

104TH CONGRESS
1ST SESSION

S. 1079

To amend the Internal Revenue Code of 1986 to provide a tax credit for charitable contributions to organizations providing poverty assistance, to allow taxpayers who do not itemize to deduct charitable contributions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 27 (legislative day, JULY 10), 1995

Mr. COATS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a tax credit for charitable contributions to organizations providing poverty assistance, to allow taxpayers who do not itemize to deduct charitable contributions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Comprehensive Charity
5 Reform Act”.

1 **SEC. 2. CREDIT FOR CHARITABLE CONTRIBUTIONS TO CER-**
2 **TAIN PRIVATE CHARITIES PROVIDING AS-**
3 **SISTANCE TO THE POOR.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to nonrefundable personal credits) is
7 amended by inserting after section 22 the following new
8 section:

9 **“SEC. 23. CREDIT FOR CERTAIN CHARITABLE CONTRIBU-**
10 **TIONS.**

11 “(a) IN GENERAL.—In the case of an individual,
12 there shall be allowed as a credit against the tax imposed
13 by this chapter for the taxable year an amount equal to
14 the qualified charitable contributions which are paid by
15 the taxpayer during the taxable year.

16 “(b) LIMITATION.—The credit allowed by subsection
17 (a) for the taxable year shall not exceed \$500 (\$1,000 in
18 the case of a joint return under section 6013).

19 “(c) QUALIFIED CHARITABLE CONTRIBUTION.—For
20 purposes of this section, the term ‘qualified charitable con-
21 tribution’ means any charitable contribution (as defined
22 in section 170(c)) made in cash to a qualified charity but
23 only if the amount of each such contribution, and the re-
24 cipient thereof, are identified on the return for the taxable
25 year during which such contribution is made.

26 “(d) QUALIFIED CHARITY.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, the term ‘qualified charity’ means, with respect
3 to the taxpayer, any organization which is described
4 in section 501(c)(3) and exempt from tax under sec-
5 tion 501(a), and—

6 “(A) which, upon request by the organiza-
7 tion, is certified by the Secretary as meeting
8 the requirements of paragraphs (2) and (3), or

9 “(B)(i) which is organized to solicit and
10 collect gifts and grants which, by agreement,
11 are distributed to qualified charities described
12 in subparagraph (A),

13 “(ii) with respect to which at least 85 per-
14 cent of the funds so collected are distributed to
15 qualified charities described in subparagraph
16 (A), and

17 “(iii) which meets the requirements of
18 paragraph (5).

19 “(2) CHARITY MUST PRIMARILY ASSIST THE
20 POOR.—An organization meets the requirements of
21 this paragraph only if the Secretary reasonably ex-
22 pects that the predominant activity of such organiza-
23 tion will be the providing of services to individuals
24 and families which are designed to prevent or allevi-
25 ate poverty among such individuals and families.

1 “(3) MINIMUM EXPENSE REQUIREMENT.—

2 “(A) IN GENERAL.—An organization meets
3 the requirements of this paragraph only if the
4 Secretary reasonably expects that the annual
5 poverty program expenses of such organization
6 will not be less than 70 percent of the annual
7 aggregate expenses of such organization.

8 “(B) POVERTY PROGRAM EXPENSE.—For
9 purposes of subparagraph (A)—

10 “(i) IN GENERAL.—The term ‘poverty
11 program expense’ means any expense in
12 providing program services referred to in
13 paragraph (2).

14 “(ii) EXCEPTIONS.—Such term shall
15 not include—

16 “(I) any management or general
17 expense,

18 “(II) any expense for the purpose
19 of influencing legislation (as defined
20 in section 4911(d)),

21 “(III) any expense primarily for
22 the purpose of fundraising, and

23 “(IV) any expense for a legal
24 service provided on behalf of any indi-
25 vidual referred to in paragraph (2).

1 “(4) ELECTION TO TREAT POVERTY PROGRAMS
2 AS SEPARATE ORGANIZATION.—

3 “(A) IN GENERAL.—An organization may
4 elect to treat one or more programs operated by
5 it as a separate organization for purposes of
6 this section.

7 “(B) EFFECT OF ELECTION.—If an orga-
8 nization elects the application of this para-
9 graph, the organization, in accordance with reg-
10 ulations, shall—

11 “(i) maintain separate accounting for
12 revenues and expenses of programs with
13 respect to which the election was made,

14 “(ii) ensure that contributions to
15 which this section applies be used only for
16 such programs, and

17 “(iii) provide for the proportional allo-
18 cation of management, general, and fund-
19 raising expenses to such programs to the
20 extent not allocable to a specific program.

