner’s
16 spouse or dependents,

17 (ii) is paid by the qualified financial
18 institution—

19 (I) except as otherwise provided
20 in this clause, directly to the unre-
21 lated third party to whom the amount
22 is due,

23 (II) in the case of any qualified
24 rollover, directly to another Individual

1 Development Account and parallel ac-
2 count, or

3 (III) in the case of a qualified
4 final distribution, directly to the
5 spouse, dependent, or other named
6 beneficiary of the deceased Account
7 owner, and

8 (iii) is paid after the Account owner
9 has completed a financial education course
10 if required under section 505(b).

11 (B) QUALIFIED EXPENSES.—

12 (i) IN GENERAL.—The term “qualified
13 expenses” means any of the following ex-
14 penses approved by the qualified financial
15 institution:

16 (I) Qualified higher education ex-
17 penses.

18 (II) Qualified first-time home-
19 buyer costs.

20 (III) Qualified business capital-
21 ization or expansion costs.

22 (IV) Qualified rollovers.

23 (V) Qualified final distribution.

24 (ii) QUALIFIED HIGHER EDUCATION
25 EXPENSES.—

1 (I) IN GENERAL.—The term
2 “qualified higher education expenses”
3 has the meaning given such term by
4 section 529(e)(3) of the Internal Rev-
5 enue Code of 1986, determined by
6 treating the Account owner, the own-
7 er’s spouse, or one or more of the
8 owner’s dependents as a designated
9 beneficiary, and reduced as provided
10 in section 25A(g)(2) of such Code.

11 (II) COORDINATION WITH OTHER
12 BENEFITS.—The amount of expenses
13 which may be taken into account for
14 purposes of section 135, 529, or 530
15 of such Code for any taxable year
16 shall be reduced by the amount of any
17 qualified higher education expenses
18 taken into account as qualified ex-
19 pense distributions during such tax-
20 able year.

21 (iii) QUALIFIED FIRST-TIME HOME-
22 BUYER COSTS.—The term “qualified first-
23 time homebuyer costs” means qualified ac-
24 quisition costs (as defined in section
25 72(t)(8)(C) of the Internal Revenue Code

1 of 1986) with respect to a principal resi-
2 dence (within the meaning of section 121
3 of such Code) for a qualified first-time
4 homebuyer (as defined in section
5 72(t)(8)(D)(i) of such Code).

6 (iv) QUALIFIED BUSINESS CAPITAL-
7 IZATION OR EXPANSION COSTS.—

8 (I) IN GENERAL.—The term
9 “qualified business capitalization or
10 expansion costs” means qualified ex-
11 penditures for the capitalization or ex-
12 pansion of a qualified business pursu-
13 ant to a qualified business plan.

14 (II) QUALIFIED EXPENDI-
15 TURES.—The term “qualified expendi-
16 tures” means expenditures normally
17 associated with starting or expanding
18 a business and included in a qualified
19 business plan, including costs for cap-
20 ital, plant, and equipment, inventory
21 expenses, and attorney and accounting
22 fees.

23 (III) QUALIFIED BUSINESS.—
24 The term “qualified business” means

1 any business that does not contravene
2 any law.

3 (IV) QUALIFIED BUSINESS
4 PLAN.—The term “qualified business
5 plan” means a business plan which
6 has been approved by the qualified fi-
7 nancial institution and which meets
8 such requirements as the Secretary
9 may specify.

10 (v) QUALIFIED ROLLOVERS.—The
11 term “qualified rollover” means the com-
12 plete distribution of the amounts in an In-
13 dividual Development Account and parallel
14 account to another Individual Development
15 Account and parallel account established in
16 another qualified financial institution for
17 the benefit of the Account owner.

18 (vi) QUALIFIED FINAL DISTRIBUTION.—The term “qualified final distribu-
19 tion” means, in the case of a deceased Ac-
20 count owner, the complete distribution of
21 the amounts in the Individual Development
22 Account and parallel account directly to
23 the spouse, any dependent, or other named
24 beneficiary of the deceased.
25

1 (7) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury.

3 **SEC. 504. STRUCTURE AND ADMINISTRATION OF QUALI-**
4 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
5 **PROGRAMS.**

6 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
7 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
8 cial institution may apply to the Secretary for approval
9 to establish 1 or more qualified individual development ac-
10 count programs which meet the requirements of this title
11 and for an allocation of the Individual Development Ac-
12 count limitation under section 45G(i)(3) of the Internal
13 Revenue Code of 1986 with respect to such programs.

14 (b) BASIC PROGRAM STRUCTURE.—

15 (1) IN GENERAL.—All qualified individual de-
16 velopment account programs shall consist of the fol-
17 lowing 2 components for each participant:

18 (A) An Individual Development Account to
19 which an eligible individual may contribute cash
20 in accordance with section 505.

21 (B) A parallel account to which all match-
22 ing funds shall be deposited in accordance with
23 section 506.

24 (2) TAILORED IDA PROGRAMS.—A qualified fi-
25 nancial institution may tailor its qualified individual

1 development account program to allow matching
 2 funds to be spent on 1 or more of the categories of
 3 qualified expenses.

4 (3) NO FEES MAY BE CHARGED TO IDAS.—A
 5 qualified financial institution may not charge any
 6 fees to any Individual Development Account or par-
 7 allel account under a qualified individual develop-
 8 ment account program.

9 (c) COORDINATION WITH PUBLIC HOUSING AGENCY
 10 INDIVIDUAL SAVINGS ACCOUNTS.—Section 3(e)(2) of the
 11 United States Housing Act of 1937 (42 U.S.C.
 12 1437a(e)(2)) is amended by inserting “or in any Indi-
 13 vidual Development Account established under the Sav-
 14 ings for Working Families Act of 2003” after “sub-
 15 section”.

16 (d) TAX TREATMENT OF PARALLEL ACCOUNTS.—

17 (1) IN GENERAL.—Chapter 77 (relating to mis-
 18 cellaneous provisions) is amended by adding at the
 19 end the following new section:

20 **“SEC. 7525. TAX INCENTIVES FOR INDIVIDUAL DEVELOP-**
 21 **MENT PARALLEL ACCOUNTS.**

22 “For purposes of this title—

23 “(1) any account described in section
 24 504(b)(1)(B) of the Savings for Working Families
 25 Act of 2003 shall be exempt from taxation,

1 “(2) except as provided in section 45G, no item
2 of income, expense, basis, gain, or loss with respect
3 to such an account may be taken into account, and

4 “(3) any amount withdrawn from such an ac-
5 count shall not be includible in gross income.”.

