

110TH CONGRESS
1ST SESSION

S. 1568

To amend the Internal Revenue Code of 1986 to encourage private philanthropy.

IN THE SENATE OF THE UNITED STATES

JUNE 7, 2007

Mr. ISAKSON (for himself and Mr. CHAMBLISS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage private philanthropy.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Personal Philanthropy
5 Account Act of 2007”.

6 **SEC. 2. PERSONAL PHILANTHROPY ACCOUNTS.**

7 (a) IN GENERAL.—Part VII of subchapter B of chap-
8 ter 1 of the Internal Revenue Code of 1986 (relating to
9 additional itemized deductions for individuals) is amended

1 by redesignating section 224 as section 225 and by insert-
2 ing after section 223 the following new section:

3 **“SEC. 224. PERSONAL PHILANTHROPY ACCOUNTS.**

4 “(a) ALLOWANCE OF DEDUCTION.—

5 “(1) IN GENERAL.—In the case of an indi-
6 vidual, there shall be allowed as a deduction for the
7 taxable year an amount equal to the aggregate
8 amount paid in cash during such taxable year (and
9 not described in subsection (d)(2)(A)(ii)) by or on
10 behalf of such individual to a personal philanthropy
11 account of such individual.

12 “(2) COORDINATION WITH CHARITABLE CON-
13 TRIBUTIONS.—

14 “(A) IN GENERAL.—With respect to any
15 amount allowable as a deduction under para-
16 graph (1)—

17 “(i) no other deduction shall be al-
18 lowed under any other provision of this
19 title, and

20 “(ii) such amount shall be considered
21 a charitable contribution for purposes of
22 section 170(b)(1).

23 “(B) EMPLOYER CONTRIBUTIONS.—With
24 respect to any amount contributed by an em-
25 ployer on behalf of the account holder—

1 “(i) except as provided in clause (ii),
2 such amount shall be considered a chari-
3 table contribution for purposes of section
4 170(b)(2), and

5 “(ii) if the employer provides such
6 amount pursuant to a program under
7 which the employer matches employee con-
8 tributions at least dollar-for-dollar on con-
9 tributions up to 5 percent of all employees’
10 compensation—

11 “(I) clause (i) shall not apply
12 with respect to such amount, and

13 “(II) such amount shall not be
14 taken into account under subsection
15 (b)(1).

16 “(b) **PERSONAL PHILANTHROPY ACCOUNT.**—For
17 purposes of this section, the term ‘personal philanthropy
18 account’ means a trust created or organized in the United
19 States exclusively for the purpose of making distributions
20 for the charitable purposes designated by an individual
21 who is the account holder of the trust (and designated as
22 a personal philanthropy account at the time created or or-
23 ganized), but only if the written governing instrument cre-
24 ating the trust meets the following requirements:

1 “(1) Except in the case of a rollover contribu-
2 tion described in subsection (d)(3), no contribution
3 will be accepted unless it is in cash, and contribu-
4 tions will not be accepted for the taxable year on be-
5 half of any individual in excess of \$15,000.

6 “(2) The trustee is a bank (as defined in sec-
7 tion 408(n)) or such other person who demonstrates
8 to the satisfaction of the Secretary that the manner
9 in which that person will administer the trust will be
10 consistent with the requirements of this section or
11 who has so demonstrated with respect to any per-
12 sonal philanthropy account and who is not disquali-
13 fied under subsection (f).

14 “(3) No part of the trust assets will be invested
15 in life insurance contracts.

16 “(4) The assets of the trust shall not be com-
17 mingled with other property except in a common
18 trust fund or common investment fund.

19 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
20 poses of this section—

21 “(1) DEFAULT DISTRIBUTION RULES.—

22 “(A) IN GENERAL.—No account shall be
23 treated as a personal philanthropy account un-
24 less at all times there are in effect qualified de-

1 fault charitable organization designations under
2 subparagraphs (B) and (C).

3 “(B) QUALIFIED DEFAULT CHARITABLE
4 ORGANIZATION DESIGNATION.—For purposes of
5 subparagraph (A), a qualified default charitable
6 organization designation in effect under this
7 subparagraph is the designation by the account
8 holder of an organization to which the remain-
9 der of such account may be made in the form
10 of a qualified philanthropy payment upon the
11 death of the account holder in any case in
12 which the account holder fails to provide by will
13 or other suitable estate document for the dis-
14 tribution of the assets of such account.

15 “(C) TRUSTEE DESIGNATION.—For pur-
16 poses of subparagraph (A), a qualified default
17 charitable organization designation in effect
18 under this subparagraph is the designation by
19 the trustee of the personal philanthropy account
20 of an organization to which a payment under
21 subparagraph (B) will be made if the organiza-
22 tion designated under subparagraph (B) is not
23 qualified to receive a qualified philanthropy
24 payment at the time of such payment.

