

108TH CONGRESS
1ST SESSION

S. 256

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. GRASSLEY (for himself, Mr. BAUCUS, Mr. SANTORUM, and Mr. LIEBERMAN) 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 “CARE Act of 2003”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents for
 6 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.

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 redesi-
 8 gnating 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.—

20 (1) IN GENERAL.—Subsection (b) of section 63
 21 (defining taxable income) is amended by striking
 22 “and” at the end of paragraph (1), by striking the
 23 period at the end of paragraph (2) and inserting “,
 24 and”, and by adding at the end the following new
 25 paragraph:

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

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

6 “(g) DIRECT CHARITABLE DEDUCTION.—For pur-
7 poses of this section, the term ‘direct charitable deduction’
8 means that portion of the amount allowable under section
9 170(a) which is taken as a direct charitable deduction for
10 the taxable year under section 170(m).”.

11 (3) CONFORMING AMENDMENT.—Subsection (d)
12 of section 63 is amended by striking “and” at the
13 end of paragraph (1), by striking the period at the
14 end of paragraph (2) and inserting “, and”, and by
15 adding at the end the following new paragraph:

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

17 (c) STUDY.—

18 (1) IN GENERAL.—The Secretary of the Treas-
19 ury shall study the effect of the amendments made
20 by this section on increased charitable giving and
21 taxpayer compliance, including a comparison of tax-
22 payer compliance by those who itemize their chari-
23 table contributions with those who claim a direct
24 charitable deduction.

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

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

10 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
11 **TIREMENT ACCOUNTS FOR CHARITABLE**
12 **PURPOSES.**

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

16 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
17 POSES.—

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

21 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
22 term ‘qualified charitable distribution’ means
23 any distribution from an individual retirement
24 account—
25 account—

1 “(i) which is made directly by the
2 trustee—

3 “(I) to an organization described
4 in section 170(c), or

5 “(II) to a split-interest entity,
6 and

7 “(ii) which is made on or after the
8 date that the individual for whose benefit
9 the account is maintained has attained—

10 “(I) in the case of any distribu-
11 tion described in clause (i)(I), age
12 70½, and

13 “(II) in the case of any distribu-
14 tion described in clause (i)(II), age
15 59½.

16 A distribution shall be treated as a qualified
17 charitable distribution only to the extent that
18 the distribution would be includible in gross in-
19 come without regard to subparagraph (A) and,
20 in the case of a distribution to a split-interest
21 entity, only if no person holds an income inter-
22 est in the amounts in the split-interest entity
23 attributable to such distribution other than one
24 or more of the following: the individual for
25 whose benefit such account is maintained, the

1 spouse of such individual, or any organization
2 described in section 170(e).

3 “(C) CONTRIBUTIONS MUST BE OTHER-
4 WISE DEDUCTIBLE.—For purposes of this para-
5 graph—

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

14 “(ii) SPLIT-INTEREST GIFTS.—A dis-
15 tribution to a split-interest entity shall be
16 treated as a qualified charitable distribu-
17 tion only if a deduction for the entire value
18 of the interest in the distribution for the
19 use of an organization described in section
20 170(e) would be allowable under section
21 170 (determined without regard to sub-
22 section (b) thereof and this paragraph).

23 “(D) APPLICATION OF SECTION 72.—Not-
24 withstanding section 72, in determining the ex-
25 tent to which a distribution is a qualified chari-

1 table distribution, the entire amount of the dis-
2 tribution shall be treated as includible in gross
3 income without regard to subparagraph (A) to
4 the extent that such amount does not exceed
5 the aggregate amount which would be so includ-
6 ible if all amounts were distributed from all in-
7 dividual retirement accounts otherwise taken
8 into account in determining the inclusion on
9 such distribution under section 72. Proper ad-
10 justments shall be made in applying section 72
11 to other distributions in such taxable year and
12 subsequent taxable years.

13 “(E) SPECIAL RULES FOR SPLIT-INTEREST
14 ENTITIES.—

15 “(i) CHARITABLE REMAINDER
16 TRUSTS.—Notwithstanding section 664(b),
17 distributions made from a trust described
18 in subparagraph (G)(i) shall be treated as
19 ordinary income in the hands of the bene-
20 ficiary to whom is paid the annuity de-
21 scribed in section 664(d)(1)(A) or the pay-
22 ment described in section 664(d)(2)(A).

23 “(ii) POOLED INCOME FUNDS.—No
24 amount shall be includible in the gross in-
25 come of a pooled income fund (as defined

1 in subparagraph (G)(ii)) by reason of a
2 qualified charitable distribution to such
3 fund, and all distributions from the fund
4 which are attributable to qualified chari-
5 table distributions shall be treated as ordi-
6 nary income to the beneficiary.

7 “(iii) CHARITABLE GIFT ANNU-
8 ITIES.—Qualified charitable distributions
9 made for a charitable gift annuity shall not
10 be treated as an investment in the con-
11 tract.

12 “(F) DENIAL OF DEDUCTION.—Qualified
13 charitable distributions shall not be taken into
14 account in determining the deduction under sec-
15 tion 170.

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

19 “(i) a charitable remainder annuity
20 trust or a charitable remainder unitrust
21 (as such terms are defined in section
22 664(d)) which must be funded exclusively
23 by qualified charitable distributions,

24 “(ii) a pooled income fund (as defined
25 in section 642(c)(5)), but only if the fund

1 accounts separately for amounts attrib-
 2 utable to qualified charitable distributions,
 3 and

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

6 (b) MODIFICATIONS RELATING TO INFORMATION RE-
 7 TURNS BY CERTAIN TRUSTS.—

8 (1) RETURNS.—Section 6034 (relating to re-
 9 turns by trusts described in section 4947(a)(2) or
 10 claiming charitable deductions under section 642(e))
 11 is amended to read as follows:

12 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
 13 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
 14 **TIONS UNDER SECTION 642(e).**

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

19 “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION
 20 UNDER SECTION 642(e).—

21 “(1) IN GENERAL.—Every trust not required to
 22 file a return under subsection (a) but claiming a
 23 charitable, etc., deduction under section 642(e) for
 24 the taxable year shall furnish such information with

1 respect to such taxable year as the Secretary may by
2 forms or regulations prescribe, including:

3 “(A) the amount of the charitable, etc., de-
4 duction taken under section 642(c) within such
5 year,

6 “(B) the amount paid out within such year
7 which represents amounts for which charitable,
8 etc., deductions under section 642(c) have been
9 taken in prior years,

10 “(C) the amount for which charitable, etc.,
11 deductions have been taken in prior years but
12 which has not been paid out at the beginning
13 of such year,

14 “(D) the amount paid out of principal in
15 the current and prior years for charitable, etc.,
16 purposes,

17 “(E) the total income of the trust within
18 such year and the expenses attributable thereto,
19 and

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

23 “(2) EXCEPTIONS.—Paragraph (1) shall not
24 apply in the case of a taxable year if all the net in-
25 come for such year, determined under the applicable

1 principles of the law of trusts, is required to be dis-
2 tributed currently to the beneficiaries. Paragraph (1)
3 shall not apply in the case of a trust described in
4 section 4947(a)(1).”.

5 (2) INCREASE IN PENALTY RELATING TO FIL-
6 ING OF INFORMATION RETURN BY SPLIT-INTEREST
7 TRUSTS.—Paragraph (2) of section 6652(c) (relating
8 to returns by exempt organizations and by certain
9 trusts) is amended by adding at the end the fol-
10 lowing new subparagraph:

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

18 “(i) the 5 percent limitation in the
19 second sentence of paragraph (1)(A) shall
20 not apply,

21 “(ii) in the case of any trust with
22 gross income in excess of \$250,000, the
23 first sentence of paragraph (1)(A) shall be
24 applied by substituting ‘\$100’ for ‘\$20’,
25 and the second sentence thereof shall be

1 applied by substituting ‘\$50,000’ for
2 ‘\$10,000’, and

3 “(iii) the third sentence of paragraph
4 (1)(A) shall be disregarded.

5 In addition to any penalty imposed on the trust
6 pursuant to this subparagraph, if the person re-
7 quired to file such return knowingly fails to file
8 the return, such penalty shall also be imposed
9 on such person who shall be personally liable
10 for such penalty.”.

11 (3) CONFIDENTIALITY OF NONCHARITABLE
12 BENEFICIARIES.—Subsection (b) of section 6104
13 (relating to inspection of annual information re-
14 turns) is amended by adding at the end the fol-
15 lowing new sentence: “In the case of a trust which
16 is required to file a return under section 6034(a),
17 this subsection shall not apply to information re-
18 garding beneficiaries which are not organizations de-
19 scribed in section 170(c).”.

20 (c) EFFECTIVE DATES.—

21 (1) SUBSECTION (a).—The amendment made
22 by subsection (a) shall apply to distributions made
23 after the date of the enactment.

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

4 **SEC. 103. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
5 **OF FOOD INVENTORIES.**

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

10 “(7) APPLICATION OF PARAGRAPH (3) TO CER-
11 TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For
12 purposes of this section—

13 “(A) EXTENSION TO INDIVIDUALS.—In the
14 case of a charitable contribution of apparently
15 wholesome food—

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

19 “(ii) in the case of a taxpayer other
20 than a C corporation, the aggregate
21 amount of such contributions from any
22 trade or business (or interest therein) of
23 the taxpayer for any taxable year which
24 may be taken into account under this sec-
25 tion shall not exceed 10 percent of the tax-

1 payer's net income from any such trade or
2 business, computed without regard to this
3 section, for such taxable year.