6 (2) CONFORMING AMENDMENT.—The table of
7 sections for chapter 77 is amended by adding at the
8 end the following new item:

“Sec. 7525. Tax incentives for individual development parallel ac-
counts.”.

9 (e) COORDINATION OF CERTAIN EXPENSES.—Sec-
10 tion 25A(g)(2) is amended by striking “and” at the end
11 of subparagraph (C), by striking the period at the end of
12 subparagraph (D) and inserting “, and”, and by adding
13 at the end the following new subparagraph:

14 “(D) a qualified expense distribution with
15 respect to qualified higher education expenses
16 from an Individual Development Account or a
17 parallel account under section 507(a) of the
18 Savings for Working Families Act of 2003.”.

19 **SEC. 505. PROCEDURES FOR OPENING AND MAINTAINING**
20 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**
21 **AND QUALIFYING FOR MATCHING FUNDS.**

22 (a) OPENING AN ACCOUNT.—An eligible individual
23 may open an Individual Development Account with a
24 qualified financial institution upon certification that such

1 individual has never maintained any other Individual De-
2 velopment Account (other than an Individual Development
3 Account to be terminated by a qualified rollover).

4 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
5 CATION COURSE.—

6 (1) IN GENERAL.—Before becoming eligible to
7 withdraw funds to pay for qualified expenses, owners
8 of Individual Development Accounts must complete
9 1 or more financial education courses specified in
10 the qualified individual development account pro-
11 gram.

12 (2) STANDARD AND APPLICABILITY OF
13 COURSE.—The Secretary, in consultation with rep-
14 resentatives of qualified individual development ac-
15 count programs and financial educators, shall not
16 later than January 1, 2004, establish minimum
17 quality standards for the contents of financial edu-
18 cation courses and providers of such courses de-
19 scribed in paragraph (1) and a protocol to exempt
20 individuals from the requirement under paragraph
21 (1) in the case of hardship, lack of need, the attain-
22 ment of age 65, or a qualified final distribution.

23 (c) PROOF OF STATUS AS AN ELIGIBLE INDI-
24 VIDUAL.—Federal income tax forms for the immediately
25 preceding taxable year and any other evidence of eligibility

1 which may be required by a qualified financial institution
2 shall be presented to such institution at the time of the
3 establishment of the Individual Development Account and
4 in any taxable year in which contributions are made to
5 the Account to qualify for matching funds under section
6 506(b)(1)(A).

7 (d) SPECIAL RULE IN THE CASE OF MARRIED INDI-
8 VIDUALS.—For purposes of this title, if, with respect to
9 any taxable year, 2 married individuals file a Federal joint
10 income tax return, then not more than 1 of such individ-
11 uals may be treated as an eligible individual with respect
12 to the succeeding taxable year.

13 **SEC. 506. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
14 **MENT ACCOUNT PROGRAMS.**

15 (a) PARALLEL ACCOUNTS.—The qualified financial
16 institution shall deposit all matching funds for each Indi-
17 vidual Development Account into a parallel account at a
18 qualified financial institution.

19 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

20 (1) IN GENERAL.—Subject to paragraph (2),
21 the qualified financial institution shall deposit into
22 the parallel account with respect to each eligible in-
23 dividual the following amounts:

24 (A) A dollar-for-dollar match for the first
25 \$500 contributed by the eligible individual into

1 an Individual Development Account with re-
2 spect to any taxable year of such individual.

3 (B) Any matching funds provided by State,
4 local, or private sources in accordance with the
5 matching ratio set by those sources.

6 (2) TIMING OF DEPOSITS.—A deposit of the
7 amounts described in paragraph (1) shall be made
8 into a parallel account—

9 (A) in the case of amounts described in
10 paragraph (1)(A), not later than 30 days after
11 the end of the calendar quarter during which
12 the contribution described in such paragraph
13 was made, and

14 (B) in the case of amounts described in
15 paragraph (1)(B), not later than 2 business
16 days after such amounts were provided.

17 (3) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 45G of the Internal Revenue Code of 1986.

18 (c) DEPOSIT OF MATCHING FUNDS INTO INDI-
19 VIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO
20 HAS ATTAINED AGE 65.—In the case of an Individual De-
21 velopment Account owner who attains the age of 65, the
22 qualified financial institution shall deposit the funds in the
23 parallel account with respect to such individual into the

1 Individual Development Account of such individual on the
2 later of—

3 (1) the day which is the 1-year anniversary of
4 the deposit of such funds in the parallel account, or

5 (2) the first business day of the taxable year of
6 such individual following the taxable year in which
7 such individual attained age 65.

8 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-
9 sure proper recordkeeping and determination of the tax
10 credit under section 45G of the Internal Revenue Code
11 of 1986, the Secretary shall prescribe regulations with re-
12 spect to accounting for matching funds in the parallel ac-
13 counts.

14 (e) REGULAR REPORTING OF ACCOUNTS.—Any
15 qualified financial institution shall report the balances in
16 any Individual Development Account and parallel account
17 of an individual on not less than an annual basis to such
18 individual.

19 **SEC. 507. WITHDRAWAL PROCEDURES.**

20 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

21 (1) IN GENERAL.—An Individual Development
22 Account owner may withdraw funds in order to pay
23 qualified expense distributions from such individ-
24 ual's—

1 (A) Individual Development Account, but
2 only from funds which have been on deposit in
3 such Account for at least 1 year, and

4 (B) parallel account, but only—

5 (i) from matching funds which have
6 been on deposit in such parallel account
7 for at least 1 year,

8 (ii) from earnings in such parallel ac-
9 count, after all matching funds described
10 in clause (i) have been withdrawn, and

11 (iii) to the extent such withdrawal
12 does not result in a remaining balance in
13 such parallel account which is less than the
14 remaining balance in the Individual Devel-
15 opment Account after such withdrawal.

16 (2) PROCEDURE.—Upon receipt of a with-
17 drawal request which meets the requirements of
18 paragraph (1), the qualified financial institution
19 shall directly transfer the funds electronically to the
20 distributees described in section 503(6)(A)(ii). If a
21 distributee is not equipped to receive funds electroni-
22 cally, the qualified financial institution may issue
23 such funds by paper check to the distributee.

