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107TH CONGRESS
1ST SESSION

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[Report No. 107–138, Parts I and II]

To provide incentives for charitable contributions by individuals and businesses, to improve the effectiveness and efficiency of government program delivery to individuals and families in need, and to enhance the ability of low-income Americans to gain financial security by building assets.

IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2001

Mr. WATTS of Oklahoma (for himself, Mr. HALL of Ohio, and Mr. HASTERT) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

JULY 12, 2001

Reported from the Committee on the Judiciary with amendments

[Omit the part struck through and insert the part printed in italic]

JULY 16, 2001

Additional sponsors: Mr. PITTS, Mr. KOLBE, Mrs. NORTHUP, Mr. GREEN of Wisconsin, Mr. BACHUS, Mr. TIAHRT, Mr. BARR of Georgia, Mr. BROWN of South Carolina, Mr. SMITH of New Jersey, Mr. CRENSHAW, Mr. EHR-
LICH, Mr. LEWIS of Kentucky, Mr. LEACH, Mr. ENGLISH, Mr. HYDE,
Mr. CHABOT, Mr. SMITH of Texas, Mr. GILLMOR, Mr. HEFLEY, Mr.
RADANOVICH, Mr. PICKERING, Ms. HART, Mr. BLUNT, Mr. TANCREDO,
Mrs. ROUKEMA, Mr. KELLER, Mr. BARTON of Texas, Mr. DEMINT, Mr.
PETERSON of Pennsylvania, Mr. SESSIONS, Mr. SCHROCK, Mr. GRUCCI,
Mr. KINGSTON, Mr. HALL of Texas, Mr. WOLF, Mr. CALVERT, Mr. NOR-
WOOD, Mr. WICKER, Mr. SHOWS, Mr. LATHAM, Mr. CAMP, and Mr.
RAMSTAD

JULY 16, 2001

Reported from the Committee on Ways and Means with an amendment, com-

mitted to the Committee of the Whole House on the State of the Union,
and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in boldface roman]

A BILL

To provide incentives for charitable contributions by individuals and businesses, to improve the effectiveness and efficiency of government program delivery to individuals and families in need, and to enhance the ability of low-income Americans to gain financial security by building assets.

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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Community Solutions Act of 2001”.

6 (b) **TABLE OF CONTENTS.**—The table of contents is
7 as follows:

Sec. 1. Short title; table of contents.

TITLE I—CHARITABLE GIVING INCENTIVES PACKAGE

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 inventory.

Sec. 104. Charitable donations liability reform for in-kind corporate contributions.

TITLE II—EXPANSION OF CHARITABLE CHOICE

Sec. 201. Provision of assistance under government programs by religious and community organizations.

TITLE III—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 301. Purposes.
 Sec. 302. Definitions.
 Sec. 303. Structure and administration of qualified individual development account programs.
 Sec. 304. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
 Sec. 305. Deposits by qualified individual development account programs.
 Sec. 306. Withdrawal procedures.
 Sec. 307. Certification and termination of qualified individual development account programs.
 Sec. 308. Reporting, monitoring, and evaluation.
 Sec. 309. Authorization of appropriations.
 Sec. 310. Account funds disregarded for purposes of certain means-tested Federal programs.
 Sec. 311. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.

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

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 of the Internal Rev-
 7 enue Code of 1986 (relating to charitable, etc., contribu-
 8 tions and gifts) is amended by redesignating subsection
 9 (m) as subsection (n) and by inserting after subsection
 10 (l) the following new subsection:

11 “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
 12 DEDUCTIONS.—In the case of an individual who does not
 13 itemize his deductions for the taxable year, there shall be
 14 taken into account as a direct charitable deduction under
 15 section 63 an amount equal to the lesser of—

16 “(1) the amount allowable under subsection (a)
 17 for the taxable year, or

18 “(2) the amount of the standard deduction.”

1 (b) DIRECT CHARITABLE DEDUCTION.—

2 (1) IN GENERAL.—Subsection (b) of section 63
3 of such Code is amended by striking “and” at the
4 end of paragraph (1), by striking the period at the
5 end of paragraph (2) and inserting “, and”, and by
6 adding at the end thereof the following new para-
7 graph:

8 “(3) the direct charitable deduction.”

9 (2) DEFINITION.—Section 63 of such Code is
10 amended by redesignating subsection (g) as sub-
11 section (h) and by inserting after subsection (f) the
12 following new subsection:

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

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

24 “(3) the direct charitable deduction.”

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

4 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
5 **TIREMENT ACCOUNTS FOR CHARITABLE**
6 **PURPOSES.**

7 (a) IN GENERAL.—Subsection (d) of section 408 of
8 the Internal Revenue Code of 1986 (relating to individual
9 retirement accounts) is amended by adding at the end the
10 following new paragraph:

11 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
12 POSES.—

13 “(A) IN GENERAL.—No amount shall be
14 includible in gross income by reason of a quali-
15 fied charitable distribution from an individual
16 retirement account to an organization described
17 in section 170(c).

18 “(B) SPECIAL RULES RELATING TO CHARI-
19 TABLE REMAINDER TRUSTS, POOLED INCOME
20 FUNDS, AND CHARITABLE GIFT ANNUITIES.—

21 “(i) IN GENERAL.—No amount shall
22 be includible in gross income by reason of
23 a qualified charitable distribution from an
24 individual retirement account—

1 “(I) to a charitable remainder
2 annuity trust or a charitable remain-
3 der unitrust (as such terms are de-
4 fined in section 664(d)),

5 “(II) to a pooled income fund (as
6 defined in section 642(c)(5)), or

7 “(III) for the issuance of a chari-
8 table gift annuity (as defined in sec-
9 tion 501(m)(5)).

10 The preceding sentence shall apply only if
11 no person holds an income interest in the
12 amounts in the trust, fund, or annuity at-
13 tributable to such distribution other than
14 one or more of the following: the individual
15 for whose benefit such account is main-
16 tained, the spouse of such individual, or
17 any organization described in section
18 170(e).

19 “(ii) DETERMINATION OF INCLUSION
20 OF AMOUNTS DISTRIBUTED.—In deter-
21 mining the amount includible in the gross
22 income of any person by reason of a pay-
23 ment or distribution from a trust referred
24 to in clause (i)(I) or a charitable gift annu-
25 ity (as so defined), the portion of any

1 qualified charitable distribution to such
2 trust or for such annuity which would (but
3 for this subparagraph) have been includible
4 in gross income—

5 “(I) shall be treated as income
6 described in section 664(b)(1), and

7 “(II) shall not be treated as an
8 investment in the contract.

9 “(iii) NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No
10 amount shall be includible in the gross in-
11 come of a pooled income fund (as so de-
12 fined) by reason of a qualified charitable
13 distribution to such fund.

14 “(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
15 term ‘qualified charitable distribution’ means
16 any distribution from an individual retirement
17 account—
18

19 “(i) which is made on or after the
20 date that the individual for whose benefit
21 the account is maintained has attained age
22 59½, and
23

24 “(ii) which is made directly from the
25 account to—

1 “(I) an organization described in
2 section 170(e), or

3 “(II) a trust, fund, or annuity re-
4 ferred to in subparagraph (B).

5 “(D) DENIAL OF DEDUCTION.—The
6 amount allowable as a deduction under section
7 170 to the taxpayer for the taxable year shall
8 be reduced (but not below zero) by the sum of
9 the amounts of the qualified charitable distribu-
10 tions during such year which would be includ-
11 ible in the gross income of the taxpayer for
12 such year but for this paragraph.”

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 103. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
17 **OF FOOD INVENTORY.**

18 (a) IN GENERAL.—Subsection (e) of section 170 of
19 the Internal Revenue Code of 1986 (relating to certain
20 contributions of ordinary income and capital gain prop-
21 erty) is amended by adding at the end the following new
22 paragraph:

23 “(7) SPECIAL RULE FOR CONTRIBUTIONS OF
24 FOOD INVENTORY.—For purposes of this section—

1 “(A) CONTRIBUTIONS BY NON-CORPORATE
2 TAXPAYERS.—In the case of a charitable con-
3 tribution of food by a taxpayer, paragraph
4 (3)(A) shall be applied without regard to wheth-
5 er or not the contribution is made by a corpora-
6 tion.

7 “(B) LIMIT ON REDUCTION.—In the case
8 of a charitable contribution of food which is a
9 qualified contribution (within the meaning of
10 paragraph (3)(A), as modified by subparagraph
11 (A) of this paragraph)—

12 “(i) paragraph (3)(B) shall not apply,
13 and

14 “(ii) the reduction under paragraph
15 (1)(A) for such contribution shall be no
16 greater than the amount (if any) by which
17 the amount of such contribution exceeds
18 twice the basis of such food.

19 “(C) DETERMINATION OF BASIS.—For
20 purposes of this paragraph, if a taxpayer uses
21 the cash method of accounting, the basis of any
22 qualified contribution of such taxpayer shall be
23 deemed to be 50 percent of the fair market
24 value of such contribution.

1 “(D) DETERMINATION OF FAIR MARKET
2 VALUE.—In the case of a charitable contribu-
3 tion of food which is a qualified contribution
4 (within the meaning of paragraph (3), as modi-
5 fied by subparagraphs (A) and (B) of this para-
6 graph) and which, solely by reason of internal
7 standards of the taxpayer, lack of market, or
8 similar circumstances, or which is produced by
9 the taxpayer exclusively for the purposes of
10 transferring the food to an organization de-
11 scribed in paragraph (3)(A), cannot or will not
12 be sold, the fair market value of such contribu-
13 tion shall be determined—

14 “(i) without regard to such internal
15 standards, such lack of market, such cir-
16 cumstances, or such exclusive purpose, and

17 “(ii) if applicable, by taking into ac-
18 count the price at which the same or simi-
19 lar food items are sold by the taxpayer at
20 the time of the contribution (or, if not so
21 sold at such time, in the recent past).”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply to taxable years beginning after
24 December 31, 2001.

1 **SEC. 104. CHARITABLE DONATIONS LIABILITY REFORM**
2 **FOR IN-KIND CORPORATE CONTRIBUTIONS.**

3 (a) DEFINITIONS.—For purposes of this section:

4 (1) AIRCRAFT.—The term “aircraft” has the
5 meaning provided that term in section 40102(6) of
6 title 49, United States Code.

7 (2) BUSINESS ENTITY.—The term “business
8 entity” means a firm, corporation, association, part-
9 nership, consortium, joint venture, or other form of
10 enterprise.

11 (3) EQUIPMENT.—The term “equipment” in-
12 cludes mechanical equipment, electronic equipment,
13 and office equipment.

14 (4) FACILITY.—The term “facility” means any
15 real property, including any building, improvement,
16 or appurtenance.