4 “(B) LIMITATION ON REDUCTION.—In the
5 case of a charitable contribution of apparently
6 wholesome food, notwithstanding paragraph
7 (3)(B), the amount of the reduction determined
8 under paragraph (1)(A) shall not exceed the
9 amount by which the fair market value of such
10 property exceeds twice the basis of such prop-
11 erty.

12 “(C) DETERMINATION OF BASIS.—If a
13 taxpayer—

14 “(i) does not account for inventories
15 under section 471, and

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

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

22 “(D) DETERMINATION OF FAIR MARKET
23 VALUE.—In the case of a charitable contribu-
24 tion of apparently wholesome food which is a
25 qualified contribution (within the meaning of

1 paragraph (3), as modified by subparagraph
 2 (A) of this paragraph) and which, solely by rea-
 3 son of internal standards of the taxpayer or
 4 lack of market, cannot or will not be sold, the
 5 fair market value of such contribution shall be
 6 determined—

7 “(i) without regard to such internal
 8 standards or such lack of market and

9 “(ii) by taking into account the price
 10 at which the same or substantially the
 11 same food items (as to both type and qual-
 12 ity) are sold by the taxpayer at the time of
 13 the contribution (or, if not so sold at such
 14 time, in the recent past).

15 “(E) APPARENTLY WHOLESOME FOOD.—

16 For purposes of this paragraph, the term ‘ap-
 17 parently wholesome food’ has the meaning given
 18 such term by section 22(b)(2) of the Bill Emer-
 19 son Good Samaritan Food Donation Act (42
 20 U.S.C. 1791(b)(2)), as in effect on the date of
 21 the enactment of this paragraph.”.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to contributions made after the
 24 date of the enactment of this Act.

1 **SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 2 **OF BOOK INVENTORIES.**

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

8 “(C) SPECIAL RULE FOR CONTRIBUTIONS
 9 OF BOOK INVENTORY FOR EDUCATIONAL PUR-
 10 POSES.—

11 “(i) CONTRIBUTIONS OF BOOK INVEN-
 12 TORY.—In determining whether a qualified
 13 book contribution is a qualified contribu-
 14 tion, subparagraph (A) shall be applied
 15 without regard to whether—

16 “(I) the donee is an organization
 17 described in the matter preceding
 18 clause (i) of subparagraph (A), and

19 “(II) the property is to be used
 20 by the donee solely for the care of the
 21 ill, the needy, or infants.

22 “(ii) AMOUNT OF REDUCTION.—Not-
 23 withstanding subparagraph (B), the
 24 amount of the reduction determined under
 25 paragraph (1)(A) shall not exceed the
 26 amount by which the fair market value of

1 the contributed property (as determined by
2 the taxpayer using a bona fide published
3 market price for such book) exceeds twice
4 the basis of such property.

5 “(iii) QUALIFIED BOOK CONTRIBU-
6 TION.—For purposes of this paragraph,
7 the term ‘qualified book contribution’
8 means a charitable contribution of books,
9 but only if the requirements of clauses (iv)
10 and (v) are met.

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

14 “(I) described in subclause (I) or
15 (III) of paragraph (6)(B)(i), or

16 “(II) described in section
17 501(c)(3) and exempt from tax under
18 section 501(a) (other than a private
19 foundation, as defined in section
20 509(a), which is not an operating
21 foundation, as defined in section
22 4942(j)(3)), which is organized pri-
23 marily to make books available to the
24 general public at no cost or to operate
25 a literacy program.

1 “(v) CERTIFICATION BY DONEE.—The
2 requirement of this clause is met if, in ad-
3 dition to the certifications required by sub-
4 paragraph (A) (as modified by this sub-
5 paragraph), the donee certifies in writing
6 that—

7 “(I) the books are suitable, in
8 terms of currency, content, and quan-
9 tity, for use in the donee’s educational
10 programs, and

11 “(II) the donee will use the books
12 in its educational programs.

13 “(vi) BONA FIDE PUBLISHED MARKET
14 PRICE.—For purposes of this subpara-
15 graph, the term ‘bona fide published mar-
16 ket price’ means, with respect to any book,
17 a price—

18 “(I) determined using the same
19 printing and edition,

20 “(II) published within 7 years
21 preceding the contribution of such
22 book,

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

1 “(IV) for which such a book has
2 been customarily sold.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to contributions made after the
5 date of the enactment of this Act

6 **SEC. 105. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
7 **LOWED FOR SCIENTIFIC PROPERTY USED**
8 **FOR RESEARCH AND FOR COMPUTER TECH-**
9 **NOLOGY AND EQUIPMENT USED FOR EDU-**
10 **CATIONAL PURPOSES.**

11 (a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—

12 (1) IN GENERAL.—Clause (ii) of section
13 170(e)(4)(B) (defining qualified research contribu-
14 tions) is amended by inserting “or assembled” after
15 “constructed”.

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

19 (b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR
20 EDUCATIONAL PURPOSES.—

21 (1) IN GENERAL.—Clause (ii) of section
22 170(e)(6)(B) is amended by inserting “or assem-
23 bled” after “constructed” and “or assembling” after
24 “construction”.

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

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

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

11 **SEC. 106. MODIFICATIONS TO ENCOURAGE CONTRIBU-**
12 **TIONS OF CAPITAL GAIN REAL PROPERTY**
13 **MADE FOR CONSERVATION PURPOSES.**

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

17 “(7) ADDITIONAL INCENTIVES FOR QUALIFIED
18 CONSERVATION CONTRIBUTIONS.—

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

22 “(i) subparagraph (C) of subsection
23 (b)(1) shall not apply,

24 “(ii) except as provided in subpara-
25 graph (B)(i), subsections (b)(1)(A) and

1 (d)(1) shall be applied separately with re-
2 spect to such contributions by treating ref-
3 erences to 50 percent of the taxpayer's
4 contribution base as references to the
5 amount of such percentage of such base re-
6 duced by the amount of other contributions
7 allowable under subsection (b)(1)(A), and
8 “(iii) subparagraph (A) of subsection
9 (d)(1) shall be applied—

10 “(I) by substituting ‘15 suc-
11 ceeding taxable years’ for ‘5 suc-
12 ceeding taxable years’, and

13 “(II) by applying clause (ii) to
14 each of the 15 succeeding taxable
15 years.

16 “(B) SPECIAL RULES FOR ELIGIBLE FARM-
17 ERS AND RANCHERS.—

18 “(i) IN GENERAL.—In the case of any
19 such contributions made by an eligible
20 farmer or rancher—

21 “(I) if the taxpayer is an indi-
22 vidual, subsections (b)(1)(A) and
23 (d)(1) shall be applied separately with
24 respect to such contributions by sub-
25 stituting ‘the taxpayer’s contribution

1 base reduced by the amount of other
2 contributions allowable under sub-
3 section (b)(1)(A) for ‘50 percent of
4 the taxpayer’s contribution base’ each
5 place it appears, and

6 “(II) if the taxpayer is a corpora-
7 tion, subsections (b)(2) and (d)(2)
8 shall be applied separately with re-
9 spect to such contributions, subsection
10 (b)(2) shall be applied with respect to
11 such contributions as if such sub-
12 section did not contain the words ‘10
13 percent of’ and as if subparagraph
14 (A) thereof read ‘the deduction under
15 this section for qualified conservation
16 contributions’, and rules similar to the
17 rules of subparagraph (A)(iii) shall
18 apply for purposes of subsection
19 (d)(2).

20 “(ii) DEFINITION.—For purposes of
21 clause (i), the term ‘eligible farmer or
22 rancher’ means a taxpayer whose gross in-
23 come from the trade or business of farm-
24 ing (within the meaning of section
25 2032A(e)(5)) is at least 51 percent of the

1 taxpayer's gross income for the taxable
2 year, and, in the case of a C corporation,
3 the stock of which is not publicly traded on
4 a recognized exchange.”.

5 (c) 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. 107. EXCLUSION OF 25 PERCENT OF GAIN ON SALES**
9 **OR EXCHANGES OF LAND OR WATER INTER-**
10 **ESTS TO ELIGIBLE ENTITIES FOR CONSERVA-**
11 **TION PURPOSES.**

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

16 **“SEC. 121A. 25-PERCENT EXCLUSION OF GAIN ON SALES OR**
17 **EXCHANGES OF LAND OR WATER INTERESTS**
18 **TO ELIGIBLE ENTITIES FOR CONSERVATION**
19 **PURPOSES.**

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

23 “(b) QUALIFYING GAIN.—For purposes of this sec-
24 tion—

1 “(1) IN GENERAL.—The term ‘qualifying gain’
2 means any gain which would be recognized as long-
3 term capital gain, reduced by the amount of any
4 long-term capital gain attributable to disqualified
5 improvements.

6 “(2) DISQUALIFIED IMPROVEMENT.—For pur-
7 poses of paragraph (1), the term ‘disqualified im-
8 provement’ means any building, structure, or other
9 improvement, other than—

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

12 “(i) without regard to the require-
13 ments that the taxpayer be engaged in
14 farming, and

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

17 “(B) any improvement which the Secretary
18 determines directly furthers conservation pur-
19 poses.

20 “(3) SPECIAL RULE FOR SALES OF STOCK.—If
21 the long-held qualifying land or water interest is 1
22 or more shares of stock in a qualifying land or water
23 corporation, the qualifying gain is equal to the lesser
24 of—

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

3 “(B) the product of—

4 “(i) the percentage of such corpora-
5 tion’s stock which is transferred by the
6 taxpayer, times

7 “(ii) the amount which would have
8 been the qualifying gain (determined under
9 paragraph (1)) if there had been a con-
10 servation sale by such corporation of all of
11 its interests in the land and water for a
12 price equal to the product of the fair mar-
13 ket value of such interests times the ratio
14 of—

15 “(I) the proceeds of the conserva-
16 tion sale of the stock, to

17 “(II) the fair market value of the
18 stock which was the subject of the
19 conservation sale.