24 (b) WITHDRAWALS FOR NONQUALIFIED EX-
25 PENSES.—An Individual Development Account owner may

1 withdraw any amount of funds from the Individual Devel-
2 opment Account for purposes other than to pay qualified
3 expense distributions, but if, after such withdrawal, the
4 amount in the parallel account of such owner (excluding
5 earnings on matching funds) exceeds the amount remain-
6 ing in such Individual Development Account, then such
7 owner shall forfeit from the parallel account the lesser of
8 such excess or the amount withdrawn.

9 (c) WITHDRAWALS FROM ACCOUNTS OF NON-
10 ELIGIBLE INDIVIDUALS.—If the individual for whose ben-
11 efit an Individual Development Account is established
12 ceases to be an eligible individual, such account shall re-
13 main an Individual Development Account, but such indi-
14 vidual shall not be eligible for any further matching funds
15 under section 506(b)(1)(A) for contributions which are
16 made to the Account during any taxable year when such
17 individual is not an eligible individual.

18 (d) EFFECT OF PLEDGING ACCOUNT AS SECUR-
19 RITY.—If, during any taxable year of the individual for
20 whose benefit an Individual Development Account is es-
21 tablished, that individual uses the Account, the individ-
22 ual's parallel account, or any portion thereof as security
23 for a loan, the portion so used shall be treated as a with-
24 drawal of such portion from the Individual Development
25 Account for purposes other than to pay qualified expenses.

1 **SEC. 508. CERTIFICATION AND TERMINATION OF QUALI-**
2 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
3 **PROGRAMS.**

4 (a) CERTIFICATION PROCEDURES.—Upon estab-
5 lishing a qualified individual development account pro-
6 gram under section 504, a qualified financial institution
7 shall certify to the Secretary at such time and in such
8 manner as may be prescribed by the Secretary and accom-
9 panied by any documentation required by the Secretary,
10 that—

11 (1) the accounts described in subparagraphs
12 (A) and (B) of section 504(b)(1) are operating pur-
13 suant to all the provisions of this title, and

14 (2) the qualified financial institution agrees to
15 implement an information system necessary to mon-
16 itor the cost and outcomes of the qualified individual
17 development account program.

18 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
19 PROGRAM.—If the Secretary determines that a qualified
20 financial institution under this title is not operating a
21 qualified individual development account program in ac-
22 cordance with the requirements of this title (and has not
23 implemented any corrective recommendations directed by
24 the Secretary), the Secretary shall terminate such institu-
25 tion's authority to conduct the program. If the Secretary
26 is unable to identify a qualified financial institution to as-

1 sume the authority to conduct such program, then any
2 funds in a parallel account established for the benefit of
3 any individual under such program shall be deposited into
4 the Individual Development Account of such individual as
5 of the first day of such termination.

6 **SEC. 509. REPORTING, MONITORING, AND EVALUATION.**

7 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
8 STITUTIONS.—

9 (1) IN GENERAL.—Each qualified financial in-
10 stitution that operates a qualified individual develop-
11 ment account program under section 504 shall re-
12 port annually to the Secretary within 90 days after
13 the end of each calendar year on—

14 (A) the number of individuals making con-
15 tributions into Individual Development Ac-
16 counts and the amounts contributed,

17 (B) the amounts contributed into Indi-
18 vidual Development Accounts by eligible individ-
19 uals and the amounts deposited into parallel ac-
20 counts for matching funds,

21 (C) the amounts withdrawn from Indi-
22 vidual Development Accounts and parallel ac-
23 counts, and the purposes for which such
24 amounts were withdrawn,

1 (D) the balances remaining in Individual
2 Development Accounts and parallel accounts,
3 and

4 (E) such other information needed to help
5 the Secretary monitor the effectiveness of the
6 qualified individual development account pro-
7 gram (provided in a non-individually-identifiable
8 manner).

9 (2) ADDITIONAL REPORTING REQUIREMENTS.—

10 Each qualified financial institution that operates a
11 qualified individual development account program
12 under section 504 shall report at such time and in
13 such manner as the Secretary may prescribe any ad-
14 ditional information that the Secretary requires to
15 be provided for purposes of administering and super-
16 vising the qualified individual development account
17 program. This additional data may include, without
18 limitation, identifying information about Individual
19 Development Account owners, their Accounts, addi-
20 tions to the Accounts, and withdrawals from the Ac-
21 counts.

22 (b) RESPONSIBILITIES OF THE SECRETARY.—

23 (1) MONITORING PROTOCOL.—Not later than
24 12 months after the date of the enactment of this
25 Act, the Secretary, in consultation with the Sec-

1 retary of Health and Human Services, shall develop
2 and implement a protocol and process to monitor the
3 cost and outcomes of the qualified individual devel-
4 opment account programs established under section
5 504.

6 (2) ANNUAL REPORTS.—For each year after
7 2003, the Secretary shall submit a progress report
8 to Congress on the status of such qualified indi-
9 vidual development account programs. Such report
10 shall, to the extent data are available, include from
11 a representative sample of qualified individual devel-
12 opment account programs information on—

13 (A) the characteristics of participants, in-
14 cluding age, gender, race or ethnicity, marital
15 status, number of children, employment status,
16 and monthly income,

17 (B) deposits, withdrawals, balances, uses
18 of Individual Development Accounts, and par-
19 ticipant characteristics,

20 (C) the characteristics of qualified indi-
21 vidual development account programs, including
22 match rate, economic education requirements,
23 permissible uses of accounts, staffing of pro-
24 grams in full time employees, and the total
25 costs of programs, and

1 (D) process information on program imple-
2 mentation and administration, especially on
3 problems encountered and how problems were
4 solved.