17 (5) GROSS NEGLIGENCE.—The term “gross
18 negligence” means voluntary and conscious conduct
19 by a person with knowledge (at the time of the con-
20 duct) that the conduct is likely to be harmful to the
21 health or well-being of another person.

22 (6) INTENTIONAL MISCONDUCT.—The term
23 “intentional misconduct” means conduct by a person
24 with knowledge (at the time of the conduct) that the
25 conduct is harmful to the health or well-being of an-
26 other person.

1 (7) MOTOR VEHICLE.—The term “motor vehi-
2 cle” has the meaning provided that term in section
3 30102(6) of title 49, United States Code.

4 (8) NONPROFIT ORGANIZATION.—The term
5 “nonprofit organization” means—

6 (A) any organization described in section
7 501(c)(3) of the Internal Revenue Code of 1986
8 and exempt from tax under section 501(a) of
9 such Code; or

10 (B) any not-for-profit organization orga-
11 nized and conducted for public benefit and op-
12 erated primarily for charitable, civic, edu-
13 cational, religious, welfare, or health purposes.

14 (9) STATE.—The term “State” means each of
15 the several States, the District of Columbia, the
16 Commonwealth of Puerto Rico, the Virgin Islands,
17 Guam, American Samoa, the Northern Mariana Is-
18 lands, any other territory or possession of the
19 United States, or any political subdivision of any
20 such State, territory, or possession.

21 (b) LIABILITY.—

22 (1) LIABILITY OF BUSINESS ENTITIES THAT
23 DONATE EQUIPMENT TO NONPROFIT ORGANIZA-
24 TIONS.—

1 (A) ~~IN GENERAL.~~—Subject to subsection
2 (e), a business entity shall not be subject to
3 civil liability relating to any injury or death that
4 results from the use of equipment donated by a
5 business entity to a nonprofit organization.

6 (B) ~~APPLICATION.~~—This paragraph shall
7 apply with respect to civil liability under Fed-
8 eral and State law.

9 (2) ~~LIABILITY OF BUSINESS ENTITIES PRO-~~
10 ~~VIDING USE OF FACILITIES TO NONPROFIT ORGANI-~~
11 ~~ZATIONS.—~~

12 (A) ~~IN GENERAL.~~—Subject to subsection
13 (e), a business entity shall not be subject to
14 civil liability relating to any injury or death oc-
15 curring at a facility of the business entity in
16 connection with a use of such facility by a non-
17 profit organization, if—

18 (i) the use occurs outside of the scope
19 of business of the business entity;

20 (ii) such injury or death occurs during
21 a period that such facility is used by the
22 nonprofit organization; and

23 (iii) the business entity authorized the
24 use of such facility by the nonprofit orga-
25 nization.

1 (B) APPLICATION.—This paragraph shall
2 apply—

3 (i) with respect to civil liability under
4 Federal and State law; and

5 (ii) regardless of whether a nonprofit
6 organization pays for the use of a facility.

7 (3) LIABILITY OF BUSINESS ENTITIES PRO-
8 VIDING USE OF A MOTOR VEHICLE OR AIRCRAFT.—

9 (A) IN GENERAL.—Subject to subsection
10 (e), a business entity shall not be subject to
11 civil liability relating to any injury or death oc-
12 curring as a result of the operation of aircraft
13 or a motor vehicle of a business entity loaned
14 to a nonprofit organization for use outside of
15 the scope of business of the business entity, if—

16 (i) such injury or death occurs during
17 a period that such motor vehicle or aircraft
18 is used by a nonprofit organization; and

19 (ii) the business entity authorized the
20 use by the nonprofit organization of motor
21 vehicle or aircraft that resulted in the in-
22 jury or death.

23 (B) APPLICATION.—This paragraph shall
24 apply—

1 (i) with respect to civil liability under
2 Federal and State law; and

3 (ii) regardless of whether a nonprofit
4 organization pays for the use of the air-
5 craft or motor vehicle.

6 (4) LIABILITY OF BUSINESS ENTITIES PRO-
7 VIDING TOURS OF FACILITIES.—

8 (A) IN GENERAL.—Subject to subsection
9 (e), a business entity shall not be subject to
10 civil liability relating to any injury to, or death
11 of an individual occurring at a facility of the
12 business entity, if—

13 (i) such injury or death occurs during
14 a tour of the facility in an area of the fa-
15 cility that is not otherwise accessible to the
16 general public; and

17 (ii) the business entity authorized the
18 tour.

19 (B) APPLICATION.—This paragraph shall
20 apply—

21 (i) with respect to civil liability under
22 Federal and State law; and

23 (ii) regardless of whether an indi-
24 vidual pays for the tour.

1 (c) EXCEPTIONS.—Subsection (b) shall not apply to
2 an injury or death that results from an act or omission
3 of a business entity that constitutes gross negligence or
4 intentional misconduct, including any misconduct that—

5 (1) constitutes a crime of violence (as that term
6 is defined in section 16 of title 18, United States
7 Code) or act of international terrorism (as that term
8 is defined in section 2331 of title 18, United States
9 Code) for which the defendant has been convicted in
10 any court;

11 (2) constitutes a hate crime (as that term is
12 used in the Hate Crime Statistics Act (28 U.S.C.
13 534 note));

14 (3) involves a sexual offense, as defined by ap-
15 plicable State law, for which the defendant has been
16 convicted in any court; or

17 (4) involves misconduct for which the defendant
18 has been found to have violated a Federal or State
19 civil rights law.

20 (d) SUPERSEDING PROVISION.—

21 (1) IN GENERAL.—Subject to paragraph (2)
22 and subsection (c), this title preempts the laws of
23 any State to the extent that such laws are incon-
24 sistent with this title, except that this title shall not
25 preempt any State law that provides additional pro-

1 tection for a business entity for an injury or death
2 described in a paragraph of subsection (b) with re-
3 spect to which the conditions specified in such para-
4 graph apply.

5 (2) **LIMITATION.**—Nothing in this title shall be
6 construed to supersede any Federal or State health
7 or safety law.

8 (c) **ELECTION OF STATE REGARDING NONAPPLICA-**
9 **BILITY.**—A provision of this title shall not apply to any
10 civil action in a State court against a business entity in
11 which all parties are citizens of the State if such State
12 enacts a statute—

13 (1) citing the authority of this section;

14 (2) declaring the election of such State that
15 such provision shall not apply to such civil action in
16 the State; and

17 (3) containing no other provisions.

18 (f) **EFFECTIVE DATE.**—This section shall apply to in-
19 juries (and deaths resulting therefrom) occurring on or
20 after the date of the enactment of this Act.

21 **SEC. 104. CHARITABLE DONATIONS LIABILITY REFORM FOR**
22 **IN-KIND CORPORATE CONTRIBUTIONS.**

23 (a) **DEFINITIONS.**—*For purposes of this section:*

1 (1) *AIRCRAFT*.—The term “aircraft” has the
2 meaning provided that term in section 40102(6) of
3 title 49, United States Code.

4 (2) *BUSINESS ENTITY*.—The term “business enti-
5 ty” means a firm, corporation, association, partner-
6 ship, consortium, joint venture, or other form of enter-
7 prise.

8 (3) *EQUIPMENT*.—The term “equipment” in-
9 cludes mechanical equipment, electronic equipment,
10 and office equipment.

11 (4) *FACILITY*.—The term “facility” means any
12 real property, including any building, improvement,
13 or appurtenance.

14 (5) *GROSS NEGLIGENCE*.—The term “gross neg-
15 ligence” means voluntary and conscious conduct by a
16 person with knowledge (at the time of the conduct)
17 that the conduct is likely to be harmful to the health
18 or well-being of another person.

19 (6) *INTENTIONAL MISCONDUCT*.—The term “in-
20 tentional misconduct” means conduct by a person
21 with knowledge (at the time of the conduct) that the
22 conduct is harmful to the health or well-being of an-
23 other person.

1 (7) *MOTOR VEHICLE*.—*The term “motor vehicle”*
2 *has the meaning provided that term in section*
3 *30102(6) of title 49, United States Code.*

4 (8) *NONPROFIT ORGANIZATION*.—*The term “non-*
5 *profit organization” means—*

6 (A) *any organization described in section*
7 *501(c)(3) of the Internal Revenue Code of 1986*
8 *and exempt from tax under section 501(a) of*
9 *such Code; or*

10 (B) *any not-for-profit organization orga-*
11 *nized and conducted for public benefit and oper-*
12 *ated primarily for charitable, civic, educational,*
13 *religious, welfare, or health purposes.*

14 (9) *STATE*.—*The term “State” means each of the*
15 *several States, the District of Columbia, the Common-*
16 *wealth of Puerto Rico, the Virgin Islands, Guam,*
17 *American Samoa, the Northern Mariana Islands, any*
18 *other territory or possession of the United States, or*
19 *any political subdivision of any such State, territory,*
20 *or possession.*

21 (b) *LIABILITY*.—

22 (1) *LIABILITY OF BUSINESS ENTITIES THAT DO-*
23 *NATE EQUIPMENT TO NONPROFIT ORGANIZATIONS*.—

24 (A) *IN GENERAL*.—*Subject to subsection (c),*
25 *a business entity shall not be subject to civil li-*

1 *ability relating to any injury or death that re-*
2 *sults from the use of equipment donated by a*
3 *business entity to a nonprofit organization.*

4 *(B) APPLICATION.—This paragraph shall*
5 *apply with respect to civil liability under Fed-*
6 *eral and State law.*

7 *(2) LIABILITY OF BUSINESS ENTITIES PROVIDING*
8 *USE OF FACILITIES TO NONPROFIT ORGANIZATIONS.—*

9 *(A) IN GENERAL.—Subject to subsection (c),*
10 *a business entity shall not be subject to civil li-*
11 *ability relating to any injury or death occurring*
12 *at a facility of the business entity in connection*
13 *with a use of such facility by a nonprofit organi-*
14 *zation, if—*

15 *(i) the use occurs outside of the scope*
16 *of business of the business entity;*

17 *(ii) such injury or death occurs during*
18 *a period that such facility is used by the*
19 *nonprofit organization; and*

20 *(iii) the business entity authorized the*
21 *use of such facility by the nonprofit organi-*
22 *zation.*

23 *(B) APPLICATION.—This paragraph shall*
24 *apply—*

1 (i) with respect to civil liability under
2 Federal and State law; and

3 (ii) regardless of whether a nonprofit
4 organization pays for the use of a facility.

5 (3) *LIABILITY OF BUSINESS ENTITIES PROVIDING*
6 *USE OF A MOTOR VEHICLE OR AIRCRAFT.—*

7 (A) *IN GENERAL.—*Subject to subsection (c),
8 a business entity shall not be subject to civil li-
9 ability relating to any injury or death occurring
10 as a result of the operation of aircraft or a motor
11 vehicle of a business entity loaned to a nonprofit
12 organization for use outside of the scope of busi-
13 ness of the business entity, if—

14 (i) such injury or death occurs during
15 a period that such motor vehicle or aircraft
16 is used by a nonprofit organization; and

17 (ii) the business entity authorized the
18 use by the nonprofit organization of motor
19 vehicle or aircraft that resulted in the in-
20 jury or death.