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

23 “(1) TRANSFEREE IS AN ELIGIBLE ENTITY.—

24 The transferee of the long-held qualifying land or
25 water interest is an eligible entity.

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

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

8 “(4) CONTROLLING INTEREST IN STOCK SALE
9 REQUIRED.—In the case of the sale or exchange of
10 stock in a qualifying land or water corporation, at
11 the end of the taxpayer’s taxable year in which such
12 sale or exchange occurs, the transferee’s ownership
13 of stock in such corporation meets the requirements
14 of section 1504(a)(2) (determined by substituting
15 ‘90 percent’ for ‘80 percent’ each place it appears).

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

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

24 “(2) QUALIFYING LAND OR WATER INTER-
25 EST.—

1 “(A) IN GENERAL.—The term ‘qualifying
2 land or water interest’ means a real property
3 interest which constitutes—

4 “(i) a taxpayer’s entire interest in
5 land,

6 “(ii) a taxpayer’s entire interest in
7 water rights,

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

10 “(iv) stock in a qualifying land or
11 water corporation.

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

14 “(i) a partial interest in land or water
15 is not a taxpayer’s entire interest if an in-
16 terest in land or water was divided in order
17 to create such partial interest in order to
18 avoid the requirements of such clause or
19 section 170(f)(3)(A), and

20 “(ii) a taxpayer’s entire interest in
21 certain land does not fail to satisfy sub-
22 paragraph (A)(i) solely because the tax-
23 payer has retained an interest in other
24 land, even if the other land is contiguous
25 with such certain land and was acquired by

1 the taxpayer along with such certain land
2 in a single conveyance.

3 “(e) OTHER DEFINITIONS.—For purposes of this
4 section—

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

7 “(A) a governmental unit referred to in
8 section 170(e)(1), or an agency or department
9 thereof operated primarily for 1 or more of the
10 conservation purposes specified in clause (i),
11 (ii), or (iii) of section 170(h)(4)(A), or

12 “(B) an entity which is—

13 “(i) described in section
14 170(b)(1)(A)(vi) or section 170(h)(3)(B),
15 and

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

20 “(2) QUALIFYING LETTER OF INTENT.—The
21 term ‘qualifying letter of intent’ means a written let-
22 ter of intent which includes the following statement:
23 ‘The transferee’s intent is that this acquisition will
24 serve 1 or more of the conservation purposes speci-
25 fied in clause (i), (ii), or (iii) of section 170(h)(4)(A)

1 of the Internal Revenue Code of 1986, that the
2 transferee's use of the property so acquired will be
3 consistent with section 170(h)(5) of such Code, and
4 that the use of the property will continue to be con-
5 sistent with such section, even if ownership or pos-
6 session of such property is subsequently transferred
7 to another person.'

8 “(3) QUALIFYING LAND OR WATER CORPORA-
9 TION.—The term ‘qualifying land or water corpora-
10 tion’ means a C corporation (as defined in section
11 1361(a)(2)) if, as of the date of the conservation
12 sale—

13 “(A) the fair market value of the corpora-
14 tion's interests in land or water held by the cor-
15 poration at all times during the preceding 5
16 years equals or exceeds 90 percent of the fair
17 market value of all of such corporation's assets,
18 and

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

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

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

3 “(A) transfer by an eligible entity of own-
4 ership or possession, whether by sale, exchange,
5 or lease, of property acquired directly or indi-
6 rectly in—

7 “(i) a conservation sale described in
8 subsection (a), or

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

11 “(B) removal of a conservation restriction
12 contained in an instrument of conveyance of
13 such property.

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

17 “(A) either—

18 “(i) 20 percent of the fair market
19 value (determined at the time of the trans-
20 fer) of the property the ownership or pos-
21 session of which is transferred, or

22 “(ii) 20 percent of the fair market
23 value (determined at the time immediately
24 after the removal) of the property upon

1 which the conservation restriction was re-
2 moved, plus

3 “(B) the product of—

4 “(i) the highest rate of tax specified
5 in section 11, times

6 “(ii) any gain or income realized by
7 the transferor or person removing such re-
8 striction as a result of the transfer or re-
9 moval.

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

12 “(A) on any transfer, by the transferor,
13 and

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

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

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

22 “(i) the transferee is an eligible entity
23 which provides such person, at the time of
24 transfer, a qualifying letter of intent,

1 “(ii) the transferee is not an eligible
2 entity, it is established to the satisfaction
3 of the Secretary, that the transfer of own-
4 ership or possession, as the case may be,
5 will be consistent with section 170(h)(5),
6 and the transferee provides such person, at
7 the time of transfer, a qualifying letter of
8 intent, or

9 “(iii) tax has previously been paid
10 under this subsection as a result of a prior
11 transfer of ownership or possession of the
12 same property, or

13 “(B) with respect to any removal of a con-
14 servation restriction contained in an instrument
15 of conveyance, if it is established to the satis-
16 faction of the Secretary that the retention of
17 the restriction was impracticable or impossible
18 and the proceeds continue to be used in a man-
19 ner consistent with 1 or more of the conserva-
20 tion purposes specified in clause (i), (ii), or (iii)
21 of section 170(h)(4)(A).

22 “(5) ADMINISTRATIVE PROVISIONS.—For pur-
23 poses of subtitle F, the taxes imposed by this sub-
24 section shall be treated as excise taxes with respect

1 to which the deficiency procedures of such subtitle
2 apply.

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

7 (b) CLERICAL AMENDMENT.—The table of sections
8 for part III of subchapter B of chapter 1 is amended by
9 inserting after the item relating to section 121 the fol-
10 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.”.

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

14 **SEC. 108. TAX EXCLUSION FOR COST-SHARING PAYMENTS**
15 **UNDER PARTNERS FOR FISH AND WILDLIFE**
16 **PROGRAM.**

17 (a) IN GENERAL.—Section 126(a) (relating to cer-
18 tain cost-sharing payments) is amended by redesignating
19 paragraph (10) as paragraph (11) and by inserting after
20 paragraph (9) the following:

21 “(10) The Partners for Fish and Wildlife Pro-
22 gram authorized by the Fish and Wildlife Act of
23 1956 (16 U.S.C. 742a et seq.).”

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

4 **SEC. 109. ADJUSTMENT TO BASIS OF S CORPORATION**
 5 **STOCK FOR CERTAIN CHARITABLE CON-**
 6 **TRIBUTIONS.**

7 (a) IN GENERAL.—Paragraph (2) of section 1367(a)
 8 (relating to adjustments to basis of stock of shareholders,
 9 etc.) is amended by adding at the end the following new
 10 flush sentence:

11 “The decrease under subparagraph (B) by reason of
 12 a charitable contribution (as defined in section
 13 170(c)) of property shall be the amount equal to the
 14 shareholder’s pro rata share of the adjusted basis of
 15 such property.”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 this section shall apply to contributions made after the
 18 date of the enactment of this Act.

19 **SEC. 110. ENHANCED DEDUCTION FOR CHARITABLE CON-**
 20 **TRIBUTION OF LITERARY, MUSICAL, ARTIS-**
 21 **TIC, AND SCHOLARLY COMPOSITIONS.**

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

1 “(8) SPECIAL RULE FOR CERTAIN CONTRIBU-
2 TIONS OF LITERARY, MUSICAL, ARTISTIC, OR SCHOL-
3 ARLY COMPOSITIONS.—

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

6 “(i) the amount of such contribution
7 taken into account under this section shall
8 be the fair market value of the property
9 contributed (determined at the time of
10 such contribution), and

11 “(ii) no reduction in the amount of
12 such contribution shall be made under
13 paragraph (1).

14 “(B) QUALIFIED ARTISTIC CHARITABLE
15 CONTRIBUTION.—For purposes of this para-
16 graph, the term ‘qualified artistic charitable
17 contribution’ means a charitable contribution of
18 any literary, musical, artistic, or scholarly com-
19 position, or similar property, or the copyright
20 thereon (or both), but only if—

21 “(i) such property was created by the
22 personal efforts of the taxpayer making
23 such contribution no less than 18 months
24 prior to such contribution,

25 “(ii) the taxpayer—

1 “(I) has received a qualified ap-
2 praisal of the fair market value of
3 such property in accordance with the
4 regulations under this section, and

5 “(II) attaches to the taxpayer’s
6 income tax return for the taxable year
7 in which such contribution was made
8 a copy of such appraisal,

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

11 “(iv) the use of such property by the
12 donee is related to the purpose or function
13 constituting the basis for the donee’s ex-
14 emption under section 501 (or, in the case
15 of a governmental unit, to any purpose or
16 function described under section 501(c)),

17 “(v) the taxpayer receives from the
18 donee a written statement representing
19 that the donee’s use of the property will be
20 in accordance with the provisions of clause
21 (iv), and

22 “(vi) the written appraisal referred to
23 in clause (ii) includes evidence of the ex-
24 tent (if any) to which property created by
25 the personal efforts of the taxpayer and of

1 the same type as the donated property is
2 or has been—

3 “(I) owned, maintained, and dis-
4 played by organizations described in
5 subsection (b)(1)(A), and

6 “(II) sold to or exchanged by
7 persons other than the taxpayer,
8 donee, or any related person (as de-
9 fined in section 465(b)(3)(C)).

10 “(C) MAXIMUM DOLLAR LIMITATION; NO
11 CARRYOVER OF INCREASED DEDUCTION.—The
12 increase in the deduction under this section by
13 reason of this paragraph for any taxable year—

14 “(i) shall not exceed the artistic ad-
15 justed gross income of the taxpayer for
16 such taxable year, and

17 “(ii) shall not be taken into account in
18 determining the amount which may be car-
19 ried from such taxable year under sub-
20 section (d).