5 (3) REAUTHORIZATION REPORT ON COST AND
6 OUTCOMES OF IDAS.—

7 (A) IN GENERAL.—Not later than July 1,
8 2008, the Secretary of the Treasury shall sub-
9 mit a report to Congress and the chairmen and
10 ranking members of the Committee on Finance,
11 the Committee on Banking, Housing, and
12 Urban Affairs, and the Committee on Health,
13 Education, Labor, and Pensions of the Senate
14 and the Committee on Ways and Means, the
15 Committee on Banking and Financial Services,
16 and the Committee on Education and the
17 Workforce of the House of Representatives, in
18 which the Secretary shall—

19 (i) summarize the previously sub-
20 mitted annual reports required under para-
21 graph (2),

22 (ii) from a representative sample of
23 qualified individual development account
24 programs, include an analysis of—

1 (I) the economic, social, and be-
2 havioral outcomes,

3 (II) the changes in savings rates,
4 asset holdings, and household debt,
5 and overall changes in economic sta-
6 bility,

7 (III) the changes in outlooks, at-
8 titudes, and behavior regarding sav-
9 ings strategies, investment, education,
10 and family,

11 (IV) the integration into the fi-
12 nancial mainstream, including de-
13 creased reliance on alternative finan-
14 cial services, and increase in acquisi-
15 tion of mainstream financial products,
16 and

17 (V) the involvement in civic af-
18 fairs, including neighborhood schools
19 and associations,

20 associated with participation in qualified
21 individual development account programs,

22 (iii) from a representative sample of
23 qualified individual development account
24 programs, include a comparison of out-
25 comes associated with such programs with

1 outcomes associated with other Federal
2 Government social and economic develop-
3 ment programs, including asset building
4 programs, and

5 (iv) make recommendations regarding
6 the reauthorization of the qualified indi-
7 vidual development account programs, in-
8 cluding—

9 (I) recommendations regarding
10 reforms that will improve the cost and
11 outcomes of the such programs, in-
12 cluding the ability to help low income
13 families save and accumulate produc-
14 tive assets,

15 (II) recommendations regarding
16 the appropriate levels of subsidies to
17 provide effective incentives to financial
18 institutions and Account owners under
19 such programs, and

20 (III) recommendations regarding
21 how such programs should be inte-
22 grated into other Federal poverty re-
23 duction, asset building, and commu-
24 nity development policies and pro-
25 grams.

1 (B) AUTHORIZATION.—There is authorized
2 to be appropriated \$2,500,000, for carrying out
3 the purposes of this paragraph.

4 (4) USE OF ACCOUNTS IN RURAL AREAS EN-
5 COURAGED.—The Secretary shall develop methods to
6 encourage the use of Individual Development Ac-
7 counts in rural areas.

8 **SEC. 510. AUTHORIZATION OF APPROPRIATIONS.**

9 There is authorized to be appropriated to the Sec-
10 retary \$1,000,000 for fiscal year 2004 and for each fiscal
11 year through 2011, for the purposes of implementing this
12 title, including the reporting, monitoring, and evaluation
13 required under section 509, to remain available until ex-
14 pended.

15 **SEC. 511. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**
16 **MENT ACCOUNTS PROVIDED THROUGH A TAX**
17 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**
18 **TIONS.**

19 (a) IN GENERAL.—Subpart D of part IV of sub-
20 chapter A of chapter 1 (relating to business related cred-
21 its) is amended by adding at the end the following new
22 section:

1 **“SEC. 45G. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**
2 **MENT CREDIT.**

3 “(a) DETERMINATION OF AMOUNT.—For purposes of
4 section 38, the individual development account investment
5 credit determined under this section with respect to any
6 eligible entity for any taxable year is an amount equal to
7 the individual development account investment provided
8 by such eligible entity during the taxable year under an
9 individual development account program established under
10 section 504 of the Savings for Working Families Act of
11 2003.

12 “(b) APPLICABLE TAX.—For the purposes of this
13 section, the term ‘applicable tax’ means the excess (if any)
14 of—

15 “(1) the tax imposed under this chapter (other
16 than the taxes imposed under the provisions de-
17 scribed in subparagraphs (C) through (Q) of section
18 26(b)(2)), over

19 “(2) the credits allowable under subpart B
20 (other than this section) and subpart D of this part.

21 “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-
22 MENT.—For purposes of this section, the term ‘individual
23 development account investment’ means, with respect to
24 an individual development account program in any taxable
25 year, an amount equal to the sum of—

1 “(1) the aggregate amount of dollar-for-dollar
2 matches under such program under section
3 506(b)(1)(A) of the Savings for Working Families
4 Act of 2003 for such taxable year, plus

5 “(2) \$50 with respect to each Individual Devel-
6 opment Account maintained—

7 “(A) as of the end of such taxable year,
8 but only if such taxable year is within the 7-
9 taxable-year period beginning with the taxable
10 year in which such Account is opened, and

11 “(B) with a balance of not less than \$100
12 (other than the taxable year in which such Ac-
13 count is opened).

14 “(d) ELIGIBLE ENTITY.—For purposes of this sec-
15 tion, except as provided in regulations, the term ‘eligible
16 entity’ means a qualified financial institution.

17 “(e) OTHER DEFINITIONS.—For purposes of this
18 section, any term used in this section and also in the Sav-
19 ings for Working Families Act of 2003 shall have the
20 meaning given such term by such Act.

21 “(f) DENIAL OF DOUBLE BENEFIT.—

22 “(1) IN GENERAL.—No deduction or credit
23 (other than under this section) shall be allowed
24 under this chapter with respect to any expense
25 which—

1 “(A) is taken into account under sub-
2 section (c)(1)(A) in determining the credit
3 under this section, or

4 “(B) is attributable to the maintenance of
5 an Individual Development Account.

6 “(2) DETERMINATION OF AMOUNT.—Solely for
7 purposes of paragraph (1)(B), the amount attrib-
8 utable to the maintenance of an Individual Develop-
9 ment Account shall be deemed to be the dollar
10 amount of the credit allowed under subsection
11 (c)(1)(B) for each taxable year such Individual De-
12 velopment Account is maintained.

13 “(g) CREDIT MAY BE TRANSFERRED.—

14 “(1) IN GENERAL.—An eligible entity may
15 transfer any credit allowable to the eligible entity
16 under subsection (a) to any person other than to an-
17 other eligible entity which is exempt from tax under
18 this title. The determination as to whether a credit
19 is allowable shall be made without regard to the tax-
20 exempt status of the eligible entity.

21 “(2) CONSENT REQUIRED FOR REVOCATION.—
22 Any transfer under paragraph (1) may be revoked
23 only with the consent of the Secretary.

1 “(h) REGULATIONS.—The Secretary may prescribe
2 such regulations as may be necessary or appropriate to
3 carry out this section, including

4 “(1) such regulations as necessary to insure
5 that any credit described in subsection (g)(1) is
6 claimed once and not retransferred by a transferee,
7 and

8 “(2) regulations providing for a recapture of
9 the credit allowed under this section (notwith-
10 standing any termination date described in sub-
11 section (i)) in cases where there is a forfeiture under
12 section 507(b) of the Savings for Working Families
13 Act of 2003 in a subsequent taxable year of any
14 amount which was taken into account in determining
15 the amount of such credit.