21 (B) *APPLICATION.—*This paragraph shall
22 apply—

23 (i) with respect to civil liability under
24 Federal and State law; and

1 (ii) regardless of whether a nonprofit
2 organization pays for the use of the aircraft
3 or motor vehicle.

4 (c) *EXCEPTIONS.*—Subsection (b) shall not apply to an
5 injury or death that results from an act or omission of a
6 business entity that constitutes gross negligence or inten-
7 tional misconduct.

8 (d) *SUPERSEDING PROVISION.*—

9 (1) *IN GENERAL.*—Subject to paragraph (2) and
10 subsection (e), this title preempts the laws of any
11 State to the extent that such laws are inconsistent
12 with this title, except that this title shall not preempt
13 any State law that provides additional protection for
14 a business entity for an injury or death described in
15 a paragraph of subsection (b) with respect to which
16 the conditions specified in such paragraph apply.

17 (2) *LIMITATION.*—Nothing in this title shall be
18 construed to supersede any Federal or State health or
19 safety law.

20 (e) *ELECTION OF STATE REGARDING NONAPPLICA-*
21 *BILITY.*—A provision of this title shall not apply to any
22 civil action in a State court against a business entity in
23 which all parties are citizens of the State if such State en-
24 acts a statute—

25 (1) citing the authority of this section;

1 (2) *declaring the election of such State that such*
 2 *provision shall not apply to such civil action in the*
 3 *State; and*

4 (3) *containing no other provisions.*

5 (f) *EFFECTIVE DATE.—This section shall apply to in-*
 6 *juries (and deaths resulting therefrom) occurring on or after*
 7 *the date of the enactment of this Act.*

8 **TITLE II—EXPANSION OF**
 9 **CHARITABLE CHOICE**

10 **SEC. 201. PROVISION OF ASSISTANCE UNDER GOVERN-**
 11 **MENT PROGRAMS BY RELIGIOUS AND COM-**
 12 **MUNITY ORGANIZATIONS.**

13 Title XXIV of the Revised Statutes is amended by
 14 inserting after section 1990 (42 U.S.C. 1994) the fol-
 15 lowing:

16 **“SEC. 1994A. CHARITABLE CHOICE.**

17 “(a) **SHORT TITLE.**—This section may be cited as the
 18 ‘Charitable Choice Act of 2001’.

19 “(b) **PURPOSES.**—The purposes of this section are—

20 “(1) to provide assistance to individuals and
 21 families in need in the most effective and efficient
 22 manner;

23 “(2) to prohibit discrimination against religious
 24 organizations on the basis of religion in the adminis-
 25 tration and distribution of government assistance

1 under the government programs described in sub-
2 section (e)(4);

3 “(3) to allow religious organizations to assist in
4 the administration and distribution of such assist-
5 ance without impairing the religious character of
6 such organizations; and

7 “(4) to protect the religious freedom of individ-
8 uals and families in need who are eligible for govern-
9 ment assistance, including expanding the possibility
10 of choosing to receive services from a religious orga-
11 nization providing such assistance.

12 “(e) RELIGIOUS ORGANIZATIONS INCLUDED AS NON-
13 GOVERNMENTAL PROVIDERS.—

14 “(1) IN GENERAL.—

15 “(A) INCLUSION.—For any program de-
16 scribed in paragraph (4) that is carried out by
17 the Federal Government, or by a State or local
18 government with Federal funds, the government
19 shall consider, on the same basis as other non-
20 governmental organizations, religious organiza-
21 tions to provide the assistance under the pro-
22 gram, if the program is implemented in a man-
23 ner that is consistent with the Establishment
24 Clause and the Free Exercise Clause of the
25 first amendment to the Constitution.

1 “(B) DISCRIMINATION PROHIBITED.—Nei-
2 ther the Federal Government nor a State or
3 local government receiving funds under a pro-
4 gram described in paragraph (4) shall discrimi-
5 nate against an organization that provides as-
6 sistance under, or applies to provide assistance
7 under, such program, on the basis that the or-
8 ganization has a religious character.

9 “(2) FUNDS NOT AID TO RELIGION.—Federal,
10 State, or local government funds or other assistance
11 that is received by a religious organization for the
12 provision of services under this section constitutes
13 aid to individuals and families in need, the ultimate
14 beneficiaries of such services, and not aid to the reli-
15 gious organization.

16 “(3) FUNDS NOT ENDORSEMENT OF RELI-
17 GION.—The receipt by a religious organization of
18 Federal, State, or local government funds or other
19 assistance under this section is not and should not
20 be perceived as an endorsement by the government
21 of religion or the organization’s religious beliefs or
22 practices.

23 “(4) PROGRAMS.—For purposes of this section,
24 a program is described in this paragraph—

1 “(A) if it involves activities carried out
2 using Federal funds—

3 “(i) related to the prevention and
4 treatment of juvenile delinquency and the
5 improvement of the juvenile justice system,
6 including programs funded under the Juve-
7 nile Justice and Delinquency Prevention
8 Act of 1974 (42 U.S.C. 5601 et seq.);

9 “(ii) related to the prevention of
10 crime, including programs funded under
11 title I of the Omnibus Crime Control and
12 Safe Streets Act of 1968 (42 U.S.C. 3701
13 et seq.);

14 “(iii) under the Federal housing laws;

15 “(iv) under title I of the Workforce
16 Investment Act of 1998 (29 U.S.C. 2801
17 et seq.)

18 “(v) under the Older Americans Act
19 of 1965 (42 U.S.C. 3001 et seq.);

20 “(vi) under the Child Care Develop-
21 ment Block Grant Act of 1990 (42 U.S.C.
22 9858 et seq.);

23 “(vii) under the Community Develop-
24 ment Block Grant Program established
25 under title I of the Housing and Commu-

1 nity Development Act of 1974 (42 U.S.C.
2 5301 et seq.);

3 “~~(viii)~~ related to the intervention in
4 and prevention of domestic violence;

5 “~~(ix)~~ related to hunger relief activi-
6 ties; or

7 “~~(x)~~ under the Job Access and Re-
8 verse Commute grant program established
9 under section 3037 of the Federal Transit
10 Act of 1998 (49 U.S.C. 5309 note); or

11 “~~(B)(i)~~ if it involves activities to assist stu-
12 dents in obtaining the recognized equivalents of
13 secondary school diplomas and activities relat-
14 ing to non-school-hours programs; and

15 “~~(ii)~~ except as provided in subparagraph
16 (A) and clause (i), does not include activities
17 carried out under Federal programs providing
18 education to children eligible to attend elemen-
19 tary schools or secondary schools, as defined in
20 section 14101 of the Elementary and Secondary
21 Education Act of 1965 (20 U.S.C. 8801).

22 “~~(d)~~ ORGANIZATIONAL CHARACTER AND AUTON-
23 OMY.—

24 “~~(1)~~ IN GENERAL.—A religious organization
25 that provides assistance under a program described

1 in subsection (c)(4) shall retain its autonomy from
2 Federal, State, and local governments, including
3 such organization's control over the definition, devel-
4 opment, practice, and expression of its religious be-
5 liefs.

6 “(2) ~~ADDITIONAL SAFEGUARDS.~~—Neither the
7 Federal Government nor a State or local government
8 shall require a religious organization in order to be
9 eligible to provide assistance under a program de-
10 scribed in subsection (c)(4)—

11 “(A) to alter its form of internal govern-
12 ance; or

13 “(B) to remove religious art, icons, scrip-
14 ture, or other symbols because they are reli-
15 gious.

16 “(c) ~~EMPLOYMENT PRACTICES.~~—

17 “(1) ~~IN GENERAL.~~—In order to aid in the pres-
18 ervation of its religious character, a religious organi-
19 zation that provides assistance under a program de-
20 scribed in subsection (c)(4) may, notwithstanding
21 any other provision of law, require that its employ-
22 ees adhere to the religious practices of the organiza-
23 tion.

24 “(2) ~~TITLE VII EXEMPTION.~~—The exemption of
25 a religious organization provided under section 702

1 or 703(e)(2) of the Civil Rights Act of 1964 (42
2 U.S.C. 2000e-1, 2000e-2(e)(2)) regarding employ-
3 ment practices shall not be affected by the religious
4 organization's provision of assistance under, or re-
5 ceipt of funds from, a program described in sub-
6 section (e)(4).

7 “(3) EFFECT ON OTHER LAWS.—Nothing in
8 this section alters the duty of a religious organiza-
9 tion to comply with the nondiscrimination provisions
10 in title VI of the Civil Rights Act of 1964 (42
11 U.S.C. 2000d et seq.) (prohibiting discrimination on
12 the basis of race, color, and national origin); title IX
13 of the Education Amendments of 1972 (20 U.S.C.
14 1681–1686) (prohibiting discrimination in edu-
15 cational institutions on the basis of sex and visual
16 impairment); section 504 of the Rehabilitation Act
17 of 1973 (29 U.S.C. 794) (prohibiting discrimination
18 against otherwise qualified disabled individuals); and
19 the Age Discrimination Act of 1975 (42 U.S.C.
20 6101–6107) (prohibiting discrimination on the basis
21 of age).

22 “(f) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

23 “(1) IN GENERAL.—If an individual described
24 in paragraph (3) has an objection to the religious
25 character of the organization from which the indi-

1 vidual receives, or would receive, assistance funded
2 under any program described in subsection (e)(4),
3 the appropriate Federal, State, or local govern-
4 mental entity shall provide to such individual (if oth-
5 erwise eligible for such assistance) within a reason-
6 able period of time after the date of such objection,
7 assistance that—

8 “(A) is an alternative, including a nonreli-
9 gious alternative, that is accessible to the indi-
10 vidual; and

11 “(B) has a value that is not less than the
12 value of the assistance that the individual would
13 have received from such organization.

14 “(2) NOTICE.—The appropriate Federal, State,
15 or local governmental entity shall guarantee that no-
16 tice is provided to the individuals described in para-
17 graph (3) of the rights of such individuals under this
18 section.

19 “(3) INDIVIDUAL DESCRIBED.—An individual
20 described in this paragraph is an individual who re-
21 ceives or applies for assistance under a program de-
22 scribed in subsection (e)(4).

23 “(g) NONDISCRIMINATION AGAINST BENE-
24 FICIARIES.—

1 “(1) GRANTS AND CONTRACTS.—A religious or-
2 ganization providing assistance through a grant or
3 contract under a program described in subsection
4 (e)(4) shall not discriminate, in carrying out the pro-
5 gram, against an individual described in subsection
6 (f)(3) on the basis of religion, a religious belief, or a
7 refusal to hold a religious belief.