21 “(C) REPORTING REQUIREMENTS.—An or-
22 ganization shall not be required to file any re-
23 turn under section 6033 with respect to any
24 programs treated as a separate organization
25 under this paragraph, except that if the organi-

1 zation is otherwise required to file such a re-
 2 turn, such organization shall include on such
 3 return the percentages described in the last sen-
 4 tence of section 6033(b) which are determined
 5 with respect to such separate organization.

6 “(5) ADDITIONAL REQUIREMENTS FOR SOLICI-
 7 TATION ORGANIZATIONS.—The requirements of this
 8 paragraph are met if the organization—

9 “(A) maintains separate accounting for
 10 revenues and expenses, and

11 “(B) makes available to the public its ad-
 12 ministrative and fundraising costs and informa-
 13 tion as to the organizations receiving funds
 14 from it and the amount of such funds.

15 “(e) COORDINATION WITH DEDUCTION FOR CHARI-
 16 TABLE CONTRIBUTIONS.—

17 “(1) CREDIT IN LIEU OF DEDUCTION.—The
 18 credit provided by subsection (a) for any qualified
 19 charitable contribution shall be in lieu of any deduc-
 20 tion otherwise allowable under this chapter for such
 21 contribution.

22 “(2) ELECTION TO HAVE SECTION NOT
 23 APPLY.—A taxpayer may elect for any taxable year
 24 to have this section not apply.”

25 (b) RETURNS.—

1 (1) QUALIFIED CHARITIES REQUIRED TO PRO-
2 VIDE COPIES OF ANNUAL RETURN.—Subsection (e)
3 of section 6104 of such Code (relating to public in-
4 spection of certain annual returns and applications
5 for exemption) is amended by adding at the end the
6 following new paragraph:

7 “(3) QUALIFIED CHARITIES REQUIRED TO PRO-
8 VIDE COPIES OF ANNUAL RETURN.—

9 “(A) IN GENERAL.—Every qualified char-
10 ity (as defined in section 23(d)) shall, upon re-
11 quest of an individual made at an office where
12 such organization’s annual return filed under
13 section 6033 is required under paragraph (1) to
14 be available for inspection, provide a copy of
15 such return to such individual without charge
16 other than a reasonable fee for any reproduc-
17 tion and mailing costs. If the request is made
18 in person, such copies shall be provided imme-
19 diately and, if made other than in person, shall
20 be provided within 30 days.

21 “(B) PERIOD OF AVAILABILITY.—Subpara-
22 graph (A) shall apply only during the 3-year pe-
23 riod beginning on the filing date (as defined in
24 paragraph (1)(D) of the return requested).”

1 (2) ADDITIONAL INFORMATION.—Section
2 6033(b) of such Code is amended by adding at the
3 end the following new flush sentence:

4 “Each qualified charity (as defined in section 23(d)) to
5 which this subsection otherwise applies shall also furnish
6 each of the percentages determined by dividing the follow-
7 ing categories of the organization’s expenses for the year
8 by its total expenses for the year: program services; man-
9 agement and general; fundraising; and payments to affili-
10 ates.”

11 (c) CLERICAL AMENDMENT.—The table of sections
12 for subpart A of part IV of subchapter A of chapter 1
13 of such Code is amended by inserting after the item relat-
14 ing to section 22 the following new item:

 “Sec. 23. Credit for certain charitable contributions.”

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to contributions made after the
17 90th day after the date of the enactment of this Act in
18 taxable years ending after such date.

19 **SEC. 3. DEDUCTION FOR CHARITABLE CONTRIBUTIONS TO**
20 **BE ALLOWED TO INDIVIDUALS WHO DO NOT**
21 **ITEMIZE DEDUCTIONS.**

22 (a) IN GENERAL.—Section 170 of the Internal Reve-
23 nue Code of 1986 (relating to charitable, etc., contribu-
24 tions and gifts) is amended by redesignating subsection

1 (m) as subsection (n) and by inserting after subsection
2 (l) the following new subsection:

3 “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
4 DEDUCTIONS.—In the case of an individual who does not
5 itemize deductions for the taxable year, the amount allow-
6 able under subsection (a) for the taxable year shall be
7 taken into account as a direct charitable deduction under
8 section 63.”