16 “(i) APPLICATION OF SECTION.—

17 “(1) IN GENERAL.—This section shall apply to
18 any expenditure made in any taxable year ending
19 after December 31, 2003, and beginning on or be-
20 fore January 1, 2011, with respect to any Individual
21 Development Account which—

22 “(A) is opened before January 1, 2011,
23 and

1 “(B) as determined by the Secretary, when
2 added to all of the previously opened Individual
3 Development Accounts, does not exceed—

4 “(i) 100,000 Accounts if opened after
5 December 31, 2003, and before January 1,
6 2007,

7 “(ii) an additional 100,000 Accounts
8 if opened after December 31, 2006, and
9 before January 1, 2009, but only if, except
10 as provided in paragraph (4), the total
11 number of Accounts described in clause (i)
12 are opened and the Secretary determines
13 that such Accounts are being reasonably
14 and responsibly administered, and

15 “(iii) an additional 100,000 Accounts
16 if opened after December 31, 2008, and
17 before January 1, 2011, but only if the
18 total number of Accounts described in
19 clauses (i) and (ii) are opened and the Sec-
20 retary makes a determination described in
21 paragraph (2).

22 Notwithstanding the preceding sentence, this section
23 shall apply to amounts which are described in sub-
24 section (c)(1)(A) and which are timely deposited into
25 a parallel account during the 30-day period following

1 the end of last taxable year beginning before Janu-
2 ary 1, 2011.

3 “(2) DETERMINATION WITH RESPECT TO
4 THIRD GROUP OF ACCOUNTS.—A determination is
5 described in this paragraph if the Secretary deter-
6 mines that—

7 “(A) substantially all of the previously
8 opened Accounts have been reasonably and re-
9 sponsibly administered prior to the date of the
10 determination,

11 “(B) the individual development account
12 programs have increased net savings of partici-
13 pants in the programs,

14 “(C) participants in the individual develop-
15 ment account programs have increased Federal
16 income tax liability and decreased utilization of
17 Federal assistance programs relative to simi-
18 larly situated individuals that did not partici-
19 pate in the individual development account pro-
20 grams, and

21 “(D) the sum of the estimated increased
22 Federal tax liability and reduction of Federal
23 assistance program benefits to participants in
24 the individual development account programs is
25 greater than the cost of the individual develop-

1 ment account programs to the Federal govern-
2 ment.

3 “(3) DETERMINATION OF LIMITATION.—The
4 limitation on the number of Individual Development
5 Accounts under paragraph (1)(B) shall be allocated
6 by the Secretary among qualified individual develop-
7 ment account programs selected by the Secretary
8 and, in the case of the limitation under clause (iii)
9 of such paragraph, shall be equally divided among
10 the States.

11 “(4) SPECIAL RULE IF SMALLER NUMBER OF
12 ACCOUNTS ARE OPENED.—For purposes of para-
13 graph (1)(B)(ii)—

14 “(i) IN GENERAL.—If less than
15 100,000 Accounts are opened before Janu-
16 ary 1, 2007, such paragraph shall be ap-
17 plied by substituting “applicable number of
18 Accounts’ for ‘100,000 Accounts’.

19 “(ii) APPLICABLE NUMBER.—For pur-
20 poses of clause (i), the applicable number
21 equals the lesser of—

22 “(I) 75,000, or

23 “(II) 3 times the number of Ac-
24 counts opened before January 1,
25 2007.”.

1 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
2 tion 38(b) (relating to current year business credit) is
3 amended by striking “plus” at the end of paragraph (14),
4 by striking the period at the end of paragraph (15) and
5 inserting “, plus”, and by adding at the end the following
6 new paragraph:

7 “(16) the individual development account in-
8 vestment credit determined under section 45G(a).”.

9 (c) NO CARRYBACKS.—Subsection (d) of section 39
10 (relating to carryback and carryforward of unused credits)
11 is amended by adding at the end the following:

12 “(11) NO CARRYBACK OF SECTION 45G CREDIT
13 BEFORE EFFECTIVE DATE.—No portion of the un-
14 used business credit for any taxable year which is
15 attributable to the individual development account
16 investment credit determined under section 45G may
17 be carried back to a taxable year ending before Jan-
18 uary 1, 2004.”.

19 (d) CONFORMING AMENDMENT.—The table of sec-
20 tions for subpart C of part IV of subchapter A of chapter
21 1 is amended by adding at the end the following new item:

“Sec. 45G. Individual development account investment credit.”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years ending after De-
24 cember 31, 2003.

1 **SEC. 512. ACCOUNT FUNDS DISREGARDED FOR PURPOSES**
2 **OF CERTAIN MEANS-TESTED FEDERAL PRO-**
3 **GRAMS.**

4 Notwithstanding any other provision of Federal law
5 (other than the Internal Revenue Code of 1986) that re-
6 quires consideration of 1 or more financial circumstances
7 of an individual, for the purpose of determining eligibility
8 to receive, or the amount of, any assistance or benefit au-
9 thorized by such provision to be provided to or for the
10 benefit of such individual, any amount (including earnings
11 thereon) in any Individual Development Account of such
12 individual and any matching deposit made on behalf of
13 such individual (including earnings thereon) in any par-
14 allel account shall be disregarded for such purpose with
15 respect to any period during which such individual main-
16 tains or makes contributions into such Individual Develop-
17 ment Account.

18 **TITLE VI—MANAGEMENT OF**
19 **EXEMPT ORGANIZATIONS**

20 **SEC. 601. AUTHORIZATION OF APPROPRIATIONS.**

21 (a) IN GENERAL.—There is authorized to be appro-
22 priated to the Secretary of the Treasury \$80,000,000 for
23 each fiscal year to carry out the administration of exempt
24 organizations by the Internal Revenue Service.

25 (b) IMPLEMENTATION OF SECTION 527.—There is
26 authorized to be appropriated to the Secretary of the

1 Treasury \$3,000,000 to carry out the provisions of Public
2 Laws 106–230 and 107–276 relating to section 527 of the
3 Internal Revenue Code of 1986.