8 “(2) INDIRECT FORMS OF DISBURSEMENT.—A
9 religious organization providing assistance through a
10 voucher, certificate, or other form of indirect dis-
11 bursement under a program described in subsection
12 (e)(4) shall not discriminate, in carrying out the pro-
13 gram, against an individual described in subsection
14 (f)(3) on the basis of religion, a religious belief, or
15 a refusal to hold a religious belief.

16 “(h) ACCOUNTABILITY.—

17 “(1) IN GENERAL.—Except as provided in para-
18 graph (2), a religious organization providing assist-
19 ance under any program described in subsection
20 (e)(4) shall be subject to the same regulations as
21 other nongovernmental organizations to account in
22 accord with generally accepted accounting principles
23 for the use of such funds provided under such pro-
24 gram.

1 “(2) LIMITED AUDIT.—Such organization shall
2 segregate government funds provided under such
3 program into a separate account or accounts. Only
4 the government funds shall be subject to audit by
5 the government.

6 “(i) LIMITATIONS ON USE OF FUNDS FOR CERTAIN
7 PURPOSES.—No funds provided through a grant or con-
8 tract to a religious organization to provide assistance
9 under any program described in subsection (e)(4) shall be
10 expended for sectarian worship, instruction, or proselytiza-
11 tion. A certificate shall be signed by such organizations
12 and filed with the government agency that disbursed the
13 funds that gives assurance the organization will comply
14 with this subsection.

15 “(j) EFFECT ON STATE AND LOCAL FUNDS.—If a
16 State or local government contributes State or local funds
17 to carry out a program described in subsection (e)(4), the
18 State or local government may segregate the State or local
19 funds from the Federal funds provided to carry out the
20 program or may commingle the State or local funds with
21 the Federal funds. If the State or local government com-
22 mingles the State or local funds, the provisions of this sec-
23 tion shall apply to the commingled funds in the same man-
24 ner, and to the same extent, as the provisions apply to
25 the Federal funds.

1 “(k) TREATMENT OF INTERMEDIATE CONTRAC-
2 TORS.—If a nongovernmental organization (referred to in
3 this subsection as an ‘intermediate contractor’), acting
4 under a contract or other agreement with the Federal Gov-
5 ernment or a State or local government, is given the au-
6 thority under the contract or agreement to select non-
7 governmental organizations to provide assistance under
8 the programs described in subsection (c)(4), the inter-
9 mediate contractor shall have the same duties under this
10 section as the government when selecting or otherwise
11 dealing with subcontractors, but the intermediate con-
12 tractor, if it is a religious organization, shall retain all
13 other rights of a religious organization under this section.

14 “(l) COMPLIANCE.—A party alleging that the rights
15 of the party under this section have been violated by a
16 State or local government may bring a civil action pursu-
17 ant to section 1979 against the official or government
18 agency that has allegedly committed such violation. A
19 party alleging that the rights of the party under this sec-
20 tion have been violated by the Federal Government may
21 bring a civil action for appropriate relief in Federal dis-
22 trict court against the official or government agency that
23 has allegedly committed such violation.”.

1 **TITLE II—EXPANSION OF**
2 **CHARITABLE CHOICE**

3 **SEC. 201. PROVISION OF ASSISTANCE UNDER GOVERNMENT**
4 **PROGRAMS BY RELIGIOUS AND COMMUNITY**
5 **ORGANIZATIONS.**

6 *Title XXIV of the Revised Statutes of the United States*
7 *is amended by inserting after section 1990 (42 U.S.C. 1994)*
8 *the following:*

9 **“SEC. 1991. CHARITABLE CHOICE.**

10 “(a) *SHORT TITLE.*—*This section may be cited as the*
11 *‘Charitable Choice Act of 2001’.*

12 “(b) *PURPOSES.*—*The purposes of this section are—*

13 “(1) *to enable assistance to be provided to indi-*
14 *viduals and families in need in the most effective and*
15 *efficient manner;*

16 “(2) *to supplement the Nation’s social service ca-*
17 *pacuity by facilitating the entry of new, and the ex-*
18 *pansion of existing, efforts by religious and other*
19 *community organizations in the administration and*
20 *distribution of government assistance under the gov-*
21 *ernment programs described in subsection (c)(4);*

22 “(3) *to prohibit discrimination against religious*
23 *organizations on the basis of religion in the adminis-*
24 *tration and distribution of government assistance*
25 *under such programs;*

1 “(4) to allow religious organizations to partici-
2 pate in the administration and distribution of such
3 assistance without impairing the religious character
4 and autonomy of such organizations; and

5 “(5) to protect the religious freedom of individ-
6 uals and families in need who are eligible for govern-
7 ment assistance, including expanding the possibility
8 of their being able to choose to receive services from
9 a religious organization providing such assistance.

10 “(c) *RELIGIOUS ORGANIZATIONS INCLUDED AS PRO-*
11 *VIDERS; DISCLAIMERS.—*

12 “(1) *IN GENERAL.—*

13 “(A) *INCLUSION.—For any program de-*
14 *scribed in paragraph (4) that is carried out by*
15 *the Federal Government, or by a State or local*
16 *government with Federal funds, the government*
17 *shall consider, on the same basis as other non-*
18 *governmental organizations, religious organiza-*
19 *tions to provide the assistance under the pro-*
20 *gram, and the program shall be implemented in*
21 *a manner that is consistent with the establish-*
22 *ment clause and the free exercise clause of the*
23 *first amendment to the Constitution.*

24 “(B) *DISCRIMINATION PROHIBITED.—Nei-*
25 *ther the Federal Government, nor a State or*

1 *local government receiving funds under a pro-*
2 *gram described in paragraph (4), shall discrimi-*
3 *nate against an organization that provides as-*
4 *stance under, or applies to provide assistance*
5 *under, such program on the basis that the orga-*
6 *nization is religious or has a religious character.*

7 “(2) *FUNDS NOT AID TO RELIGION.—Federal,*
8 *State, or local government funds or other assistance*
9 *that is received by a religious organization for the*
10 *provision of services under this section constitutes aid*
11 *to individuals and families in need, the ultimate*
12 *beneficiaries of such services, and not support for reli-*
13 *gion or the organization’s religious beliefs or prac-*
14 *tices. Notwithstanding the provisions in this para-*
15 *graph, title VI of the Civil Rights Act of 1964 (42*
16 *USC 2000d et seq.) shall apply to organizations re-*
17 *ceiving assistance funded under any program de-*
18 *scribed in subsection (c)(4).*

19 “(3) *FUNDS NOT ENDORSEMENT OF RELIGION.—*
20 *The receipt by a religious organization of Federal,*
21 *State, or local government funds or other assistance*
22 *under this section is not an endorsement by the gov-*
23 *ernment of religion or of the organization’s religious*
24 *beliefs or practices.*

1 “(4) *PROGRAMS.*—*For purposes of this section, a*
2 *program is described in this paragraph—*

3 “(A) *if it involves activities carried out*
4 *using Federal funds—*

5 “(i) *related to the prevention and*
6 *treatment of juvenile delinquency and the*
7 *improvement of the juvenile justice system,*
8 *including programs funded under the Juve-*
9 *venile Justice and Delinquency Prevention*
10 *Act of 1974 (42 U.S.C. 5601 et seq.);*

11 “(ii) *related to the prevention of crime*
12 *and assistance to crime victims and offend-*
13 *ers’ families, including programs funded*
14 *under title I of the Omnibus Crime Control*
15 *and Safe Streets Act of 1968 (42 U.S.C.*
16 *3701 et seq.);*

17 “(iii) *related to the provision of assist-*
18 *ance under Federal housing statutes, includ-*
19 *ing the Community Development Block*
20 *Grant Program established under title I of*
21 *the Housing and Community Development*
22 *Act of 1974 (42 U.S.C. 5301 et seq.);*

23 “(iv) *under subtitle B or D of title I*
24 *of the Workforce Investment Act of 1998 (29*
25 *U.S.C. 2801 et seq.);*

1 “(v) under the Older Americans Act of
2 1965 (42 U.S.C. 3001 et seq.);

3 “(vi) related to the intervention in and
4 prevention of domestic violence, including
5 programs under the Child Abuse Prevention
6 and Treatment Act (42 U.S.C. 5101 et seq.)
7 or the Family Violence Prevention and
8 Services Act (42 U.S.C. 10401 et seq.);

9 “(vii) related to hunger relief activi-
10 ties; or

11 “(viii) under the Job Access and Re-
12 verse Commute grant program established
13 under section 3037 of the Federal Transit
14 Act of 1998 (49 U.S.C. 5309 note); or

15 “(B)(i) if it involves activities to assist stu-
16 dents in obtaining the recognized equivalents of
17 secondary school diplomas and activities relating
18 to nonschool hours programs, including pro-
19 grams under—

20 “(I) chapter 3 of subtitle A of title II
21 of the Workforce Investment Act of 1998
22 (Public Law 105–220); or

23 “(II) part I of title X of the Elemen-
24 tary and Secondary Education Act (20
25 U.S.C. 6301 et seq.); and

1 “(i) except as provided in subparagraph
2 (A) and clause (i), does not include activities
3 carried out under Federal programs providing
4 education to children eligible to attend elemen-
5 tary schools or secondary schools, as defined in
6 section 14101 of the Elementary and Secondary
7 Education Act of 1965 (20 U.S.C. 8801).

8 “(d) ORGANIZATIONAL CHARACTER AND AUTONOMY.—

9 “(1) IN GENERAL.—A religious organization that
10 provides assistance under a program described in sub-
11 section (c)(4) shall have the right to retain its auton-
12 omy from Federal, State, and local governments, in-
13 cluding such organization’s control over the defini-
14 tion, development, practice, and expression of its reli-
15 gious beliefs.