21 “(D) ARTISTIC ADJUSTED GROSS IN-
22 COME.—For purposes of this paragraph, the
23 term ‘artistic adjusted gross income’ means
24 that portion of the adjusted gross income of the
25 taxpayer for the taxable year attributable to—

1 “(i) income from the sale or use of
2 property created by the personal efforts of
3 the taxpayer which is of the same type as
4 the donated property, and

5 “(ii) income from teaching, lecturing,
6 performing, or similar activity with respect
7 to property described in clause (i).

8 “(E) PARAGRAPH NOT TO APPLY TO CER-
9 TAIN CONTRIBUTIONS.—Subparagraph (A) shall
10 not apply to any charitable contribution of any
11 letter, memorandum, or similar property which
12 was written, prepared, or produced by or for an
13 individual while the individual is an officer or
14 employee of any person (including any govern-
15 ment agency or instrumentality) unless such
16 letter, memorandum, or similar property is en-
17 tirely personal.

18 “(F) COPYRIGHT TREATED AS SEPARATE
19 PROPERTY FOR PARTIAL INTEREST RULE.—In
20 the case of a qualified artistic charitable con-
21 tribution, the tangible literary, musical, artistic,
22 or scholarly composition, or similar property
23 and the copyright on such work shall be treated
24 as separate properties for purposes of this para-
25 graph and subsection (f)(3).”.

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. 111. MILEAGE REIMBURSEMENTS TO CHARITABLE**
 5 **VOLUNTEERS EXCLUDED FROM GROSS IN-**
 6 **COME.**

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

10 **“SEC. 139A. MILEAGE REIMBURSEMENTS TO CHARITABLE**
 11 **VOLUNTEERS.**

12 “(a) IN GENERAL.—Gross income of an individual
 13 does not include amounts received, from an organization
 14 described in section 170(c), as reimbursement of operating
 15 expenses with respect to use of a passenger automobile
 16 for the benefit of such organization. The preceding sen-
 17 tence shall apply only to the extent that such reimburse-
 18 ment would be deductible under this chapter if section
 19 274(d) were applied—

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

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

24 “(b) APPLICATION TO VOLUNTEER SERVICES
 25 ONLY.—Subsection (a) shall not apply with respect to any

1 expenses relating to the performance of services for com-
2 pensation.

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

6 “(d) EXEMPTION FROM REPORTING REQUIRE-
7 MENTS.—Section 6041 shall not apply with respect to re-
8 imbursements excluded from income under subsection
9 (a).”

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

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

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

17 **TITLE II—IMPROVE OVERSIGHT**
18 **OF TAX-EXEMPT ORGANIZA-**
19 **TIONS**

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

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

25 “(l) SECTION NOT TO APPLY.—

1 “(1) IN GENERAL.—This section shall not apply
 2 to any matter to which section 6104 or 6105 ap-
 3 plies, except that this section shall apply to any writ-
 4 ten determination and related background file docu-
 5 ment relating to an organization described under
 6 subsection (c) or (d) of section 501 (including any
 7 written determination denying an organization tax-
 8 exempt status under such subsection) or a political
 9 organization described in section 527 which is not
 10 required to be disclosed by section 6104(a)(1)(A).

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

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

16 **SEC. 202. DISCLOSURE OF INTERNET WEB SITE AND NAME**
 17 **UNDER WHICH ORGANIZATION DOES BUSI-**
 18 **NESS.**

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

23 “(h) DISCLOSURE OF NAME UNDER WHICH ORGANI-
 24 ZATION DOES BUSINESS AND ITS INTERNET WEB
 25 SITE.—Any organization which is subject to the require-

1 ments of subsection (a) shall include on the return re-
2 quired under subsection (a)—

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

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

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to returns filed after December 31,
9 2003.

10 **SEC. 203. MODIFICATION TO REPORTING CAPITAL TRANS-**
11 **ACTIONS.**

12 (a) REQUIREMENT OF SUMMARY REPORT.—Section
13 6033(c) (relating to additional provisions relating to pri-
14 vate foundations) is amended by adding at the end the
15 following new sentence: “Any information included in an
16 annual return regarding the gain or loss from the sale or
17 other disposition of property which is required to be fur-
18 nished in order to calculate the tax on net investment in-
19 come shall also be reported in summary form with a notice
20 that detailed information is available upon request by the
21 public.”.

22 (b) DISCLOSURE REQUIREMENT.—Section 6104(b)
23 (relating to inspection of annual information returns), as
24 amended by this Act, is amended by adding at the end
25 the following new sentences: “With respect to any private

1 foundation (as defined in section 509(a)), any information
2 regarding the gain or loss from the sale or other disposi-
3 tion of property which is required to be furnished in order
4 to calculate the tax on net investment income but which
5 is not in summary form is not required to be made avail-
6 able to the public under this subsection except upon the
7 explicit request by a member of the public to the Sec-
8 retary.”.

9 (c) PUBLIC INSPECTION REQUIREMENT.—Section
10 6104(d) (relating to public inspection of certain annual
11 returns, applications for exemptions, and notices of sta-
12 tus) is amended by adding at the end the following new
13 paragraph:

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

1 (d) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to returns filed after December 31,
 3 2003.

4 **SEC. 204. DISCLOSURE THAT FORM 990 IS PUBLICLY AVAIL-**
 5 **ABLE.**

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

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to publications or other materials
 13 issued or revised after the date of the enactment of this
 14 Act.

15 **SEC. 205. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**
 16 **ACTIONS RELATED TO SECTION 501(c) ORGA-**
 17 **NIZATIONS.**

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

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

23 “(A) SPECIFIC NOTIFICATIONS.—In the
 24 case of an organization to which paragraph (1)

1 applies, the Secretary may disclose to the ap-
2 propriate State officer—

3 “(i) a notice of proposed refusal to
4 recognize such organization as an organi-
5 zation described in section 501(c)(3) or a
6 notice of proposed revocation of such orga-
7 nization’s recognition as an organization
8 exempt from taxation,

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

12 “(iii) the names, addresses, and tax-
13 payer identification numbers of organiza-
14 tions which have applied for recognition as
15 organizations described in section
16 501(c)(3).

17 “(B) ADDITIONAL DISCLOSURES.—Returns
18 and return information of organizations with
19 respect to which information is disclosed under
20 subparagraph (A) may be made available for in-
21 spection by or disclosed to an appropriate State
22 officer.

23 “(C) PROCEDURES FOR DISCLOSURE.—In-
24 formation may be inspected or disclosed under
25 subparagraph (A) or (B) only—

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

3 “(ii) for the purpose of, and only to
4 the extent necessary in, the administration
5 of State laws regulating such organiza-
6 tions.

7 Such information may only be inspected by or
8 disclosed to representatives of the appropriate
9 State officer designated as the individuals who
10 are to inspect or to receive the returns or re-
11 turn information under this paragraph on be-
12 half of such officer. Such representatives shall
13 not include any contractor or agent.

14 “(D) DISCLOSURES OTHER THAN BY RE-
15 QUEST.—The Secretary may make available for
16 inspection or disclose returns and return infor-
17 mation of an organization to which paragraph
18 (1) applies to an appropriate State officer of
19 any State if the Secretary determines that such
20 inspection or disclosure may facilitate the reso-
21 lution of Federal or State issues relating to the
22 tax-exempt status of such organization.

23 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
24 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
25 quest by an appropriate State officer, the Secretary

1 may make available for inspection or disclosure re-
2 turns and return information of an organization de-
3 scribed in paragraph (2), (4), (6), (7), (8), (10), or
4 (13) of section 501(c) for the purpose of, and to the
5 extent necessary in, the administration of State laws
6 regulating the solicitation or administration of the
7 charitable funds or charitable assets of such organi-
8 zations. Such information may be inspected only by
9 or disclosed only to representatives of the appro-
10 priate State officer designated as the individuals who
11 are to inspect or to receive the returns or return in-
12 formation under this paragraph on behalf of such of-
13 ficer. Such representatives shall not include any con-
14 tractor or agent.

15 “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-
16 TIVE PROCEEDINGS.—Returns and return informa-
17 tion disclosed pursuant to this subsection may be
18 disclosed in civil administrative and civil judicial pro-
19 ceedings pertaining to the enforcement of State laws
20 regulating such organizations in a manner pre-
21 scribed by the Secretary similar to that for tax ad-
22 ministration proceedings under section 6103(h)(4).

23 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
24 turns and return information shall not be disclosed
25 under this subsection, or in any proceeding described

1 in paragraph (4), to the extent that the Secretary
2 determines that such disclosure would seriously im-
3 pair Federal tax administration.

4 “(6) DEFINITIONS.—For purposes of this sub-
5 section—

6 “(A) RETURN AND RETURN INFORMA-
7 TION.—The terms ‘return’ and ‘return informa-
8 tion’ have the respective meanings given to such
9 terms by section 6103(b).

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

12 “(i) the State attorney general,

13 “(ii) in the case of an organization to
14 which paragraph (1) applies, any other
15 State official charged with overseeing orga-
16 nizations of the type described in section
17 501(c)(3), and

18 “(iii) in the case of an organization to
19 which paragraph (3) applies, the head of
20 an agency designated by the State attorney
21 general as having primary responsibility
22 for overseeing the solicitation of funds for
23 charitable purposes.”.

24 (b) CONFORMING AMENDMENTS.—

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

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

7 (B) by striking “or subsection (n)” in
8 paragraph (3) and inserting “subsection (n), or
9 section 6104(c)”.