4 **TITLE VII—COMPASSION**
5 **CAPITAL FUND**

6 **SEC. 701. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
7 **ORGANIZATIONS; DEPARTMENT OF HEALTH**
8 **AND HUMAN SERVICES.**

9 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
10 TIONS.—The Secretary of Health and Human Services
11 (referred to in this section as “the Secretary”) may award
12 grants to and enter into cooperative agreements with non-
13 governmental organizations, to—

14 (1) provide technical assistance for community-
15 based organizations, which may include—

16 (A) grant writing and grant management
17 assistance, which may include assistance pro-
18 vided through workshops and other guidance;

19 (B) legal assistance with incorporation;

20 (C) legal assistance to obtain tax-exempt
21 status; and

22 (D) information on, and referrals to, other
23 nongovernmental organizations that provide ex-
24 pertise in accounting, on legal issues, on tax

1 issues, in program development, and on a vari-
2 ety of other organizational topics;

3 (2) provide information and assistance for com-
4 munity-based organizations on capacity building;

5 (3) provide for community-based organizations
6 information on and assistance in identifying and
7 using best practices for delivering assistance to per-
8 sons, families, and communities in need;

9 (4) provide information on and assistance in
10 utilizing regional intermediary organizations to in-
11 crease and strengthen the capabilities of nonprofit
12 community-based organizations;

13 (5) assist community-based organizations in
14 replicating social service programs of demonstrated
15 effectiveness; and

16 (6) encourage research on the best practices of
17 social service organizations.

18 (b) SUPPORT FOR STATES.—The Secretary—

19 (1) may award grants to and enter into cooper-
20 ative agreements with States and political subdivi-
21 sions of States to provide seed money to establish
22 State and local offices of faith-based and community
23 initiatives; and

1 (2) shall provide technical assistance to States
2 and political subdivisions of States in administering
3 the provisions of this Act.

4 (c) APPLICATIONS.—To be eligible to receive a grant
5 or enter into a cooperative agreement under this section,
6 a nongovernmental organization, State, or political sub-
7 division shall submit an application to the Secretary at
8 such time, in such manner, and containing such informa-
9 tion as the Secretary may require.

10 (d) LIMITATION.—In order to widely disburse limited
11 resources, no community-based organization (other than
12 a direct recipient of a grant or cooperative agreement from
13 the Secretary) may receive more than 1 grant or coopera-
14 tive agreement under this section for the same purpose.

15 (e) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to carry out this section
17 \$85,000,000 for fiscal year 2003, and such sums as may
18 be necessary for each of fiscal years 2004 through 2007.

19 (f) DEFINITION.—In this section, the term “commu-
20 nity-based organization” means a nonprofit corporation or
21 association that has—

22 (1) not more than 6 full-time equivalent em-
23 ployees who are engaged in the provision of social
24 services; or

1 (2) a current annual budget (current as of the
2 date the entity seeks assistance under this section)
3 for the provision of social services, compiled and
4 adopted in good faith, of less than \$450,000.

5 **SEC. 702. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
6 **ORGANIZATIONS; CORPORATION FOR NA-**
7 **TIONAL AND COMMUNITY SERVICE.**

8 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
9 TIONS.—The Corporation for National and Community
10 Service (referred to in this section as “the Corporation”)
11 may award grants to and enter into cooperative agree-
12 ments with nongovernmental organizations and State
13 Commissions on National and Community Service estab-
14 lished under section 178 of the National and Community
15 Service Act of 1990 (42 U.S.C. 12638), to—

16 (1) provide technical assistance for community-
17 based organizations, which may include—

18 (A) grant writing and grant management
19 assistance, which may include assistance pro-
20 vided through workshops and other guidance;

21 (B) legal assistance with incorporation;

22 (C) legal assistance to obtain tax-exempt
23 status; and

24 (D) information on, and referrals to, other
25 nongovernmental organizations that provide ex-

1 pertise in accounting, on legal issues, on tax
2 issues, in program development, and on a vari-
3 ety of other organizational topics;

4 (2) provide information and assistance for com-
5 munity-based organizations on capacity building;

6 (3) provide for community-based organizations
7 information on and assistance in identifying and
8 using best practices for delivering assistance to per-
9 sons, families, and communities in need;

10 (4) provide information on and assistance in
11 utilizing regional intermediary organizations to in-
12 crease and strengthen the capabilities of community-
13 based organizations;

14 (5) assist community-based organizations in
15 replicating social service programs of demonstrated
16 effectiveness; and

17 (6) encourage research on the best practices of
18 social service organizations.

19 (b) APPLICATIONS.—To be eligible to receive a grant
20 or enter into a cooperative agreement under this section,
21 a nongovernmental organization, State Commission,
22 State, or political subdivision shall submit an application
23 to the Corporation at such time, in such manner, and con-
24 taining such information as the Corporation may require.

1 (c) LIMITATION.—In order to widely disburse limited
 2 resources, no community-based organization (other than
 3 a direct recipient of a grant or cooperative agreement from
 4 the Secretary) may receive more than 1 grant or coopera-
 5 tive agreement under this section for the same purpose.

6 (d) AUTHORIZATION OF APPROPRIATIONS.—There
 7 are authorized to be appropriated to carry out this section
 8 \$15,000,000 for fiscal year 2003, and such sums as may
 9 be necessary for each of fiscal years 2004 through 2007.

10 (e) DEFINITION.—In this section, the term “commu-
 11 nity-based organization” means a nonprofit corporation or
 12 association that has—

13 (1) not more than 6 full-time equivalent em-
 14 ployees who are engaged in the provision of social
 15 services; or

16 (2) a current annual budget (current as of the
 17 date the entity seeks assistance under this section)
 18 for the provision of social services, compiled and
 19 adopted in good faith, of less than \$450,000.

20 **SEC. 703. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
 21 **ORGANIZATIONS; DEPARTMENT OF JUSTICE.**

22 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 23 TIONS.—The Attorney General may award grants to and
 24 enter into cooperative agreements with nongovernmental
 25 organizations, to—

1 (1) provide technical assistance for community-
2 based organizations, which may include—

3 (A) grant writing and grant management
4 assistance, which may include assistance pro-
5 vided through workshops and other guidance;

6 (B) legal assistance with incorporation;

7 (C) legal assistance to obtain tax-exempt
8 status; and

9 (D) information on, and referrals to, other
10 nongovernmental organizations that provide ex-
11 pertise in accounting, on legal issues, on tax
12 issues, in program development, and on a vari-
13 ety of other organizational topics;

14 (2) provide information and assistance for com-
15 munity-based organizations on capacity building;

16 (3) provide for community-based organizations
17 information on and assistance in identifying and
18 using best practices for delivering assistance to per-
19 sons, families, and communities in need;

20 (4) provide information on and assistance in
21 utilizing regional intermediary organizations to in-
22 crease and strengthen the capabilities of nonprofit
23 community-based organizations;

1 (5) assist community-based organizations in
2 replicating social service programs of demonstrated
3 effectiveness; and

4 (6) encourage research on the best practices of
5 social service organizations.