16 “(2) ADDITIONAL SAFEGUARDS.—Neither the
17 Federal Government, nor a State or local government
18 with Federal funds, shall require a religious organiza-
19 tion, in order to be eligible to provide assistance
20 under a program described in subsection (c)(4), to—

21 “(A) alter its form of internal governance or
22 provisions in its charter documents; or

23 “(B) remove religious art, icons, scripture,
24 or other symbols, or to change its name, because

1 *such symbols or names are of a religious char-*
2 *acter.*

3 “(e) *EMPLOYMENT PRACTICES.*—*A religious organiza-*
4 *tion’s exemption provided under section 702 of the Civil*
5 *Rights Act of 1964 (42 U.S.C. 2000e–1) regarding employ-*
6 *ment practices shall not be affected by its participation in,*
7 *or receipt of funds from, programs described in subsection*
8 *(c)(4), and any provision in such programs that is incon-*
9 *sistent with or would diminish the exercise of an organiza-*
10 *tion’s autonomy recognized in section 702 or in this section*
11 *shall have no effect. Nothing in this section alters the duty*
12 *of a religious organization to comply with the non-*
13 *discrimination provisions of title VII of the Civil Rights*
14 *Act of 1964 in the use of funds from programs described*
15 *in subsection (c)(4).*

16 “(f) *EFFECT ON OTHER LAWS.*—*Nothing in this sec-*
17 *tion shall alter the duty of a religious organization receiv-*
18 *ing assistance or providing services under any program de-*
19 *scribed in subsection (c)(4) to comply with the non-*
20 *discrimination provisions in title VI of the Civil Rights Act*
21 *of 1964 (42 U.S.C. 2000d et seq.) (prohibiting discrimina-*
22 *tion on the basis of race, color, and national origin), title*
23 *IX of the Education Amendments of 1972 (20 U.S.C. 1681–*
24 *1688) (prohibiting discrimination in education programs*
25 *or activities on the basis of sex and visual impairment),*

1 *section 504 of the Rehabilitation Act of 1973 (29 U.S.C.*
2 *794) (prohibiting discrimination against otherwise quali-*
3 *fied disabled individuals), and the Age Discrimination Act*
4 *of 1975 (42 U.S.C. 6101–6107) (prohibiting discrimination*
5 *on the basis of age).*

6 “(g) *RIGHTS OF BENEFICIARIES OF ASSISTANCE.*—

7 “(1) *IN GENERAL.*—*If an individual described in*
8 *paragraph (3) has an objection to the religious char-*
9 *acter of the organization from which the individual*
10 *receives, or would receive, assistance funded under*
11 *any program described in subsection (c)(4), the ap-*
12 *propriate Federal, State, or local governmental entity*
13 *shall provide to such individual (if otherwise eligible*
14 *for such assistance) within a reasonable period of*
15 *time after the date of such objection, assistance that—*

16 “(A) *is an alternative that is accessible to*
17 *the individual and unobjectionable to the indi-*
18 *vidual on religious grounds; and*

19 “(B) *has a value that is not less than the*
20 *value of the assistance that the individual would*
21 *have received from such organization.*

22 “(2) *NOTICE.*—*The appropriate Federal, State,*
23 *or local governmental entity shall guarantee that no-*
24 *tice is provided to the individuals described in para-*

1 *graph (3) of the rights of such individuals under this*
2 *section.*

3 “(3) *INDIVIDUAL DESCRIBED.*—*An individual*
4 *described in this paragraph is an individual who re-*
5 *ceives or applies for assistance under a program de-*
6 *scribed in subsection (c)(4).*

7 “(h) *NONDISCRIMINATION AGAINST BENEFICIARIES.*—

8 “(1) *GRANTS AND COOPERATIVE AGREEMENTS.*—
9 *A religious organization providing assistance through*
10 *a grant or cooperative agreement under a program*
11 *described in subsection (c)(4) shall not discriminate*
12 *in carrying out the program against an individual*
13 *described in subsection (g)(3) on the basis of religion,*
14 *a religious belief, or a refusal to hold a religious be-*
15 *lief.*

16 “(2) *INDIRECT FORMS OF ASSISTANCE.*—*A reli-*
17 *gious organization providing assistance through a*
18 *voucher, certificate, or other form of indirect assist-*
19 *ance under a program described in subsection (c)(4)*
20 *shall not deny an individual described in subsection*
21 *(g)(3) admission into such program on the basis of re-*
22 *ligion, a religious belief, or a refusal to hold a reli-*
23 *gious belief.*

24 “(i) *ACCOUNTABILITY.*—

1 “(1) *IN GENERAL.*—*Except as provided in para-*
2 *graphs (2) and (3), a religious organization pro-*
3 *viding assistance under any program described in*
4 *subsection (c)(4) shall be subject to the same regula-*
5 *tions as other nongovernmental organizations to ac-*
6 *count in accord with generally accepted accounting*
7 *principles for the use of such funds and its perform-*
8 *ance of such programs.*

9 “(2) *LIMITED AUDIT.*—

10 “(A) *GRANTS AND COOPERATIVE AGREE-*
11 *MENTS.*—*A religious organization providing as-*
12 *sistance through a grant or cooperative agree-*
13 *ment under a program described in subsection*
14 *(c)(4) shall segregate government funds provided*
15 *under such program into a separate account or*
16 *accounts. Only the separate accounts consisting*
17 *of funds from the government shall be subject to*
18 *audit by the government.*

19 “(B) *INDIRECT FORMS OF ASSISTANCE.*—*A*
20 *religious organization providing assistance*
21 *through a voucher, certificate, or other form of*
22 *indirect assistance under a program described in*
23 *subsection (c)(4) may segregate government*
24 *funds provided under such program into a sepa-*
25 *rate account or accounts. If such funds are so*

1 *segregated, then only the separate accounts con-*
2 *sisting of funds from the government shall be*
3 *subject to audit by the government.*

4 “(3) *SELF AUDIT.*—*A religious organization pro-*
5 *viding services under any program described in sub-*
6 *section (c)(4) shall conduct annually a self audit for*
7 *compliance with its duties under this section and sub-*
8 *mit a copy of the self audit to the appropriate Fed-*
9 *eral, State, or local government agency, along with a*
10 *plan to timely correct variances, if any, identified in*
11 *the self audit.*

12 “(j) *LIMITATIONS ON USE OF FUNDS; VOLUNTARI-*
13 *NESS.*—*No funds provided through a grant or cooperative*
14 *agreement to a religious organization to provide assistance*
15 *under any program described in subsection (c)(4) shall be*
16 *expended for sectarian instruction, worship, or proselytiza-*
17 *tion. If the religious organization offers such an activity,*
18 *it shall be voluntary for the individuals receiving services*
19 *and offered separate from the program funded under sub-*
20 *section (c)(4). A certificate shall be separately signed by re-*
21 *ligious organizations, and filed with the government agency*
22 *that disburses the funds, certifying that the organization is*
23 *aware of and will comply with this subsection.*

24 “(k) *EFFECT ON STATE AND LOCAL FUNDS.*—*If a*
25 *State or local government contributes State or local funds*

1 to carry out a program described in subsection (c)(4), the
2 State or local government may segregate the State or local
3 funds from the Federal funds provided to carry out the pro-
4 gram or may commingle the State or local funds with the
5 Federal funds. If the State or local government commingles
6 the State or local funds, the provisions of this section shall
7 apply to the commingled funds in the same manner, and
8 to the same extent, as the provisions apply to the Federal
9 funds.

10 “(l) *INDIRECT ASSISTANCE.*—When consistent with the
11 purpose of a program described in subsection (c)(4), the
12 Secretary of the department administering the program
13 may direct the disbursement of some or all of the funds,
14 if determined by the Secretary to be feasible and efficient,
15 in the form of indirect assistance. For purposes of this sec-
16 tion, ‘indirect assistance’ constitutes assistance in which an
17 organization receiving funds through a voucher, certificate,
18 or other form of disbursement under this section receives
19 such funding only as a result of the private choices of indi-
20 vidual beneficiaries and no government endorsement of any
21 particular religion, or of religion generally, occurs.

22 “(m) *TREATMENT OF INTERMEDIATE GRANTORS.*—If
23 a nongovernmental organization (referred to in this sub-
24 section as an ‘intermediate grantor’), acting under a grant
25 or other agreement with the Federal Government, or a State

1 *or local government with Federal funds, is given the author-*
2 *ity under the agreement to select nongovernmental organi-*
3 *zations to provide assistance under the programs described*
4 *in subsection (c)(4), the intermediate grantor shall have the*
5 *same duties under this section as the government when se-*
6 *lecting or otherwise dealing with subgrantors, but the inter-*
7 *mediate grantor, if it is a religious organization, shall re-*
8 *tain all other rights of a religious organization under this*
9 *section.*

10 “(n) *COMPLIANCE.—A party alleging that the rights*
11 *of the party under this section have been violated by a State*
12 *or local government may bring a civil action for injunctive*
13 *relief pursuant to section 1979 against the State official or*
14 *local government agency that has allegedly committed such*
15 *violation. A party alleging that the rights of the party*
16 *under this section have been violated by the Federal Govern-*
17 *ment may bring a civil action for injunctive relief in Fed-*
18 *eral district court against the official or government agency*
19 *that has allegedly committed such violation.*

20 “(o) *TRAINING AND TECHNICAL ASSISTANCE FOR*
21 *SMALL NONGOVERNMENTAL ORGANIZATIONS.—*

22 “(1) *IN GENERAL.—From amounts made avail-*
23 *able to carry out the purposes of the Office of Justice*
24 *Programs (including any component or unit thereof,*
25 *including the Office of Community Oriented Policing*

1 *Services), funds are authorized to provide training*
2 *and technical assistance, directly or through grants or*
3 *other arrangements, in procedures relating to poten-*
4 *tial application and participation in programs iden-*
5 *tified in subsection (c)(4) to small nongovernmental*
6 *organizations, as determined by the Attorney General,*
7 *including religious organizations, in an amount not*
8 *to exceed \$50 million annually.*

9 *“(2) TYPES OF ASSISTANCE.—Such assistance*
10 *may include—*

11 *“(A) assistance and information relative to*
12 *creating an organization described in section*
13 *501(c)(3) of the Internal Revenue Code of 1986*
14 *to operate identified programs;*

15 *“(B) granting writing assistance which*
16 *may include workshops and reasonable guidance;*

17 *“(C) information and referrals to other non-*
18 *governmental organizations that provide exper-*
19 *tise in accounting, legal issues, tax issues, pro-*
20 *gram development, and a variety of other orga-*
21 *nizational areas; and*

22 *“(D) information and guidance on how to*
23 *comply with Federal nondiscrimination provi-*
24 *sions including, but not limited to, title VI of the*
25 *Civil Rights Act of 1964 (42 U.S.C. 2000d et*

1 *seq.*), title VII of the Civil Rights Act of 1964 (42
 2 U.S.C. 2000e et seq.), the Fair Housing Act, as
 3 amended (42 U.S.C. 3601 et seq.), title IX of the
 4 Education Amendments of 1972 (20 U.S.C.
 5 1681–1688), section 504 of the Rehabilitation
 6 Act of 1973 (29 U.S.C. 694), and the Age Dis-
 7 crimination Act of 1975 (42 U.S.C. 6101–6107).

8 “(3) *RESERVATION OF FUNDS.*—An amount of
 9 no less than \$5,000,000 shall be reserved under this
 10 section. Small nongovernmental organizations may
 11 apply for these funds to be used for assistance in pro-
 12 viding full and equal integrated access to individuals
 13 with disabilities in programs under this title.

14 “(4) *PRIORITY.*—In giving out the assistance de-
 15 scribed in this subsection, priority shall be given to
 16 small nongovernmental organizations serving urban
 17 and rural communities.”.