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

13 (3) Paragraph (4) of section 6103(p) is amend-
14 ed—

15 (A) in the matter preceding subparagraph
16 (A), by striking “(16) or any other person de-
17 scribed in subsection (l)(16)” and inserting
18 “(16), any other person described in subsection
19 (l)(16), or any appropriate State officer (as de-
20 fined in section 6104(c))”, and

21 (B) in subparagraph (F), by striking “or
22 any other person described in subsection
23 (l)(16)” and inserting “any other person de-
24 scribed in subsection (l)(16), or any appropriate
25 State officer (as defined in section 6104(c))”.

1 omits or misrepresents any information with respect
2 to such return which was known or should have been
3 known by such person shall pay a penalty of \$250
4 with respect to such return.

5 “(2) EXCEPTION FOR MINOR, INADVERTENT
6 OMISSIONS.—Paragraph (1) shall not apply to
7 minor, inadvertent omissions.

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

12 “(A) shall include any person who employs
13 1 or more persons to prepare for compensation
14 a return under section 6033, and

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

19 “(i) WILLFUL OR RECKLESS CONDUCT.—

20 “(1) IN GENERAL.—Any person who prepares
21 for compensation any return under section 6033 who
22 recklessly or intentionally misrepresents any infor-
23 mation or recklessly or intentionally disregards any
24 rule or regulation with respect to such return shall
25 pay a penalty of \$1,000 with respect to such return.

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

7 (b) CONFORMING AMENDMENTS.—

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

10 (2) The item relating to section 6695 in the
11 table of sections for part I of subchapter B of chap-
12 ter 68 is amended by inserting “and other” after
13 “income tax”.

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

17 **SEC. 207. NOTIFICATION REQUIREMENT FOR ENTITIES NOT**
18 **CURRENTLY REQUIRED TO FILE.**

19 (a) IN GENERAL.—Section 6033 (relating to returns
20 by exempt organizations), as amended by section 202(a),
21 is amended by redesignating subsection (i) as subsection
22 (j) and by inserting after subsection (h) the following new
23 subsection:

24 “(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—

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

5 “(A) shall furnish annually information, at
6 such time and in such manner as the Secretary
7 may by forms or regulations prescribe, setting
8 forth—

9 “(i) the legal name of the organiza-
10 tion,

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

13 “(iii) the organization’s mailing ad-
14 dress and Internet web site address (if
15 any),

16 “(iv) the organization’s taxpayer iden-
17 tification number,

18 “(v) the name and address of a prin-
19 cipal officer, and

20 “(vi) evidence of the continuing basis
21 for the organization’s exemption from the
22 filing requirements under subsection
23 (a)(1), and

1 “(B) upon the termination of the existence
2 of the organization, shall furnish notice of such
3 termination.

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

5 “(A) IN GENERAL.—If an organization de-
6 scribed in paragraph (1) fails to file 3 consecu-
7 tive annual notices required under such para-
8 graph, such organization’s status as an organi-
9 zation exempt from tax under section 501(a)
10 shall be considered revoked on and after the
11 date set by the Secretary for the filing of the
12 third annual notice. The Secretary shall publish
13 and maintain a list of organizations the status
14 of which is so revoked.

15 “(B) RETROACTIVE REINSTATEMENT IF
16 REASONABLE CAUSE SHOWN FOR FAILURE.—If
17 upon reapplication for status as an organization
18 exempt from tax under section 501(a), an orga-
19 nization described in subparagraph (A) can
20 show to the satisfaction of the Secretary evi-
21 dence of reasonable cause for the failure de-
22 scribed in such subparagraph, the organiza-
23 tion’s status shall be effective from the date of
24 the revocation under such subparagraph.”.

1 (b) NO DECLARATORY JUDGMENT RELIEF.—Section
2 7428(b) (relating to limitations) is amended by adding at
3 the end the following new paragraph:

4 “(4) NONAPPLICATION FOR CERTAIN REVOCA-
5 TIONS.—No action may be brought under this sec-
6 tion with respect to any revocation of status de-
7 scribed in section 6033(i)(2)(A).”.

8 (c) NO INSPECTION REQUIREMENT.—Section
9 6104(b) (relating to inspection of annual information re-
10 turns) is amended by inserting “(other than subsection (i)
11 thereof)” after “6033”.

12 (d) NO DISCLOSURE REQUIREMENT.—Section
13 6104(d)(3) (relating to exceptions from disclosure require-
14 ments) is amended by redesignating subparagraph (B) as
15 subparagraph (C) and by inserting after subparagraph (A)
16 the following new subparagraph:

17 “(B) NONDISCLOSURE OF ANNUAL NO-
18 TICES.—Paragraph (1) shall not require the
19 disclosure of any notice required under section
20 6033(i)(1).”.

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

1 “(E) NO PENALTY FOR CERTAIN ANNUAL
2 NOTICES.—This paragraph shall not apply with
3 respect to any notice required under section
4 6033(i)(1).”.

5 (f) NOTICE OF REQUIREMENT BY SECRETARY.—The
6 Secretary of the Treasury shall notify in a timely manner
7 every organization described in section 6033(i)(1) of the
8 Internal Revenue Code of 1986 (as added by this section)
9 of the requirement under such section 6033(i)(1)—

10 (1) by mail, in the case of any organization the
11 identity and address of which is included in the list
12 of exempt organizations maintained by the Sec-
13 retary, and

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

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

19 **SEC. 208. SUSPENSION OF TAX-EXEMPT STATUS OF TER-**
20 **RORIST ORGANIZATIONS.**

21 (a) IN GENERAL.—Section 501 of the Internal Rev-
22 enue Code of 1986 (relating to exemption from tax on cor-
23 porations, certain trusts, etc.) is amended by redesign-
24 nating subsection (p) as subsection (q) and by inserting
25 after subsection (o) the following new subsection:

1 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF TER-
2 RORIST ORGANIZATIONS.—

3 “(1) IN GENERAL.—The exemption from tax
4 under subsection (a) with respect to any organiza-
5 tion described in paragraph (2), and the eligibility of
6 any organization described in paragraph (2) to apply
7 for recognition of exemption under subsection (a),
8 shall be suspended during the period described in
9 paragraph (3).

10 “(2) TERRORIST ORGANIZATIONS.—An organi-
11 zation is described in this paragraph if such organi-
12 zation is designated or otherwise individually identi-
13 fied—

14 “(A) under section 212(a)(3)(B)(vi)(II) or
15 219 of the Immigration and Nationality Act as
16 a terrorist organization or foreign terrorist or-
17 ganization,

18 “(B) in or pursuant to an Executive order
19 which is related to terrorism and issued under
20 the authority of the International Emergency
21 Economic Powers Act or section 5 of the
22 United Nations Participation Act of 1945 for
23 the purpose of imposing on such organization
24 an economic or other sanction, or

1 “(C) in or pursuant to an Executive order
2 issued under the authority of any Federal law
3 if—

4 “(i) the organization is designated or
5 otherwise individually identified in or pur-
6 suant to such Executive order as sup-
7 porting or engaging in terrorist activity (as
8 defined in section 212(a)(3)(B) of the Im-
9 migration and Nationality Act) or sup-
10 porting terrorism (as defined in section
11 140(d)(2) of the Foreign Relations Author-
12 ization Act, Fiscal Years 1988 and 1989);
13 and

14 “(ii) such Executive order refers to
15 this subsection.

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

19 “(A) begins on the date of the first publi-
20 cation of a designation or identification de-
21 scribed in paragraph (2) with respect to such
22 organization, and

23 “(B) ends on the first date that all des-
24 ignations and identifications described in para-
25 graph (2) with respect to such organization are

1 rescinded pursuant to the law or Executive
2 order under which such designation or identi-
3 fication was made.

4 “(4) DENIAL OF DEDUCTION.—No deduction
5 shall be allowed under section 170, 545(b)(2),
6 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for
7 any contribution to an organization described in
8 paragraph (2) during the period described in para-
9 graph (3).

10 “(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL
11 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
12 TION.—Notwithstanding section 7428 or any other
13 provision of law, no organization or other person
14 may challenge a suspension under paragraph (1), a
15 designation or identification described in paragraph
16 (2), the period of suspension described in paragraph
17 (3), or a denial of a deduction under paragraph (4)
18 in any administrative or judicial proceeding relating
19 to the Federal tax liability of such organization or
20 other person.

21 “(6) ERRONEOUS DESIGNATION.—

22 “(A) IN GENERAL.—If—

23 “(i) the tax exemption of any organi-
24 zation described in paragraph (2) is sus-
25 pended under paragraph (1),

1 “(ii) each designation and identifica-
2 tion described in paragraph (2) which has
3 been made with respect to such organiza-
4 tion is determined to be erroneous pursu-
5 ant to the law or Executive order under
6 which such designation or identification
7 was made, and

8 “(iii) the erroneous designations and
9 identifications result in an overpayment of
10 income tax for any taxable year by such
11 organization,

12 credit or refund (with interest) with respect to
13 such overpayment shall be made.

14 “(B) WAIVER OF LIMITATIONS.—If the
15 credit or refund of any overpayment of tax de-
16 scribed in subparagraph (A)(iii) is prevented at
17 any time by the operation of any law or rule of
18 law (including *res judicata*), such credit or re-
19 fund may nevertheless be allowed or made if the
20 claim therefor is filed before the close of the 1-
21 year period beginning on the date of the last
22 determination described in subparagraph
23 (A)(ii).