6 (b) APPLICATIONS.—To be eligible to receive a grant
7 or enter into a cooperative agreement under this section,
8 a nongovernmental organization, State, or political sub-
9 division shall submit an application to the Attorney Gen-
10 eral at such time, in such manner, and containing such
11 information as the Attorney General may require.

12 (c) LIMITATION.—In order to widely disburse limited
13 resources, no community-based organization (other than
14 a direct recipient of a grant or cooperative agreement from
15 the Attorney General) may receive more than 1 grant or
16 cooperative agreement under this section for the same pur-
17 pose.

18 (d) AUTHORIZATION OF APPROPRIATIONS.—There
19 are authorized to be appropriated to carry out this section
20 \$35,000,000 for fiscal year 2003, and such sums as may
21 be necessary for each of fiscal years 2004 through 2007.

22 (e) DEFINITION.—In this section, the term “commu-
23 nity-based organization” means a nonprofit corporation or
24 association that has—

1 (1) not more than 6 full-time equivalent em-
2 ployees who are engaged in the provision of social
3 services; or

4 (2) a current annual budget (current as of the
5 date the entity seeks assistance under this section)
6 for the provision of social services, compiled and
7 adopted in good faith, of less than \$450,000.

8 **SEC. 704. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
9 **ORGANIZATIONS; DEPARTMENT OF HOUSING**
10 **AND URBAN DEVELOPMENT.**

11 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
12 TIONS.—The Secretary of Housing and Urban Develop-
13 ment (referred to in this section “the Secretary”) may
14 award grants to and enter into cooperative agreements
15 with nongovernmental organizations, to—

16 (1) provide technical assistance for community-
17 based organizations, which may include—

18 (A) grant writing and grant management
19 assistance, which may include assistance pro-
20 vided through workshops and other guidance;

21 (B) legal assistance with incorporation;

22 (C) legal assistance to obtain tax-exempt
23 status; and

24 (D) information on, and referrals to, other
25 nongovernmental organizations that provide ex-

1 pertise in accounting, on legal issues, on tax
2 issues, in program development, and on a vari-
3 ety of other organizational topics;

4 (2) provide information and assistance for com-
5 munity-based organizations on capacity building;

6 (3) provide for community-based organizations
7 information on and assistance in identifying and
8 using best practices for delivering assistance to per-
9 sons, families, and communities in need;

10 (4) provide information on and assistance in
11 utilizing regional intermediary organizations to in-
12 crease and strengthen the capabilities of community-
13 based organizations;

14 (5) assist community-based organizations in
15 replicating social service programs of demonstrated
16 effectiveness; and

17 (6) encourage research on the best practices of
18 social service organizations.

19 (b) APPLICATIONS.—To be eligible to receive a grant
20 or enter into a cooperative agreement under this section,
21 a nongovernmental organization, State, or political sub-
22 division shall submit an application to the Secretary at
23 such time, in such manner, and containing such informa-
24 tion as the Secretary may require.

1 (c) LIMITATION.—In order to widely disburse limited
 2 resources, no community-based organization (other than
 3 a direct recipient of a grant or cooperative agreement from
 4 the Secretary) may receive more than 1 grant or coopera-
 5 tive agreement under this section for the same purpose.

6 (d) AUTHORIZATION OF APPROPRIATIONS.—There
 7 are authorized to be appropriated to carry out this section
 8 \$15,000,000 for fiscal year 2003, and such sums as may
 9 be necessary for each of fiscal years 2004 through 2007.

10 (e) DEFINITION.—In this section, the term “commu-
 11 nity-based organization” means a nonprofit corporation or
 12 association that has—

13 (1) not more than 6 full-time equivalent em-
 14 ployees who are engaged in the provision of social
 15 services; or

16 (2) a current annual budget (current as of the
 17 date the entity seeks assistance under this section)
 18 for the provision of social services, compiled and
 19 adopted in good faith, of less than \$450,000.

20 **SEC. 705. COORDINATION.**

21 The Secretary of Health and Human Services, the
 22 Corporation for National and Community Service, the At-
 23 torney General, and the Secretary of Housing and Urban
 24 Development shall coordinate their activities under this
 25 title to ensure—

- 1 (1) nonduplication of activities under this title;
2 and
3 (2) an equitable distribution of resources under
4 this title.

5 **TITLE VIII—EQUAL TREATMENT**
6 **FOR NONGOVERNMENTAL**
7 **PROVIDERS**

8 **SEC. 801. NONGOVERNMENTAL ORGANIZATIONS.**

9 (a) **GENERAL AUTHORITY.**—For any social service
10 program, a nongovernmental organization that is (or is
11 applying to be) involved in the delivery of social services
12 for the program shall not be required—

13 (1) to alter or remove art, icons, scripture, or
14 other symbols, or to alter its name, because the sym-
15 bols or name are religious;

16 (2) to alter or remove provisions in its char-
17 tering documents because the provisions are reli-
18 gious, except that no such charter provisions shall
19 affect the application to a nongovernmental organi-
20 zation of any law that would (notwithstanding this
21 paragraph) apply to the nongovernmental organiza-
22 tion; or

23 (3) to alter or remove religious qualifications
24 for membership on its governing boards.

1 (b) PRIOR EXPERIENCE.—A nongovernmental orga-
2 nization that has not previously been awarded a contract,
3 grant, or cooperative agreement from an agency shall not,
4 for that reason, be disadvantaged in a competition to se-
5 cure a contract, grant, or cooperative agreement to deliver
6 services under a social service program from the agency
7 administering the program.

8 (c) INTERMEDIATE GRANTORS.—

9 (1) IN GENERAL.—An agency that administers
10 a social service program, and that is authorized to
11 award grants or cooperative agreements to non-
12 governmental organizations under the program, may
13 award to a nongovernmental organization (referred
14 to in this subsection as an “intermediate grantor”)
15 a grant or cooperative agreement, the terms of
16 which authorize the intermediate grantor—

17 (A) to provide subgrants or subagreements
18 to nongovernmental providers (referred to indi-
19 vidualy in this subsection as a “subrecipient”),
20 to deliver social services for the program; and

21 (B) to manage the subgrants or subagree-
22 ments.