18 **TITLE III—INDIVIDUAL** 19 **DEVELOPMENT ACCOUNTS**

20 **SEC. 301. PURPOSES.**

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

1 (1) provide individuals and families with limited
2 means an opportunity to accumulate assets and to
3 enter the financial mainstream;

4 (2) promote education, homeownership, and the
5 development of small businesses;

6 (3) stabilize families and build communities;
7 and

8 (4) support United States economic expansion.

9 **SEC. 302. DEFINITIONS.**

10 As used in this title:

11 (1) **ELIGIBLE INDIVIDUAL.**—

12 (A) **IN GENERAL.**—The term “eligible indi-
13 vidual” means an individual who—

14 (i) has attained the age of 18 years
15 but not the age of 61;

16 (ii) is a citizen or legal resident of the
17 United States;

18 (iii) is not a student (as defined in
19 section 151(c)(4)); and

20 (iv) is a taxpayer the adjusted gross
21 income of whom for the preceding taxable
22 year does not exceed—

23 (I) \$20,000, in the case of a tax-
24 payer described in section 1(c) or 1(d)
25 of the Internal Revenue Code of 1986;

1 (II) \$25,000, in the case of a
2 taxpayer described in section 1(b) of
3 such Code; and

4 (III) \$40,000, in the case of a
5 taxpayer described in section 1(a) of
6 such Code.

7 (B) INFLATION ADJUSTMENT.—

8 (i) IN GENERAL.—In the case of any
9 taxable year beginning after 2002, each
10 dollar amount referred to in subparagraph
11 (A)(iv) shall be increased by an amount
12 equal to—

13 (I) such dollar amount, multi-
14 plied by

15 (II) the cost-of-living adjustment
16 determined under section (1)(f)(3) of
17 the Internal Revenue Code of 1986
18 for the calendar year in which the tax-
19 able year begins, by substituting
20 “2001” for “1992”.

21 (ii) ROUNDING.—If any amount as
22 adjusted under clause (i) is not a multiple
23 of \$50, such amount shall be rounded to
24 the nearest multiple of \$50.

1 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

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

8 (A) The sole owner of the account is the
9 individual for whom the account was estab-
10 lished.

11 (B) No contribution will be accepted unless
12 it is in cash.

13 (C) The holder of the account is a quali-
14 fied financial institution.

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

19 (E) Except as provided in section 306(b),
20 any amount in the account may be paid out
21 only for the purpose of paying the qualified ex-
22 penses of the account owner.

23 (3) PARALLEL ACCOUNT.—The term “parallel
24 account” means a separate, parallel individual or
25 pooled account for all matching funds and earnings

1 dedicated to an Individual Development Account
2 owner as part of a qualified individual development
3 account program, the sole owner of which is a quali-
4 fied financial institution, a qualified nonprofit orga-
5 nization, or an Indian tribe.

6 (4) QUALIFIED FINANCIAL INSTITUTION.—

7 (A) IN GENERAL.—The term “qualified fi-
8 nancial institution” means any person author-
9 ized to be a trustee of any individual retirement
10 account under section 408(a)(2).

11 (B) RULE OF CONSTRUCTION.—Nothing in
12 this paragraph shall be construed as preventing
13 a person described in subparagraph (A) from
14 collaborating with 1 or more contractual affili-
15 ates, qualified nonprofit organizations, or In-
16 dian tribes to carry out an individual develop-
17 ment account program established under sec-
18 tion 303.

19 (5) QUALIFIED NONPROFIT ORGANIZATION.—

20 The term “qualified nonprofit organization”
21 means—

22 (A) any organization described in section
23 501(c)(3) of the Internal Revenue Code of 1986
24 and exempt from taxation under section 501(a)
25 of such Code;

1 (B) any community development financial
2 institution certified by the Community Develop-
3 ment Financial Institution Fund; or

4 (C) any credit union chartered under Fed-
5 eral or State law.

6 (6) INDIAN TRIBE.—The term “Indian tribe”
7 means any Indian tribe as defined in section 4(12)
8 of the Native American Housing Assistance and
9 Self-Determination Act of 1996 (25 U.S.C.
10 4103(12), and includes any tribal subsidiary, sub-
11 division, or other wholly owned tribal entity.

12 (7) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
13 COUNT PROGRAM.—The term “qualified individual
14 development account program” means a program es-
15 tablished under section 303 under which—

16 (A) Individual Development Accounts and
17 parallel accounts are held by a qualified finan-
18 cial institution; and

19 (B) additional activities determined by the
20 Secretary as necessary to responsibly develop
21 and administer accounts, including recruiting,
22 providing financial education and other training
23 to account owners, and regular program moni-
24 toring, are carried out by the qualified financial

1 institution, a qualified nonprofit organization,
2 or an Indian tribe.

3 (8) QUALIFIED EXPENSE DISTRIBUTION.—

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

10 (i) is used exclusively to pay the quali-
11 fied expenses of the Individual Develop-
12 ment Account owner or such owner’s
13 spouse or dependents, as approved by the
14 qualified financial institution, qualified
15 nonprofit organization, or Indian tribe;

16 (ii) is paid by the qualified financial
17 institution, qualified nonprofit organiza-
18 tion, or Indian tribe—

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

23 (II) in the case of distributions
24 for working capital under a qualified
25 business plan (as defined in subpara-

1 graph (B)(iv)(IV)), directly to the ac-
2 count owner;

3 (III) in the case of any qualified
4 rollover, directly to another Individual
5 Development Account and parallel ac-
6 count; or

7 (IV) in the case of a qualified
8 final distribution, directly to the
9 spouse, dependent, or other named
10 beneficiary of the deceased account
11 owner; and

12 (iii) is paid after the account owner
13 has completed a financial education course
14 as required under section 304(b).

15 (B) QUALIFIED EXPENSES.—

16 (i) IN GENERAL.—The term “qualified
17 expenses” means any of the following:

18 (I) Qualified higher education ex-
19 penses.

20 (II) Qualified first-time home-
21 buyer costs.

22 (III) Qualified business capital-
23 ization or expansion costs.

24 (IV) Qualified rollovers.

25 (V) Qualified final distribution.

1 (ii) QUALIFIED HIGHER EDUCATION
2 EXPENSES.—

3 (I) IN GENERAL.—The term
4 “qualified higher education expenses”
5 has the meaning given such term by
6 section 72(t)(7) of the Internal Rev-
7 enue Code of 1986, determined by
8 treating postsecondary vocational edu-
9 cational schools as eligible educational
10 institutions.

11 (II) POSTSECONDARY VOCA-
12 TIONAL EDUCATION SCHOOL.—The
13 term “postsecondary vocational edu-
14 cational school” means an area voca-
15 tional education school (as defined in
16 subparagraph (C) or (D) of section
17 521(4) of the Carl D. Perkins Voca-
18 tional and Applied Technology Edu-
19 cation Act (20 U.S.C. 2471(4)))
20 which is in any State (as defined in
21 section 521(33) of such Act), as such
22 sections are in effect on the date of
23 the enactment of this Act.

24 (III) COORDINATION WITH
25 OTHER BENEFITS.—The amount of

1 qualified higher education expenses
2 for any taxable year shall be reduced
3 as provided in section 25A(g)(2) of
4 such Code and may not be taken into
5 account for purposes of determining
6 qualified higher education expenses
7 under section 135 or 530 of the Inter-
8 nal Revenue Code of 1986.

9 (iii) QUALIFIED FIRST-TIME HOME-
10 BUYER COSTS.—The term “qualified first-
11 time homebuyer costs” means qualified ac-
12 quisition costs (as defined in section
13 72(t)(8) of such Code without regard to
14 subparagraph (B) thereof) with respect to
15 a principal residence (within the meaning
16 of section 121 of such Code) for a qualified
17 first-time homebuyer (as defined in section
18 72(t)(8) of such Code).

19 (iv) QUALIFIED BUSINESS CAPITAL-
20 IZATION OR EXPANSION COSTS.—

21 (I) IN GENERAL.—The term
22 “qualified business capitalization or
23 expansion costs” means qualified ex-
24 penditures for the capitalization or ex-

1 pansion of a qualified business pursu-
2 ant to a qualified business plan.

3 (II) QUALIFIED EXPENDI-
4 TURES.—The term “qualified expendi-
5 tures” means expenditures included in
6 a qualified business plan, including
7 capital, plant, equipment, working
8 capital, inventory expenses, attorney
9 and accounting fees, and other costs
10 normally associated with starting or
11 expanding a business.

12 (III) QUALIFIED BUSINESS.—
13 The term “qualified business” means
14 any business that does not contravene
15 any law.

16 (IV) QUALIFIED BUSINESS
17 PLAN.—The term “qualified business
18 plan” means a business plan which
19 has been approved by the qualified fi-
20 nancial institution, qualified nonprofit
21 organization, or Indian tribe and
22 which meets such requirements as the
23 Secretary may specify.

24 (v) QUALIFIED ROLLOVERS.—The
25 term “qualified rollover” means the com-

1 plete distribution of the amounts in an In-
2 dividual Development Account and parallel
3 account to another Individual Development
4 Account and parallel account established in
5 another qualified financial institution,
6 qualified nonprofit organization, or Indian
7 tribe for the benefit of the account owner.

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

16 (9) SECRETARY.—The term “Secretary” means
17 the Secretary of the Treasury.

18 **SEC. 303. STRUCTURE AND ADMINISTRATION OF QUALI-**
19 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
20 **PROGRAMS.**

21 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
22 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
23 cial institution, qualified nonprofit organization, or Indian
24 tribe may establish 1 or more qualified individual develop-

1 ment account programs which meet the requirements of
2 this title.

3 (b) BASIC PROGRAM STRUCTURE.—

4 (1) IN GENERAL.—All qualified individual de-
5 velopment account programs shall consist of the fol-
6 lowing 2 components:

7 (A) An Individual Development Account to
8 which an eligible individual may contribute cash
9 in accordance with section 304.

10 (B) A parallel account to which all match-
11 ing funds shall be deposited in accordance with
12 section 305.

13 (2) TAILORED IDA PROGRAMS.—A qualified fi-
14 nancial institution, a qualified nonprofit organiza-
15 tion, or an Indian tribe may tailor its qualified indi-
16 vidual development account program to allow match-
17 ing funds to be spent on 1 or more of the categories
18 of qualified expenses.

19 (c) TAX TREATMENT OF PARALLEL ACCOUNTS.—
20 Any account described in subparagraph (B) of subsection
21 (b)(1) is exempt from taxation under the Internal Revenue
22 Code of 1986.

1 **SEC. 304. PROCEDURES FOR OPENING AND MAINTAINING**
2 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**
3 **AND QUALIFYING FOR MATCHING FUNDS.**

4 (a) **OPENING AN ACCOUNT.**—An eligible individual
5 may open an Individual Development Account with a
6 qualified financial institution, a qualified nonprofit organi-
7 zation, or an Indian tribe upon certification that such indi-
8 vidual maintains no other Individual Development Ac-
9 count (other than an Individual Development Account to
10 be terminated by a qualified rollover).