24 “(7) NOTICE OF SUSPENSIONS.—If the tax ex-
25 emption of any organization is suspended under this

1 subsection, the Internal Revenue Service shall up-
 2 date the listings of tax-exempt organizations and
 3 shall publish appropriate notice to taxpayers of such
 4 suspension and of the fact that contributions to such
 5 organization are not deductible during the period of
 6 such suspension.”.

7 (b) EFFECTIVE DATE.—The amendments made by
 8 this section shall take effect on the date of the enactment
 9 of this Act.

10 **TITLE III—OTHER CHARITABLE**
 11 **AND EXEMPT ORGANIZATION**
 12 **PROVISIONS**

13 **SEC. 301. MODIFICATION OF EXCISE TAX ON UNRELATED**
 14 **BUSINESS TAXABLE INCOME OF CHARITABLE**
 15 **REMAINDER TRUSTS.**

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

19 “(c) TAXATION OF TRUSTS.—

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

24 “(2) EXCISE TAX.—

1 “(A) IN GENERAL.—In the case of a chari-
2 table remainder annuity trust or a charitable
3 remainder unitrust which has unrelated busi-
4 ness taxable income (within the meaning of sec-
5 tion 512, determined as if part III of sub-
6 chapter F applied to such trust) for a taxable
7 year, there is hereby imposed on such trust or
8 unitrust an excise tax equal to the amount of
9 such unrelated business taxable income.

10 “(B) CERTAIN RULES TO APPLY.—The tax
11 imposed by subparagraph (A) shall be treated
12 as imposed by chapter 42 for purposes of this
13 title other than subchapter E of chapter 42.

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

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

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

22 (a) IN GENERAL.—Paragraph (13) of section 512(b)
23 (relating to special rules for certain amounts received from
24 controlled entities) is amended by redesignating subpara-

1 graph (E) as subparagraph (F) and by inserting after sub-
2 paragraph (D) the following new subparagraph:

3 “(E) PARAGRAPH TO APPLY ONLY TO EX-
4 CESS PAYMENTS.—

5 “(i) IN GENERAL.—Subparagraph (A)
6 shall apply only to the portion of a speci-
7 fied payment received or accrued by the
8 controlling organization that exceeds the
9 amount which would have been paid or ac-
10 crued if such payment met the require-
11 ments prescribed under section 482.

12 “(ii) ADDITION TO TAX FOR VALU-
13 ATION MISSTATEMENTS.—The tax imposed
14 by this chapter on the controlling organiza-
15 tion shall be increased by an amount equal
16 to 20 percent of the larger of—

17 “(I) such excess determined with-
18 out regard to any amendment or sup-
19 plement to a return of tax, or

20 “(II) such excess determined
21 with regard to all such amendments
22 and supplements.”.

23 (b) EFFECTIVE DATE.—

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

4 (2) PAYMENTS SUBJECT TO BINDING CONTRACT
5 TRANSITION RULE.—If the amendments made by
6 section 1041 of the Taxpayer Relief Act of 1997 did
7 not apply to any amount received or accrued in the
8 first 2 taxable years beginning on or after the date
9 of the enactment of the Taxpayer Relief Act of 1997
10 under any contract described in subsection (b)(2) of
11 such section, such amendments also shall not apply
12 to amounts received or accrued under such contract
13 before January 1, 2001.

14 **SEC. 303. SIMPLIFICATION OF LOBBYING EXPENDITURE**
15 **LIMITATION.**

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

20 “(1) GENERAL RULE.—In the case of an orga-
21 nization to which this subsection applies, exemption
22 from taxation under subsection (a) shall be denied
23 because a substantial part of the activities of such
24 organization consists of carrying on propaganda, or
25 otherwise attempting, to influence legislation, but

1 only if such organization normally makes lobbying
2 expenditures in excess of the lobbying ceiling amount
3 for such organization for each taxable year.”.

4 (b) EXCESS LOBBYING EXPENDITURES.—Section
5 4911(b) is amended to read as follows:

6 “(b) EXCESS LOBBYING EXPENDITURES.—For pur-
7 poses of this section, the term ‘excess lobbying expendi-
8 tures’ means, for a taxable year, the amount by which the
9 lobbying expenditures made by the organization during the
10 taxable year exceed the lobbying nontaxable amount for
11 such organization for such taxable year.”.

12 (c) CONFORMING AMENDMENTS.—

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

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

17 (3) Paragraph (1)(A) of section 4911(f) is
18 amended by striking “limits of section 501(h)(1)
19 have” and inserting “limit of section 501(h)(1)
20 has”.

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

24 (5) Paragraphs (4)(A) and (4)(B) of section
25 4911(f) are each amended by striking “limits of sec-

1 tion 501(h)(1)” and inserting “limit of section
2 501(h)(1)”.

3 (6) Paragraph (8) of section 6033(b) (relating
4 to certain organizations described in section
5 501(c)(3)) is amended by inserting “and” at the end
6 of subparagraph (A) and by striking subparagraphs
7 (C) and (D).

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

11 **SEC. 304. EXPEDITED REVIEW PROCESS FOR CERTAIN TAX-**
12 **EXEMPTION APPLICATIONS.**

13 (a) IN GENERAL.—The Secretary of the Treasury or
14 the Secretary’s delegate (in this section, referred to as the
15 “Secretary”) shall adopt procedures to expedite the con-
16 sideration of applications for exempt status under section
17 501(c)(3) of the Internal Revenue Code of 1986 filed after
18 December 31, 2003, by any organization that—

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

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

24 (3) establishes that, under the terms and condi-
25 tions of the contract or grant program, an organiza-

1 tion is required to obtain such exempt status before
2 the organization is eligible to apply for a contract or
3 grant;

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

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

9 The Secretary may prescribe other similar circumstances
10 in which such organizations may be entitled to expedited
11 consideration.

12 (b) WAIVER OF APPLICATION FEE FOR EXEMPT
13 STATUS.—Any organization that meets the conditions de-
14 scribed in subsection (a) (without regard to paragraph (3)
15 of that subsection) is entitled to a waiver of any fee for
16 an application for exempt status under section 501(c)(3)
17 of the Internal Revenue Code of 1986 if the organization
18 certifies that the organization has had (or expects to have)
19 average annual gross receipts of not more than \$50,000
20 during the preceding 4 years (or, in the case of an organi-
21 zation not in existence throughout the preceding 4 years,
22 during such organization's first 4 years).

23 (c) SOCIAL SERVICES DEFINED.—For purposes of
24 this section—

1 (1) IN GENERAL.—The term “social services”
2 means services directed at helping people in need,
3 reducing poverty, improving outcomes of low-income
4 children, revitalizing low-income communities, and
5 empowering low-income families and low-income in-
6 dividuals to become self-sufficient, including—

7 (A) child care services, protective services
8 for children and adults, services for children
9 and adults in foster care, adoption services,
10 services related to the management and mainte-
11 nance of the home, day care services for adults,
12 and services to meet the special needs of chil-
13 dren, older individuals, and individuals with dis-
14 abilities (including physical, mental, or emo-
15 tional disabilities);

16 (B) transportation services;

17 (C) job training and related services, and
18 employment services;

19 (D) information, referral, and counseling
20 services;

21 (E) the preparation and delivery of meals,
22 and services related to soup kitchens or food
23 banks;

24 (F) health support services;

25 (G) literacy and mentoring programs;

1 (H) services for the prevention and treat-
2 ment of juvenile delinquency and substance
3 abuse, services for the prevention of crime and
4 the provision of assistance to the victims and
5 the families of criminal offenders, and services
6 related to the intervention in, and prevention of,
7 domestic violence; and

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

10 (2) EXCLUSIONS.—The term does not include a
11 program having the purpose of delivering edu-
12 cational assistance under the Elementary and Sec-
13 ondary Education Act of 1965 (20 U.S.C. 6301 et
14 seq.) or under the Higher Education Act of 1965
15 (20 U.S.C. 1001 et seq.).

16 **SEC. 305. CLARIFICATION OF DEFINITION OF CHURCH TAX**
17 **INQUIRY.**

18 Subsection (i) of section 7611 (relating to section not
19 to apply to criminal investigations, etc.) is amended by
20 striking “or” at the end of paragraph (4), by striking the
21 period at the end of paragraph (5) and inserting “, or”,
22 and by inserting after paragraph (5) the following:

23 “(6) information provided by the Secretary re-
24 lated to the standards for exemption from tax under

1 this title and the requirements under this title relat-
2 ing to unrelated business taxable income.”.

3 **SEC. 306. EXPANSION OF DECLARATORY JUDGMENT REM-**
4 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

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

7 (1) in subparagraph (B) by inserting after
8 “509(a)” the following: “or as a private operating
9 foundation (as defined in section 4942(j)(3))”; and

10 (2) by amending subparagraph (C) to read as
11 follows:

12 “(C) with respect to the initial qualifica-
13 tion or continuing qualification of an organiza-
14 tion as an organization described in section
15 501(c) (other than paragraph (3)) or 501(d)
16 which is exempt from tax under section 501(a),
17 or”.

18 (b) COURT JURISDICTION.—Subsection (a) of section
19 7428 is amended in the material following paragraph (2)
20 by striking “United States Tax Court, the United States
21 Claims Court, or the district court of the United States
22 for the District of Columbia” and inserting the following:
23 “United States Tax Court (in the case of any such deter-
24 mination or failure) or the United States Claims Court
25 or the district court of the United States for the District

1 of Columbia (in the case of a determination or failure with
 2 respect to an issue referred to in subparagraph (A) or (B)
 3 of paragraph (1)),”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to pleadings filed with respect to
 6 determinations (or requests for determinations) made
 7 after December 31, 2002.