23 (2) RESPONSIBILITIES AND RIGHTS OF SUB-
24 RECIPIENTS.—

1 (A) RESPONSIBILITIES.—Except for those
2 administrative responsibilities that the inter-
3 mediate grantor fully performs on behalf of the
4 subrecipient, the subrecipient shall have the
5 same responsibilities or duties with respect to
6 the program as the subrecipient would have if
7 it were the intermediate grantor.

8 (B) RIGHTS.—The subrecipient shall have
9 the same rights or authorities under this sec-
10 tion as the subrecipient would have if it were
11 the intermediate grantor.

12 (3) RESPONSIBILITIES AND RIGHTS OF AGEN-
13 CIES.—

14 (A) RESPONSIBILITIES.—Nothing in this
15 subsection shall alter any of an agency's re-
16 sponsibilities or duties with respect to the pro-
17 gram, the intermediate grantor, or the sub-
18 recipient.

19 (B) RIGHTS.—Nothing in this subsection
20 shall alter any of an agency's rights or authori-
21 ties with respect to the program, the inter-
22 mediate grantor, or the subrecipient.

23 (d) COMPLIANCE.—To enforce the provisions of this
24 section against a Federal agency or official, a nongovern-
25 mental organization may bring an action for injunctive re-

1 lief in an appropriate United States district court. To en-
2 force the provisions of this section against a State or local
3 agency or official, a nongovernmental organization may
4 bring an action for injunctive relief in an appropriate
5 State court of general jurisdiction.

6 (e) DEFINITIONS.—In this section:

7 (1) FEDERAL FINANCIAL ASSISTANCE.—The
8 term “Federal financial assistance” does not include
9 a tax credit, deduction, or exemption.

10 (2) SOCIAL SERVICE PROGRAM.—

11 (A) IN GENERAL.—The term “social serv-
12 ice program” means a program that—

13 (i) is administered by the Federal
14 Government, or by a State or local govern-
15 ment using Federal financial assistance;
16 and

17 (ii) provides services directed at help-
18 ing people in need, reducing poverty, im-
19 proving outcomes of low-income children,
20 revitalizing low-income communities, and
21 empowering low-income families and low-
22 income individuals to become self-suffi-
23 cient, including—

24 (I) child care services, protective
25 services for children and adults, serv-

1 ices for children and adults in foster
2 care, adoption services, services re-
3 lated to the management and mainte-
4 nance of the home, day care services
5 for adults, and services to meet the
6 special needs of children, older indi-
7 viduals, and individuals with disabil-
8 ities (including physical, mental, or
9 emotional disabilities);
10 (II) transportation services;
11 (III) job training and related
12 services, and employment services;
13 (IV) information, referral, and
14 counseling services;
15 (V) the preparation and delivery
16 of meals, and services related to soup
17 kitchens or food banks;
18 (VI) health support services;
19 (VII) literacy and mentoring pro-
20 grams;
21 (VIII) services for the prevention
22 and treatment of juvenile delinquency
23 and substance abuse, services for the
24 prevention of crime and the provision
25 of assistance to the victims and the

1 families of criminal offenders, and
 2 services related to the intervention in,
 3 and prevention of, domestic violence;
 4 and

5 (IX) services related to the provi-
 6 sion of assistance for housing under
 7 Federal law.

8 (B) EXCLUSIONS.—The term does not in-
 9 clude a program having the purpose of deliv-
 10 ering educational assistance under the Elemen-
 11 tary and Secondary Education Act of 1965 (20
 12 U.S.C. 6301 et seq.) or under the Higher Edu-
 13 cation Act of 1965 (20 U.S.C. 1001 et seq.).

14 **TITLE IX—MATERNITY GROUP**
 15 **HOMES**

16 **SEC. 901. MATERNITY GROUP HOMES.**

17 (a) PERMISSIBLE USE OF FUNDS.—Section 322 of
 18 the Runaway and Homeless Youth Act (42 U.S.C. 5714–
 19 2) is amended—

20 (1) in subsection (a)(1), by inserting “(includ-
 21 ing maternity group homes)” after “group homes”;
 22 and

23 (2) by adding at the end the following:

24 “(c) MATERNITY GROUP HOME.—In this part, the
 25 term ‘maternity group home’ means a community-based,

1 adult-supervised group home that provides young mothers
2 and their children with a supportive and supervised living
3 arrangement in which such mothers are required to learn
4 parenting skills, including child development, family budg-
5 eting, health and nutrition, and other skills to promote
6 their long-term economic independence and the well-being
7 of their children.”.

8 (b) CONTRACT FOR EVALUATION.—Part B of the
9 Runaway and Homeless Youth Act (42 U.S.C. 5701 et
10 seq.) is amended by adding at the end the following:

11 **“SEC. 323. CONTRACT FOR EVALUATION.**

12 “(a) IN GENERAL.—The Secretary shall enter into
13 a contract with a public or private entity for an evaluation
14 of the maternity group homes that are supported by grant
15 funds under this Act.

16 “(b) INFORMATION.—The evaluation described in
17 subsection (a) shall include the collection of information
18 about the relevant characteristics of individuals who ben-
19 efit from maternity group homes such as those that are
20 supported by grant funds under this Act and what services
21 provided by those maternity group homes are most bene-
22 ficial to such individuals.

23 “(c) REPORT.—Not later than 2 years after the date
24 on which the Secretary enters into a contract for an eval-
25 uation under subsection (a), and biennially thereafter, the

1 entity conducting the evaluation under this section shall
2 submit to Congress a report on the status, activities, and
3 accomplishments of maternity group homes that are sup-
4 ported by grant funds under this Act.”.

5 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
6 388 of the Runaway and Homeless Youth Act (42 U.S.C.
7 5751) is amended—

8 (1) in subsection (a)(1)—

9 (A) by striking “There” and inserting the
10 following:

11 “(A) IN GENERAL.—There”;

12 (B) in subparagraph (A), as redesignated,
13 by inserting “and the purpose described in sub-
14 paragraph (B)” after “other than part E”; and

15 (C) by adding at the end the following:

16 “(B) MATERNITY GROUP HOMES.—There
17 is authorized to be appropriated, for maternity
18 group homes eligible for assistance under sec-
19 tion 322(a)(1)—

20 “(i) \$33,000,000 for fiscal year 2003;

21 and

22 “(ii) such sums as may be necessary
23 for fiscal year 2004.”; and

- 1 (2) in subsection (a)(2)(A), by striking “para-
- 2 graph (1)” and inserting “paragraph (1)(A)”.

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