11 (b) **REQUIRED COMPLETION OF FINANCIAL EDU-**
12 **CATION COURSE.**—

13 (1) **IN GENERAL.**—Before becoming eligible to
14 withdraw matching funds to pay for qualified ex-
15 penses, owners of Individual Development Accounts
16 must complete a financial education course offered
17 by a qualified financial institution, a qualified non-
18 profit organization, an Indian tribe, or a government
19 entity.

20 (2) **STANDARD AND APPLICABILITY OF**
21 **COURSE.**—The Secretary, in consultation with rep-
22 resentatives of qualified individual development ac-
23 count programs and financial educators, shall estab-
24 lish minimum quality standards for the contents of
25 financial education courses and providers of such
26 courses offered under paragraph (1) and a protocol

1 to exempt individuals from the requirement under
2 paragraph (1) because of hardship or lack of need.

3 (c) STATUS AS AN ELIGIBLE INDIVIDUAL.—Federal
4 income tax forms from the preceding taxable year (or in
5 the absence of such forms, such documentation as speci-
6 fied by the Secretary proving the eligible individual’s ad-
7 justed gross income and the status of the individual as
8 an eligible individual) shall be presented to the qualified
9 financial institution, qualified nonprofit organization, or
10 Indian tribe at the time of the establishment of the Indi-
11 vidual Development Account and in any taxable year in
12 which contributions are made to the Account to qualify
13 for matching funds under section 305(b)(1)(A).

14 (d) DIRECT DEPOSITS.—The Secretary may, under
15 regulations, provide for the direct deposit of any portion
16 (not less than \$1) of any overpayment of Federal tax of
17 an individual as a contribution to the Individual Develop-
18 ment Account of such individual.

19 **SEC. 305. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
20 **MENT ACCOUNT PROGRAMS.**

21 (a) PARALLEL ACCOUNTS.—The qualified financial
22 institution, qualified nonprofit organization, or Indian
23 tribe shall deposit all matching funds for each Individual
24 Development Account into a parallel account at a qualified

1 financial institution, a qualified nonprofit organization, or
2 an Indian tribe.

3 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

4 (1) IN GENERAL.—Subject to paragraph (2),
5 the qualified financial institution, qualified nonprofit
6 organization, or Indian tribe shall not less than
7 quarterly (or upon a proper withdrawal request
8 under section 306, if necessary) deposit into the par-
9 allel account with respect to each eligible individual
10 the following:

11 (A) A dollar-for-dollar match for the first
12 \$500 contributed by the eligible individual into
13 an Individual Development Account with re-
14 spect to any taxable year.

15 (B) Any matching funds provided by State,
16 local, or private sources in accordance to the
17 matching ratio set by those sources.

18 (2) INFLATION ADJUSTMENT.—

19 (A) IN GENERAL.—In the case of any tax-
20 able year beginning after 2002, the dollar
21 amount referred to in paragraph (1)(A) shall be
22 increased by an amount equal to—

23 (i) such dollar amount, multiplied by

24 (ii) the cost-of-living adjustment de-
25 termined under section (1)(f)(3) of the In-

1 ternal Revenue Code of 1986 for the cal-
2 endar year in which the taxable year be-
3 gins, by substituting “2001” for “1992”.

4 (B) ROUNDING.—If any amount as ad-
5 justed under subparagraph (A) is not a multiple
6 of \$20, such amount shall be rounded to the
7 nearest multiple of \$20.

8 (3) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 30B of the Internal Revenue Code of 1986.

9 (c) DEPOSIT OF MATCHING FUNDS INTO INDI-
10 VIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO
11 HAS ATTAINED AGE 61.—In the case of an Individual De-
12 velopment Account owner who attains the age of 61, the
13 qualified financial institution, qualified nonprofit organi-
14 zation, or Indian tribe which holds the parallel account
15 for such individual shall deposit the funds in such parallel
16 account into the Individual Development Account of such
17 individual on the first day of the succeeding taxable year
18 of such individual.

19 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-
20 sure proper recordkeeping and determination of the tax
21 credit under section 30B of the Internal Revenue Code
22 of 1986, the Secretary shall prescribe regulations with re-

1 spect to accounting for matching funds in the parallel ac-
2 counts.

3 (e) REGULAR REPORTING OF ACCOUNTS.—Any
4 qualified financial institution, qualified nonprofit organi-
5 zation, or Indian tribe shall report the balances in any
6 Individual Development Account and parallel account of
7 an individual on not less than an annual basis to such
8 individual.

9 **SEC. 306. WITHDRAWAL PROCEDURES.**

10 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To
11 withdraw money from an individual’s Individual Develop-
12 ment Account to pay qualified expenses of such individual
13 or such individual’s spouse or dependents, the qualified
14 financial institution, qualified nonprofit organization, or
15 Indian tribe shall directly transfer such funds from the
16 Individual Development Account, and, if applicable, from
17 the parallel account electronically to the distributees de-
18 scribed in section 302(8)(A)(ii). If the distributee is not
19 equipped to receive funds electronically, the qualified fi-
20 nancial institution, qualified nonprofit organization, or In-
21 dian tribe may issue such funds by paper check to the
22 distributee.

23 (b) WITHDRAWALS FOR NONQUALIFIED EX-
24 PENSES.—An Individual Development Account owner may
25 unilaterally withdraw any amount of funds from the Indi-

1 vidual Development Account for purposes other than to
2 pay qualified expenses, but shall forfeit a proportionate
3 amount of matching funds from the individual's parallel
4 account by doing so, unless such withdrawn funds are re-
5 contributed to such Account by September 30 following
6 the withdrawal.

7 (c) WITHDRAWALS FROM ACCOUNTS OF NON-
8 ELIGIBLE INDIVIDUALS.—If the individual for whose ben-
9 efit an Individual Development Account is established
10 ceases to be an eligible individual, such account shall re-
11 main an Individual Development Account, but such indi-
12 vidual shall not be eligible for any further matching funds
13 under section 305(b)(1)(A) during the period—

14 (1) beginning on the first day of the taxable
15 year of such individual following the beginning of
16 such ineligibility, and

17 (2) ending on the last day of the taxable year
18 of such individual in which such ineligibility ceases.

19 (d) TAX TREATMENT OF MATCHING FUNDS.—Any
20 amount withdrawn from a parallel account shall not be
21 includible in an eligible individual's gross income.

22 (e) WITHDRAWAL LIABILITY RESTS ONLY WITH EL-
23 IGIBLE INDIVIDUALS.—Nothing in this title may be con-
24 strued to impose liability on a qualified financial institu-
25 tion, a qualified nonprofit organization, or an Indian tribe

1 for non-compliance with the requirements of this title re-
2 lated to withdrawals from Individual Development Ac-
3 counts.

4 **SEC. 307. CERTIFICATION AND TERMINATION OF QUALI-**
5 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
6 **PROGRAMS.**

7 (a) CERTIFICATION PROCEDURES.—Upon estab-
8 lishing a qualified individual development account pro-
9 gram under section 303, a qualified financial institution,
10 a qualified nonprofit organization, or an Indian tribe shall
11 certify to the Secretary on forms prescribed by the Sec-
12 retary and accompanied by any documentation required
13 by the Secretary, that—

14 (1) the accounts described in subparagraphs
15 (A) and (B) of section 303(b)(1) are operating pur-
16 suant to all the provisions of this title; and

17 (2) the qualified financial institution, qualified
18 nonprofit organization, or Indian tribe agrees to im-
19 plement an information system necessary to monitor
20 the cost and outcomes of the qualified individual de-
21 velopment account program.

22 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
23 PROGRAM.—If the Secretary determines that a qualified
24 financial institution, a qualified nonprofit organization, or
25 an Indian tribe under this title is not operating a qualified

1 individual development account program in accordance
2 with the requirements of this title (and has not imple-
3 mented any corrective recommendations directed by the
4 Secretary), the Secretary shall terminate such institu-
5 tion's, nonprofit organization's, or Indian tribe's authority
6 to conduct the program. If the Secretary is unable to iden-
7 tify a qualified financial institution, a qualified nonprofit
8 organization, or an Indian tribe to assume the authority
9 to conduct such program, then any funds in a parallel ac-
10 count established for the benefit of any individual under
11 such program shall be deposited into the Individual Devel-
12 opment Account of such individual as of the first day of
13 such termination.

14 **SEC. 308. REPORTING, MONITORING, AND EVALUATION.**

15 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
16 STITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS,
17 AND INDIAN TRIBES.—Each qualified financial institu-
18 tion, qualified nonprofit organization, or Indian tribe that
19 operates a qualified individual development account pro-
20 gram under section 303 shall report annually to the Sec-
21 retary within 90 days after the end of each calendar year
22 on—

23 (1) the number of eligible individuals making
24 contributions into Individual Development Accounts;

1 (2) the amounts contributed into Individual De-
2 velopment Accounts and deposited into parallel ac-
3 counts for matching funds;

4 (3) the amounts withdrawn from Individual De-
5 velopment Accounts and parallel accounts, and the
6 purposes for which such amounts were withdrawn;

7 (4) the balances remaining in Individual Devel-
8 opment Accounts and parallel accounts; and

9 (5) such other information needed to help the
10 Secretary monitor the cost and outcomes of the
11 qualified individual development account program
12 (provided in a non-individually-identifiable manner).

13 (b) RESPONSIBILITIES OF THE SECRETARY.—

14 (1) MONITORING PROTOCOL.—Not later than
15 12 months after the date of the enactment of this
16 Act, the Secretary shall develop and implement a
17 protocol and process to monitor the cost and out-
18 comes of the qualified individual development ac-
19 count programs established under section 303.

20 (2) ANNUAL REPORTS.—In each year after the
21 date of the enactment of this Act, the Secretary
22 shall submit a progress report to Congress on the
23 status of such qualified individual development ac-
24 count programs. Such report shall include from a

1 representative sample of qualified individual develop-
2 ment account programs information on—

3 (A) the characteristics of participants, in-
4 cluding age, gender, race or ethnicity, marital
5 status, number of children, employment status,
6 and monthly income;

7 (B) deposits, withdrawals, balances, uses
8 of Individual Development Accounts, and par-
9 ticipant characteristics;

10 (C) the characteristics of qualified indi-
11 vidual development account programs, including
12 match rate, economic education requirements,
13 permissible uses of accounts, staffing of pro-
14 grams in full time employees, and the total
15 costs of programs; and

16 (D) information on program implementa-
17 tion and administration, especially on problems
18 encountered and how problems were solved.

19 **SEC. 309. AUTHORIZATION OF APPROPRIATIONS.**

20 There is authorized to be appropriated to the Sec-
21 retary \$1,000,000 for fiscal year 2002 and for each fiscal
22 year through 2008, for the purposes of implementing this
23 title, including the reporting, monitoring, and evaluation
24 required under section 308, to remain available until ex-
25 pended.