25 “(2) MINIMUM DISTRIBUTION REQUIREMENT.—

1 “(A) IN GENERAL.—No account shall be
2 treated as a personal philanthropy account for
3 a taxable year unless such account meets the
4 minimum distribution requirements for such
5 taxable year.

6 “(B) MINIMUM DISTRIBUTION REQUIRE-
7 MENT.—An account meets the minimum dis-
8 tribution requirement for a taxable year if the
9 aggregate distributions from the account for the
10 taxable year are not less than 5 percent of the
11 balance of such account as of the last day of
12 the preceding taxable year.

13 “(C) EXCEPTION FOR ACCOUNTS WITH A
14 BALANCE OF LESS THAN \$10,000.—Subpara-
15 graph (A) shall not apply to any account for a
16 taxable year if the balance of such account as
17 of the last day of the preceding taxable year is
18 less than \$10,000.

19 “(3) DENIAL OF DEDUCTION TO DEPEND-
20 ENTS.—No deduction shall be allowed under this
21 section to any individual with respect to whom a de-
22 duction under section 151 is allowable to another
23 taxpayer for a taxable year beginning in the cal-
24 endar year in which such individual’s taxable year
25 begins.

1 “(4) INFLATION ADJUSTMENT.—In the case of
2 any taxable year beginning in a calendar year after
3 2009, the dollar amount contained in subsection
4 (b)(1) shall be increased by an amount equal to—

5 “(A) such dollar amount, multiplied by

6 “(B) the cost-of-living adjustment deter-
7 mined under section 1(f)(3) for the calendar
8 year in which the taxable year begins, deter-
9 mined by substituting ‘calendar year 2008’ for
10 ‘calendar year 1992’ in subparagraph (B)
11 thereof.

12 Any increase determined under the preceding sen-
13 tence shall be rounded to the nearest multiple of
14 \$50.

15 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

16 “(1) IN GENERAL.—Any distribution from a
17 personal philanthropy account shall be includible in
18 the gross income of the account holder in the man-
19 ner as provided in section 72.

20 “(2) QUALIFIED PHILANTHROPY PAYMENTS OR
21 IMMEDIATE RETURN OF CONTRIBUTIONS.—

22 “(A) IN GENERAL.—No amount shall be
23 includible in gross income under paragraph (1)
24 to the extent that such distribution—

1 “(i) is a qualified philanthropy pay-
2 ment, or

3 “(ii) is equal to the amount of con-
4 tributions made within 30 days before the
5 date of such distribution.

6 “(B) QUALIFIED PHILANTHROPY PAYMENT
7 DEFINED.—For purposes of this section, the
8 term ‘qualified philanthropy payment’ means a
9 distribution from a personal philanthropy ac-
10 count—

11 “(i) which is made, pursuant to a re-
12 quest by the account holder, by the trustee
13 of the account within 30 days after receipt
14 by the trustee of a certification under sub-
15 paragraph (C), and

16 “(ii) which is paid for a purpose speci-
17 fied in section 170(c).

18 A trustee who fails to meet the 30-day require-
19 ment of clause (i) shall be subject to disquali-
20 fication as a trustee.

21 “(C) ORGANIZATION CERTIFICATION.—For
22 purposes of subparagraph (B)(i), a certification
23 under this subparagraph is a certification by an
24 organization pursuant to a written request by
25 the trustee of a personal philanthropy account

1 that the organization is an organization
2 which—

3 “(i) is described in section 501(c)(3)
4 and exempt from tax under section 501(a),
5 and

6 “(ii) is not a personal philanthropy
7 account.

8 “(D) COORDINATION WITH CHARITABLE
9 CONTRIBUTIONS.—

10 “(i) No deduction shall be allowed
11 under sections 170, 642(c), 2055,
12 2106(a)(2), or 2522 for any amount ex-
13 cluded from gross income under subpara-
14 graph (A).

15 “(ii) Under regulations, the amount
16 allowable as a deduction under sections
17 170, 642(c), 2055, 2106(a)(2), or 2522 (as
18 appropriate) for the taxable year (without
19 regard to this clause) shall be reduced by
20 the amount excluded from gross income for
21 the taxable year under subparagraph (A).

22 “(iii) Section 170(d) shall not apply
23 to any amount excluded from gross income
24 under subparagraph (A).