8 **SEC. 307. DEFINITION OF CONVENTION OR ASSOCIATION**
 9 **OF CHURCHES.**

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

13 “(n) CONVENTION OR ASSOCIATION OF CHURCH-
 14 ES.—For purposes of this title, any organization which is
 15 otherwise a convention or association of churches shall not
 16 fail to so qualify merely because the membership of such
 17 organization includes individuals as well as churches or be-
 18 cause individuals have voting rights in such organiza-
 19 tion.”.

20 **SEC. 308. PAYMENTS BY CHARITABLE ORGANIZATIONS TO**
 21 **VICTIMS OF WAR ON TERRORISM.**

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

24 (1) payments made by an organization de-
 25 scribed in section 501(c)(3) of such Code to a mem-

1 percentage shall be increased to 35 percent of the eligible
 2 applicants to be considered by the selection committee and
 3 to 20 percent of individuals eligible for the grants, but
 4 only if the foundation awarding the grants demonstrates
 5 that, in addition to meeting the other requirements of Rev-
 6 enue Procedure 76-47, it provides a comparable number
 7 and aggregate amount of grants during the same program
 8 year to individuals who are not such employees, children
 9 or dependents of such employees, or affiliated with the em-
 10 ployer of such employees.

11 **SEC. 310. TREATMENT OF CERTAIN HOSPITAL SUPPORT**
 12 **ORGANIZATIONS AS QUALIFIED ORGANIZA-**
 13 **TIONS FOR PURPOSES OF DETERMINING AC-**
 14 **QUISITION INDEBTEDNESS.**

15 (a) IN GENERAL.—Subparagraph (C) of section
 16 514(c)(9) (relating to real property acquired by a qualified
 17 organization) is amended by striking “or” at the end of
 18 clause (ii), by striking the period at the end of clause (iii)
 19 and inserting “; or”, and by adding at the end the fol-
 20 lowing new clause:

21 “(iv) a qualified hospital support
 22 organization (as defined in subpara-
 23 graph (I)).”.

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

4 “(I) QUALIFIED HOSPITAL SUPPORT ORGA-
 5 NIZATIONS.—For purposes of subparagraph
 6 (C)(iv), the term ‘qualified hospital support or-
 7 ganization’ means, with respect to any eligible
 8 indebtedness (including any qualified refi-
 9 nancing of such eligible indebtedness), a sup-
 10 port organization (as defined in section
 11 509(a)(3)) which supports a hospital described
 12 in section 119(d)(4)(B) and with respect to
 13 which—

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

17 “(I) were acquired, directly
 18 or indirectly, by testamentary gift
 19 or devise, and

20 “(II) consisted of real prop-
 21 erty, and

22 “(ii) the fair market value of the
 23 organization’s real estate acquired, di-
 24 rectly or indirectly, by gift or devise,
 25 exceeded 25 percent of the fair mar-

1 ket value of all investment assets held
2 by the organization immediately prior
3 to the time that the eligible indebted-
4 ness was incurred.

5 For purposes of this subparagraph, the term
6 ‘eligible indebtedness’ means indebtedness se-
7 cured by real property acquired by the organi-
8 zation, directly or indirectly, by gift or devise,
9 the proceeds of which are used exclusively to ac-
10 quire any leasehold interest in such real prop-
11 erty or for improvements on, or repairs to, such
12 real property. A determination under clauses (i)
13 and (ii) of this subparagraph shall be made
14 each time such an eligible indebtedness (or the
15 qualified refinancing of such an eligible indebt-
16 edness) is incurred. For purposes of this sub-
17 paragraph, a refinancing of such an eligible in-
18 debtedness shall be considered qualified if such
19 refinancing does not exceed the amount of the
20 refinanced eligible indebtedness immediately be-
21 fore the refinancing.”.

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

1 **TITLE IV—SOCIAL SERVICES**
2 **BLOCK GRANT**

3 **SEC. 401. RESTORATION OF FUNDS FOR THE SOCIAL SERV-**
4 **ICES BLOCK GRANT.**

5 (a) FINDINGS.—Congress makes the following find-
6 ings:

7 (1) On August 22, 1996, the Personal Respon-
8 sibility and Work Opportunity Reconciliation Act of
9 1996 (Public Law 104–193; 110 Stat. 2105) was
10 signed into law.

11 (2) In enacting that law, Congress authorized
12 \$2,800,000,000 for fiscal year 2003 and each fiscal
13 year thereafter to carry out the Social Services
14 Block Grant program established under title XX of
15 the Social Security Act (42 U.S.C. 1397 et seq.).

16 (b) RESTORATION OF FUNDS.—Section 2003(c)(11)
17 of the Social Security Act (42 U.S.C. 1397b(c)(11)) is
18 amended by inserting “, except that, with respect to fiscal
19 year 2003, the amount shall be \$1,975,000,000, and with
20 respect to fiscal year 2004, the amount shall be
21 \$2,800,000,000” after “thereafter.”.

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

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

7 “(2) LIMITATION ON AMOUNT TRANSFERABLE
8 TO TITLE XX PROGRAMS.—A State may use not
9 more than 10 percent of the amount of any grant
10 made to the State under section 403(a) for a fiscal
11 year to carry out State programs pursuant to title
12 XX.”.

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

16 **SEC. 403. REQUIREMENT TO SUBMIT ANNUAL REPORT ON**
17 **STATE ACTIVITIES.**

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

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) applies to information submitted by States
25 under section 2006 of the Social Security Act (42 U.S.C.

1 1397e) with respect to fiscal year 2002 and each fiscal
2 year thereafter.

3 **TITLE V—INDIVIDUAL**
4 **DEVELOPMENT ACCOUNTS**

5 **SEC. 501. SHORT TITLE.**

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

8 **SEC. 502. PURPOSES.**

9 The purposes of this title are to provide for the estab-
10 lishment of individual development account programs that
11 will—

12 (1) provide individuals and families with limited
13 means an opportunity to accumulate assets and to
14 enter the financial mainstream,

15 (2) promote education, homeownership, and the
16 development of small businesses,

17 (3) stabilize families and build communities,
18 and

19 (4) support continued United States economic
20 expansion.

21 **SEC. 503. DEFINITIONS.**

22 As used in this title:

23 (1) **ELIGIBLE INDIVIDUAL.**—

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

4 (i) has attained the age of 18 but not
5 the age of 61 as of the last day of such
6 taxable year,

7 (ii) is a citizen or lawful permanent
8 resident (within the meaning of section
9 7701(b)(6) of the Internal Revenue Code
10 of 1986) of the United States as of the
11 last day of such taxable year,

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

15 (iv) is not an individual with respect
16 to whom a deduction under section 151 of
17 such Code is allowable to another taxpayer
18 for a taxable year of the other taxpayer
19 ending during the immediately preceding
20 taxable year of the individual,

21 (v) is not a taxpayer described in sub-
22 section (c), (d), or (e) of section 6402 of
23 such Code for the immediately preceding
24 taxable year,

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

4 (vii) is a taxpayer the modified ad-
5 justed gross income of whom for the imme-
6 diately preceding taxable year does not ex-
7 ceed—

8 (I) \$18,000, in the case of a tax-
9 payer described in section 1(c) of such
10 Code,

11 (II) \$30,000, in the case of a
12 taxpayer described in section 1(b) of
13 such Code, and

14 (III) \$38,000, in the case of a
15 taxpayer described in section 1(a) of
16 such Code.

17 (B) INFLATION ADJUSTMENT.—

18 (i) IN GENERAL.—In the case of any
19 taxable year beginning after 2004, each
20 dollar amount referred to in subparagraph
21 (A)(vii) shall be increased by an amount
22 equal to—

23 (I) such dollar amount, multi-
24 plied by

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

7 (ii) ROUNDING.—If any amount as
8 adjusted under clause (i) is not a multiple
9 of \$50, such amount shall be rounded to
10 the nearest multiple of \$50.

11 (C) MODIFIED ADJUSTED GROSS IN-
12 COME.—For purposes of subparagraph (A)(v),
13 the term “modified adjusted gross income”
14 means adjusted gross income—

15 (i) determined without regard to sec-
16 tions 86, 893, 911, 931, and 933 of the
17 Internal Revenue Code of 1986, and

18 (ii) increased by the amount of inter-
19 est received or accrued by the taxpayer
20 during the taxable year which is exempt
21 from tax.

22 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—
23 The term “Individual Development Account” means
24 an account established for an eligible individual as
25 part of a qualified individual development account

1 program, but only if the written governing instru-
2 ment creating the account meets the following re-
3 quirements:

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

6 (B) No contribution will be accepted unless
7 it is in cash, and, except in the case of any
8 qualified rollover, contributions will not be ac-
9 cepted for the taxable year in excess of \$1,500
10 on behalf of any individual.

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

13 (D) The assets of the account will not be
14 commingled with other property except in a
15 common trust fund or common investment
16 fund.

17 (E) Except as provided in section 507(b),
18 any amount in the account may be paid out
19 only for the purpose of paying the qualified ex-
20 penses of the account owner.

21 (3) PARALLEL ACCOUNT.—The term “parallel
22 account” means a separate, parallel individual or
23 pooled account for all matching funds and earnings
24 dedicated to an Individual Development Account
25 owner as part of a qualified individual development

1 account program, the trustee of which is a qualified
2 financial institution.

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

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

13 (A) Individual Development Accounts and
14 parallel accounts are held in trust by a qualified
15 financial institution, and

16 (B) additional activities determined by the
17 Secretary, in consultation with the Secretary of
18 Health and Human Services, as necessary to re-
19 sponsibly develop and administer accounts, in-
20 cluding recruiting, providing financial education
21 and other training to Account owners, and reg-
22 ular program monitoring, are carried out by the
23 qualified financial institution.