9 (b) DIRECT CHARITABLE DEDUCTION.—

10 (1) IN GENERAL.—Subsection (b) of section 63
11 of such Code is amended by striking “and” at the
12 end of paragraph (1), by striking the period at the
13 end of paragraph (2) and inserting “, and”, and by
14 adding at the end thereof the following new para-
15 graph:

16 “(3) the deduction for charitable contributions
17 under section 170(m).”

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

24 “(3) the deduction for charitable contributions
25 under section 170(m).”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1995.

4 **SEC. 4. CHARITABLE CONTRIBUTION DEDUCTION NOT SUB-**
5 **JECT TO OVERALL LIMITATION ON ITEMIZED**
6 **DEDUCTIONS.**

7 (a) IN GENERAL.—Subsection (c) of section 68 of the
8 Internal Revenue Code of 1986 (relating to overall limita-
9 tion on itemized deductions) is amended by striking “and”
10 at the end of paragraph (2), by striking the period at the
11 end of paragraph (3) and inserting “, and”, and by adding
12 at the end thereof the following new paragraph:

13 “(4) the deduction under section 170 (relating
14 to charitable, etc., contributions and gifts).”

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to taxable years beginning after
17 December 31, 1995.

18 **SEC. 5. CHARITABLE CONTRIBUTIONS MADE BEFORE FIL-**
19 **ING OF RETURN.**

20 (a) IN GENERAL.—Subsection (a) of section 170 of
21 the Internal Revenue Code of 1986 is amended by adding
22 at the end the following new paragraph:

23 “(4) TIME WHEN CONTRIBUTIONS DEEMED
24 MADE.—The taxpayer may elect to treat any chari-
25 table contribution which is made not later than the

1 time prescribed by law for filing the return for the
2 taxable year (not including extensions thereof) as
3 being made on the last day of such taxable year.
4 Such an election, once made, shall be irrevocable.”

5 (b) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 1994.

8 **SEC. 6. FINANCIAL ACCOUNTABILITY REPORTING RE-**
9 **QUIREMENT FOR GOVERNMENTAL POVERTY**
10 **AND WELFARE PROGRAMS.**

11 (a) IN GENERAL.—Each applicable welfare program
12 shall publish in the Federal Register and other publica-
13 tions generally available to the public within a reasonable
14 period of time following the end of a fiscal year the follow-
15 ing information for the fiscal year:

16 (1) Information required to be included on a re-
17 turn under section 6033 of the Internal Revenue
18 Code of 1986 by an organization described in section
19 501(c)(3) of such Code, including expenses for pro-
20 gram services, administrative and general costs, and
21 fundraising.

22 (2) The percentages determined by dividing the
23 following categories of the program’s expenses for
24 the year by its total expenses for the year: program
25 services; management and general; and fundraising.

1 (b) ADDITIONAL AVAILABILITY.—Each applicable
2 welfare program shall make the information described in
3 subsection (a) available at its principal office and at any
4 of its regional or district offices. Upon request of an indi-
5 vidual made at any such office, the program shall provide
6 a copy of the information to such individual without
7 charge other than a reasonable fee for any reproduction
8 and mailing costs. Such request shall be met within 30
9 days (or immediately if made in person).

10 (c) APPLICABLE WELFARE PROGRAM.—For purposes
11 of this section, an applicable welfare program is a Federal,
12 State, or local welfare or public assistance program for
13 which Federal funds are appropriated.

14 **SEC. 7. STANDARDS FOR DETERMINING SUCCESS OF GOV-**
15 **ERNMENTAL WELFARE PROGRAMS.**

16 (a) IN GENERAL.—The Comptroller General of the
17 United States shall conduct a study with respect to appli-
18 cable welfare programs to develop standards to deter-
19 mine—

20 (1) whether such programs meet the needs for
21 which the programs were established, and

22 (2) if such programs meet such needs, whether
23 they do so in a cost-effective manner.

1 For purposes of this subsection, the term “applicable wel-
2 fare program” has the meaning given such term by section
3 6(c).

4 (b) REPORT.—Not later than 1 year after the date
5 of the enactment of this Act, the Comptroller General of
6 the United States shall report to the Congress the results
7 of the study conducted under subsection (a), including the
8 standards described therein.

○