25 “(3) ROLLOVER CONTRIBUTIONS.—

1 “(A) IN GENERAL.—Paragraph (1) shall
2 not apply to any amount paid or distributed
3 from a personal philanthropy account to the ex-
4 tent that the amount received is paid, not later
5 than the 60th day after the date of such pay-
6 ment or distribution, into another personal phi-
7 lanthropy account of the same account holder.
8 The preceding sentence shall not apply to any
9 payment or distribution if it applied to any
10 prior payment or distribution during the 12-
11 month period ending on the date of the pay-
12 ment or distribution.

13 “(B) HEIR.—Paragraph (1) shall not
14 apply to any amount paid or distributed from
15 a personal philanthropy account of a decedent
16 to the extent that the amount received is paid,
17 not later than the 60th day after the date of
18 such payment or distribution, into the personal
19 philanthropy account of an heir of the decedent,
20 as designated by the will of the decedent.

21 “(4) ADDITIONAL TAX FOR DISTRIBUTIONS NOT
22 USED FOR CHARITABLE CONTRIBUTION PUR-
23 POSES.—The tax imposed by this chapter for any
24 taxable year on any account holder with respect to
25 any distribution from a personal philanthropy ac-

1 count which is includible in gross income shall be in-
2 creased by 100 percent of the amount which is so
3 includible.

4 “(e) TAX TREATMENT OF ACCOUNT.—

5 “(1) IN GENERAL.—A personal philanthropy
6 account shall be exempt from taxation under this
7 subtitle. Notwithstanding the preceding sentence,
8 the personal philanthropy account shall be subject to
9 the taxes imposed by section 511 (relating to imposi-
10 tion of tax on unrelated business income of chari-
11 table organizations).

12 “(2) ACCOUNT TERMINATIONS.—Rules similar
13 to the rules of paragraphs (2) and (4) of section
14 408(e) shall apply to any personal philanthropy ac-
15 count.

16 “(f) DISQUALIFICATION OF TRUSTEE.—The trustee
17 of a personal philanthropy account shall not be qualified
18 to be a trustee of such account after a final determination
19 by the Secretary that the trustee has disbursed more than
20 10 percent of its payments from personal philanthropy ac-
21 counts to non-qualifying organizations in a calendar year.

22 “(g) FEES.—The Commissioner of the Securities and
23 Exchange Commission (or the Commissioner’s designee)
24 shall certify that fees charged by any trustee or asset man-
25 ager of a personal philanthropy account are fair and rea-

1 sonable. The failure to so certify shall result in the dis-
2 qualification of such person as a trustee or asset manager
3 of personal philanthropy accounts.

4 “(h) REPORTS.—The trustee of a personal philan-
5 thropy account shall make such reports regarding such ac-
6 count to the Secretary and to the holder of the account
7 with respect to contributions, distributions, and such other
8 matters as the Secretary may require. The reports re-
9 quired by this subsection shall be filed at such time and
10 in such manner and furnished to such individuals at such
11 time and in such manner as may be required.”.

12 (b) DEDUCTION ALLOWED WHETHER OR NOT INDI-
13 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
14 of section 62 of such Code is amended by inserting before
15 the flush sentence at the end the following new paragraph:

16 “(22) PERSONAL PHILANTHROPY ACCOUNTS.—
17 The deduction allowed under section 224.”.

18 (c) EXCLUSION FOR EMPLOYER CONTRIBUTIONS TO
19 PERSONAL PHILANTHROPY ACCOUNTS.—

20 (1) IN GENERAL.—Part III of subchapter B of
21 chapter 1 of such Code is amended by inserting
22 after section 139A the following new section:

1 **“SEC. 139B. CONTRIBUTIONS BY EMPLOYER TO PERSONAL**
2 **PHILANTHROPY ACCOUNTS.**

3 “(a) IN GENERAL.—Gross income of an employee
4 does not include contributions by the employer to the per-
5 sonal philanthropy account of the employee.

6 “(b) PERSONAL PHILANTHROPY ACCOUNT.—For
7 purposes of this section, the term ‘personal philanthropy
8 account’ shall have the meaning given to such term by
9 section 224.

10 “(c) EXCLUSION NOT TO EXCEED COMPENSA-
11 TION.—

12 “(1) EMPLOYEES.—The amount excluded from
13 gross income by subsection (a) with respect to an
14 employee shall not exceed such employee’s wages,
15 salaries, tips, and other employee compensation
16 which are attributable to such employee’s employ-
17 ment by the employer referred to in such subsection.

18 “(2) SELF-EMPLOYED INDIVIDUALS.—The
19 amount excluded from gross income by subsection
20 (a) for contributions with respect to an individual
21 who is self employed shall not exceed such individ-
22 ual’s earned income (as defined in section 401(c)(2))
23 derived by the taxpayer from the trade or business
24 with respect to which the individual is self-employed.