24 (6) QUALIFIED EXPENSE DISTRIBUTION.—

1 (A) IN GENERAL.—The term “qualified ex-
2 pense distribution” means any amount paid (in-
3 cluding through electronic payments) or distrib-
4 uted out of an Individual Development Account
5 or a parallel account established for an eligible
6 individual if such amount—

7 (i) is used exclusively to pay the quali-
8 fied expenses of the Individual Develop-
9 ment Account owner or such owner’s
10 spouse or dependents,

11 (ii) is paid by the qualified financial
12 institution—

13 (I) except as otherwise provided
14 in this clause, directly to the unre-
15 lated third party to whom the amount
16 is due,

17 (II) in the case of any qualified
18 rollover, directly to another Individual
19 Development Account and parallel ac-
20 count, or

21 (III) in the case of a qualified
22 final distribution, directly to the
23 spouse, dependent, or other named
24 beneficiary of the deceased Account
25 owner, and

1 (iii) is paid after the Account owner
2 has completed a financial education course
3 if required under section 505(b).

4 (B) QUALIFIED EXPENSES.—

5 (i) IN GENERAL.—The term “qualified
6 expenses” means any of the following ex-
7 penses approved by the qualified financial
8 institution:

9 (I) Qualified higher education ex-
10 penses.

11 (II) Qualified first-time home-
12 buyer costs.

13 (III) Qualified business capital-
14 ization or expansion costs.

15 (IV) Qualified rollovers.

16 (V) Qualified final distribution.

17 (ii) QUALIFIED HIGHER EDUCATION
18 EXPENSES.—

19 (I) IN GENERAL.—The term
20 “qualified higher education expenses”
21 has the meaning given such term by
22 section 529(e)(3) of the Internal Rev-
23 enue Code of 1986, determined by
24 treating the Account owner, the own-
25 er’s spouse, or one or more of the

1 owner's dependents as a designated
2 beneficiary, and reduced as provided
3 in section 25A(g)(2) of such Code.

4 (II) COORDINATION WITH OTHER
5 BENEFITS.—The amount of expenses
6 which may be taken into account for
7 purposes of section 135, 529, or 530
8 of such Code for any taxable year
9 shall be reduced by the amount of any
10 qualified higher education expenses
11 taken into account as qualified ex-
12 pense distributions during such tax-
13 able year.

14 (iii) QUALIFIED FIRST-TIME HOME-
15 BUYER COSTS.—The term “qualified first-
16 time homebuyer costs” means qualified ac-
17 quisition costs (as defined in section
18 72(t)(8)(C) of the Internal Revenue Code
19 of 1986) with respect to a principal resi-
20 dence (within the meaning of section 121
21 of such Code) for a qualified first-time
22 homebuyer (as defined in section
23 72(t)(8)(D)(i) of such Code).

24 (iv) QUALIFIED BUSINESS CAPITAL-
25 IZATION OR EXPANSION COSTS.—

1 (I) IN GENERAL.—The term
2 “qualified business capitalization or
3 expansion costs” means qualified ex-
4 penditures for the capitalization or ex-
5 pansion of a qualified business pursu-
6 ant to a qualified business plan.

7 (II) QUALIFIED EXPENDI-
8 TURES.—The term “qualified expendi-
9 tures” means expenditures normally
10 associated with starting or expanding
11 a business and included in a qualified
12 business plan, including costs for cap-
13 ital, plant, and equipment, inventory
14 expenses, and attorney and accounting
15 fees.

16 (III) QUALIFIED BUSINESS.—
17 The term “qualified business” means
18 any business that does not contravene
19 any law.

20 (IV) QUALIFIED BUSINESS
21 PLAN.—The term “qualified business
22 plan” means a business plan which
23 has been approved by the qualified fi-
24 nancial institution and which meets

1 such requirements as the Secretary
2 may specify.

3 (v) QUALIFIED ROLLOVERS.—The
4 term “qualified rollover” means the com-
5 plete distribution of the amounts in an In-
6 dividual Development Account and parallel
7 account to another Individual Development
8 Account and parallel account established in
9 another qualified financial institution for
10 the benefit of the Account owner.

11 (vi) QUALIFIED FINAL DISTRIBUTION.—The term “qualified final distribu-
12 tion” means, in the case of a deceased Ac-
13 count owner, the complete distribution of
14 the amounts in the Individual Development
15 Account and parallel account directly to
16 the spouse, any dependent, or other named
17 beneficiary of the deceased.

18
19 (7) SECRETARY.—The term “Secretary” means
20 the Secretary of the Treasury.

21 **SEC. 504. STRUCTURE AND ADMINISTRATION OF QUALI-**
22 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
23 **PROGRAMS.**

24 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
25 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-

1 cial institution may apply to the Secretary for approval
2 to establish 1 or more qualified individual development ac-
3 count programs which meet the requirements of this title
4 and for an allocation of the Individual Development Ac-
5 count limitation under section 45G(i)(3) of the Internal
6 Revenue Code of 1986 with respect to such programs.

7 (b) BASIC PROGRAM STRUCTURE.—

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

11 (A) An Individual Development Account to
12 which an eligible individual may contribute cash
13 in accordance with section 505.

14 (B) A parallel account to which all match-
15 ing funds shall be deposited in accordance with
16 section 506.

17 (2) TAILORED IDA PROGRAMS.—A qualified fi-
18 nancial institution may tailor its qualified individual
19 development account program to allow matching
20 funds to be spent on 1 or more of the categories of
21 qualified expenses.

22 (3) NO FEES MAY BE CHARGED TO IDAS.—A
23 qualified financial institution may not charge any
24 fees to any Individual Development Account or par-

1 allel account under a qualified individual develop-
2 ment account program.

3 (c) COORDINATION WITH PUBLIC HOUSING AGENCY
4 INDIVIDUAL SAVINGS ACCOUNTS.—Section 3(e)(2) of the
5 United States Housing Act of 1937 (42 U.S.C.
6 1437a(e)(2)) is amended by inserting “or in any Indi-
7 vidual Development Account established under the Sav-
8 ings for Working Families Act of 2003” after “sub-
9 section”.

10 (d) TAX TREATMENT OF PARALLEL ACCOUNTS.—

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

14 **“SEC. 7525. TAX INCENTIVES FOR INDIVIDUAL DEVELOP-**
15 **MENT PARALLEL ACCOUNTS.**

16 “For purposes of this title—

17 “(1) any account described in section
18 504(b)(1)(B) of the Savings for Working Families
19 Act of 2003 shall be exempt from taxation,

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

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

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

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

4 (e) COORDINATION OF CERTAIN EXPENSES.—Section
5 25A(g)(2) is amended by striking “and” at the end of sub-
6 paragraph (C), by striking the period at the end of sub-
7 paragraph (D) and inserting “, and”, and by adding at
8 the end the following new subparagraph:

9 “(D) a qualified expense distribution with
10 respect to qualified higher education expenses
11 from an Individual Development Account or a
12 parallel account under section 507(a) of the
13 Savings for Working Families Act of 2003.

14 **SEC. 505. PROCEDURES FOR OPENING AND MAINTAINING**
15 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**
16 **AND QUALIFYING FOR MATCHING FUNDS.**

17 (a) OPENING AN ACCOUNT.—An eligible individual
18 may open an Individual Development Account with a
19 qualified financial institution upon certification that such
20 individual has never maintained any other Individual De-
21 velopment Account (other than an Individual Development
22 Account to be terminated by a qualified rollover).

23 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
24 CATION COURSE.—

1 (1) IN GENERAL.—Before becoming eligible to
2 withdraw funds to pay for qualified expenses, owners
3 of Individual Development Accounts must complete
4 1 or more financial education courses specified in
5 the qualified individual development account pro-
6 gram.

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

18 (c) PROOF OF STATUS AS AN ELIGIBLE INDI-
19 VIDUAL.—Federal income tax forms for the immediately
20 preceding taxable year and any other evidence of eligibility
21 which may be required by a qualified financial institution
22 shall be presented to such institution at the time of the
23 establishment of the Individual Development Account and
24 in any taxable year in which contributions are made to

1 the Account to qualify for matching funds under section
2 506(b)(1)(A).

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

9 **SEC. 506. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
10 **MENT ACCOUNT PROGRAMS.**

11 (a) PARALLEL ACCOUNTS.—The qualified financial
12 institution shall deposit all matching funds for each Indi-
13 vidual Development Account into a parallel account at a
14 qualified financial institution.

15 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

16 (1) IN GENERAL.—Subject to paragraph (2),
17 the qualified financial institution shall deposit into
18 the parallel account with respect to each eligible in-
19 dividual the following amounts:

20 (A) A dollar-for-dollar match for the first
21 \$500 contributed by the eligible individual into
22 an Individual Development Account with re-
23 spect to any taxable year of such individual.

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

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

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

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

15 (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.

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

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

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

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

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

17 **SEC. 507. WITHDRAWAL PROCEDURES.**

18 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

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

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

1 (B) parallel account, but only—

2 (i) from matching funds which have
3 been on deposit in such parallel account
4 for at least 1 year,

5 (ii) from earnings in such parallel ac-
6 count, after all matching funds described
7 in clause (i) have been withdrawn, and

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

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

21 (b) WITHDRAWALS FOR NONQUALIFIED EX-
22 PENSES.—An Individual Development Account owner may
23 withdraw any amount of funds from the Individual Devel-
24 opment Account for purposes other than to pay qualified
25 expense distributions, but if, after such withdrawal, the

1 amount in the parallel account of such owner (excluding
2 earnings on matching funds) exceeds the amount remain-
3 ing in such Individual Development Account, then such
4 owner shall forfeit from the parallel account the lesser of
5 such excess or the amount withdrawn.

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

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

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