25 “(3) COMMUNITY PROPERTY LAWS NOT TO
26 APPLY.—The limitations under this subsection shall

1 be determined without regard to community prop-
2 erty laws.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 3121(a) of such Code is
5 amended by striking “or” at the end of para-
6 graph (21), by striking the period at the end of
7 paragraph (22) and inserting “; or”, and by in-
8 serting after paragraph (22) the following new
9 paragraph:

10 “(23) any payment made to a personal philan-
11 thropy account (as defined in section 224) of an em-
12 ployee.”.

13 (B) Section 3231(e) of such Code is
14 amended by adding at the end the following
15 new paragraph:

16 “(13) PERSONAL PHILANTHROPY ACCOUNT
17 CONTRIBUTIONS.—The term ‘compensation’ shall
18 not include any payment made to a personal philan-
19 thropy account (as defined in section 224) of an em-
20 ployee.”.

21 (C) Section 3306(b) of such Code is
22 amended by striking “or” at the end of para-
23 graph (18), by striking the period at the end of
24 paragraph (19) and inserting “; or”, and by in-

1 serting after paragraph (19) the following new
2 paragraph:

3 “(20) any payment made to a personal philan-
4 thropy account (as defined in section 224) of an em-
5 ployee.”.

6 (D) Section 3401(a) of such Code is
7 amended by striking “or” at the end of para-
8 graph (21), by striking the period at the end of
9 paragraph (22) and inserting “; or”, and by in-
10 serting after paragraph (22) the following new
11 paragraph:

12 “(23) any payment made to a personal philan-
13 thropy account (as defined in section 224) of an em-
14 ployee.”.

15 (E) Section 6051(a) of such Code is
16 amended by striking “and” at the end of para-
17 graph (12), by striking the period at the end of
18 paragraph (13) and inserting “, and”, and by
19 inserting after paragraph (13) the following
20 new paragraph:

21 “(14) the amount contributed to any personal
22 philanthropy account (as defined in section 224) of
23 such employee or such employee’s spouse.”.

24 (d) PROHIBITED TRANSACTIONS.—

1 (1) EXCEPTION FOR TAXABLE DISTRIBUTIONS
2 FROM PERSONAL PHILANTHROPY ACCOUNTS.—Sub-
3 section (c) of section 4975 of such Code (defining to
4 prohibited transaction) is amended by adding at the
5 end the following new paragraph:

6 “(7) SPECIAL RULE FOR PERSONAL PHILAN-
7 THROPY ACCOUNTS.—An individual for whose ben-
8 efit a personal philanthropy account is established
9 and any contributor to such account shall be exempt
10 from the tax imposed by this section with respect to
11 any transaction concerning such account (which
12 would otherwise be taxable under this section) if sec-
13 tion 224(d) applies with respect to such trans-
14 action.”.

15 (2) PLAN DEFINED.—Paragraph (1) of section
16 4975(e) of such Code is amended by striking “or”
17 at the end of subparagraph (F), by striking the pe-
18 riod at the end of subparagraph (G) and inserting
19 “, or”, and by inserting after subparagraph (G) the
20 following new subparagraph:

21 “(H) a personal philanthropy account de-
22 scribed in section 224.”.

23 (e) PENALTY ON FAILURE TO REPORT.—Paragraph
24 (2) of section 6693(a) of such Code (relating to provisions)
25 is amended by striking “and” at the end of subparagraph

1 (D), by striking the period at the end of subparagraph
 2 (E) and inserting “, and”, and by inserting after subpara-
 3 graph (E) the following new subparagraph:

4 “(F) section 224(f) (relating to personal
 5 philanthropy accounts).”.

6 (f) CONFORMING AMENDMENT.—Paragraph (2) of
 7 section 26(b) of such Code is amended by striking “and”
 8 at the end of subparagraph (S), by striking the period at
 9 the end of subparagraph (T) and inserting “, and”, and
 10 by adding at the end the following new subparagraph:

11 “(U) section 224(d)(4) (relating to addi-
 12 tional tax with respect to distributions not used
 13 for charitable contribution purposes).”.

14 (g) CLERICAL AMENDMENTS.—

15 (1) The table of sections for part VII of sub-
 16 chapter B of chapter 1 of such Code is amended by
 17 redesignating the item relating to section 224 as an
 18 item relating to section 225 and by inserting after
 19 the item relating to section 223 the following new
 20 item:

“Sec. 224. Personal philanthropy accounts.”.

21 (2) The table of sections for part III of sub-
 22 chapter B of chapter 1 of such Code is amended by
 23 inserting after the item relating to section 139A the
 24 following new item:

“Sec. 139B. Contributions by employer to personal philanthropy accounts.”.

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2007.

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