1 **SEC. 310. ACCOUNT FUNDS DISREGARDED FOR PURPOSES**
2 **OF CERTAIN MEANS-TESTED FEDERAL PRO-**
3 **GRAMS.**

4 Notwithstanding any other provision of Federal law
5 that requires consideration of 1 or more financial cir-
6 cumstances of an individual, for the purposes of deter-
7 mining eligibility to receive, or the amount of, any assist-
8 ance or benefit authorized by such provision to be provided
9 to or for the benefit of such individual, an amount equal
10 to the sum of—

11 (1) all amounts (including earnings thereon) in
12 any Individual Development Account; plus

13 (2) the matching deposits made on behalf of
14 such individual (including earnings thereon) in any
15 parallel account,

16 shall be disregarded for such purposes.

17 **SEC. 311. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**
18 **MENT ACCOUNTS PROVIDED THROUGH A TAX**
19 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**
20 **TIONS.**

21 (a) IN GENERAL.—Subpart B of part IV of sub-
22 chapter A of chapter 1 of the Internal Revenue Code of
23 1986 (relating to other credits) is amended by inserting
24 after section 30A the following new section:

1 **“SEC. 30B. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**
2 **MENT CREDIT FOR QUALIFIED FINANCIAL IN-**
3 **STITUTIONS.**

4 “(a) DETERMINATION OF AMOUNT.—There shall be
5 allowed as a credit against the applicable tax for the tax-
6 able year an amount equal to the individual development
7 account investment provided by an eligible entity during
8 the taxable year under an individual development account
9 program established under section 303 of the Community
10 Solutions Act of 2001.

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

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

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

20 “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-
21 MENT.—

22 “(1) IN GENERAL.—For purposes of this sec-
23 tion, the term ‘individual development account in-
24 vestment’ means, with respect to an individual devel-
25 opment account program of a qualified financial in-

1 stitution in any taxable year, an amount equal to the
2 sum of—

3 “(A) the aggregate amount of dollar-for-
4 dollar matches under such program under sec-
5 tion 305(b)(1)(A) of the Community Solutions
6 Act of 2001 for such taxable year, plus

7 “(B) an amount equal to the sum of—

8 “(i) with respect to each Individual
9 Development Account opened during such
10 taxable year, \$100, plus

11 “(ii) with respect to each Individual
12 Development Account maintained during
13 such taxable year, \$30.

14 “(2) INFLATION ADJUSTMENT.—

15 “(A) IN GENERAL.—In the case of any
16 taxable year beginning after 2002, each dollar
17 amount referred to in paragraph (1)(B) shall be
18 increased by an amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the cost-of-living adjustment de-
21 termined under section (1)(f)(3) for the
22 calendar year in which the taxable year be-
23 gins, by substituting ‘2001’ for ‘1992’.

24 “(B) ROUNDING.—If any amount as ad-
25 justed under subparagraph (A) is not a multiple

1 of \$5, such amount shall be rounded to the
2 nearest multiple of \$5.

3 “(d) ELIGIBLE ENTITY.—For purposes of this sec-
4 tion, the term ‘eligible entity’ means a qualified financial
5 institution, or 1 or more contractual affiliates of such an
6 institution as defined by the Secretary in regulations.

7 “(e) OTHER DEFINITIONS.—For purposes of this
8 section, any term used in this section and also in the Com-
9 munity Solutions Act shall have the meaning given such
10 term by such Act.

11 “(f) DENIAL OF DOUBLE BENEFIT.—No deduction
12 or credit (other than under this section) shall be allowed
13 under this chapter with respect to any expense which is
14 taken into account under subsection (e)(1)(A) in deter-
15 mining the credit under this section.

16 “(g) REGULATIONS.—The Secretary may prescribe
17 such regulations as may be necessary or appropriate to
18 carry out this section, including regulations providing for
19 a recapture of the credit allowed under this section (not-
20 withstanding any termination date described in subsection
21 (h)) in cases where there is a forfeiture under section
22 306(b) of the Community Solutions Act of 2001 in a sub-
23 sequent taxable year of any amount which was taken into
24 account in determining the amount of such credit.

1 “(h) APPLICATION OF SECTION.—This section shall
2 apply to any expenditure made in any taxable year begin-
3 ning after December 31, 2001, and before January 1,
4 2009, with respect to any Individual Development Account
5 opened before January 1, 2007.”.

6 (b) CONFORMING AMENDMENT.—The table of sec-
7 tions for subpart B of part IV of subchapter A of chapter
8 1 is amended by inserting after the item relating to section
9 30A the following new item:

“Sec. 30B. Individual development account investment credit for qualified finan-
cial institutions.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2001.

13 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

14 **(a) SHORT TITLE.—This Act may be cited as**
15 **the “Community Solutions Act of 2001”.**

16 **(b) TABLE OF CONTENTS.—The table of con-**
17 **tents is as follows:**

Sec. 1. Short title; table of contents.

TITLE I—CHARITABLE GIVING INCENTIVES PACKAGE

**Sec. 101. Deduction for portion of charitable contributions to
be allowed to individuals who do not itemize de-
ductions.**

**Sec. 102. Tax-free distributions from individual retirement ac-
counts for charitable purposes.**

**Sec. 103. Increase in cap on corporate charitable contribu-
tions.**

**Sec. 104. Charitable donations liability reform for in-kind cor-
porate contributions.**

**Sec. 105. Charitable deduction for contributions of food inven-
tory.**

- Sec. 106. Reform of excise tax on net investment income of private foundations.
- Sec. 107. Excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 108. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 109. Adjustment to basis of S corporation stock for certain charitable contributions.

TITLE II—EXPANSION OF CHARITABLE CHOICE

- Sec. 201. Provision of assistance under government programs by religious and community organizations.

TITLE III—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 301. Additional qualified entities eligible to conduct projects under the Assets for Independence Act.
- Sec. 302. Increase in limitation on net worth.
- Sec. 303. Change in limitation on deposits for an individual.
- Sec. 304. Elimination of limitation on deposits for a household.
- Sec. 305. Extension of program.
- Sec. 306. Conforming amendments.
- Sec. 307. Applicability.

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

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 of the Inter-**
7 **nal Revenue Code of 1986 (relating to chari-**
8 **table, etc., contributions and gifts) is amended**
9 **by redesignating subsection (m) as subsection**
10 **(n) and by inserting after subsection (l) the**
11 **following new subsection:**

12 **“(m) DEDUCTION FOR INDIVIDUALS NOT**
13 **ITEMIZING DEDUCTIONS.—**

1 “(1) IN GENERAL.—In the case of an in-
 2 dividual who does not itemize his deduc-
 3 tions for the taxable year, there shall be
 4 taken into account as a direct charitable
 5 deduction under section 63 an amount
 6 equal to the lesser of—

7 “(A) the amount allowable under
 8 subsection (a) for the taxable year for
 9 cash contributions, or

10 “(B) the applicable amount.

11 “(2) APPLICABLE AMOUNT.—For pur-
 12 poses of paragraph (1), the applicable
 13 amount shall be determined as follows:

“For taxable years beginning in:	The applicable amount is:
2002 and 2003	\$25
2004, 2005, 2006	\$50
2007, 2008, 2009	\$75
2010 and thereafter	\$100.

14 In the case of a joint return, the applica-
 15 ble amount is twice the applicable
 16 amount determined under the preceding
 17 table.”.

18 (b) DIRECT CHARITABLE DEDUCTION.—

19 (1) IN GENERAL.—Subsection (b) of sec-
 20 tion 63 of such Code is amended by strik-
 21 ing “and” at the end of paragraph (1), by
 22 striking the period at the end of para-

1 graph (2) and inserting “, and”, and by
2 adding at the end thereof the following
3 new paragraph:

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

5 (2) DEFINITION.—Section 63 of such
6 Code is amended by redesignating sub-
7 section (g) as subsection (h) and by in-
8 serting after subsection (f) the following
9 new subsection:

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

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

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

1 **(c) EFFECTIVE DATE.—**The amendments
2 made by this section shall apply to taxable
3 years beginning after December 31, 2001.

4 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
5 **TIREMENT ACCOUNTS FOR CHARITABLE**
6 **PURPOSES.**

7 **(a) IN GENERAL.—**Subsection (d) of section
8 408 of the Internal Revenue Code of 1986 (re-
9 lating to individual retirement accounts) is
10 amended by adding at the end the following
11 new paragraph:

12 **“(8) DISTRIBUTIONS FOR CHARITABLE**
13 **PURPOSES.—**

14 **“(A) IN GENERAL.—**No amount
15 shall be includible in gross income by
16 reason of a qualified charitable dis-
17 tribution.

18 **“(B) QUALIFIED CHARITABLE DIS-**
19 **TRIBUTION.—**For purposes of this
20 paragraph, the term ‘qualified chari-
21 table distribution’ means any dis-
22 tribution from an individual retire-
23 ment account—

24 **“(i) which is made on or after**
25 **the date that the individual for**

1 **whose benefit the account is**
2 **maintained has attained age 70^{1/2},**
3 **and**

4 **“(ii) which is made directly by**
5 **the trustee—**

6 **“(I) to an organization de-**
7 **scribed in section 170(c), or**

8 **“(II) to a split-interest en-**
9 **tity.**

10 **A distribution shall be treated as a**
11 **qualified charitable distribution only**
12 **to the extent that the distribution**
13 **would be includible in gross income**
14 **without regard to subparagraph (A)**
15 **and, in the case of a distribution to a**
16 **split-interest entity, only if no person**
17 **holds an income interest in the**
18 **amounts in the split-interest entity**
19 **attributable to such distribution**
20 **other than one or more of the fol-**
21 **lowing: the individual for whose ben-**
22 **efit such account is maintained, the**
23 **spouse of such individual, or any or-**
24 **ganization described in section**
25 **170(c).**

1 **“(C) CONTRIBUTIONS MUST BE OTH-**
2 **ERWISE DEDUCTIBLE.—For purposes of**
3 **this paragraph—**

4 **“(i) DIRECT CONTRIBUTIONS.—A**
5 **distribution to an organization**
6 **described in section 170(c) shall**
7 **be treated as a qualified chari-**
8 **table distribution only if a deduc-**
9 **tion for the entire distribution**
10 **would be allowable under section**
11 **170 (determined without regard**
12 **to subsection (b) thereof and this**
13 **paragraph).**

14 **“(ii) SPLIT-INTEREST GIFTS.—A**
15 **distribution to a split-interest en-**
16 **tity shall be treated as a qualified**
17 **charitable distribution only if a**
18 **deduction for the entire value of**
19 **the interest in the distribution for**
20 **the use of an organization de-**
21 **scribed in section 170(c) would be**
22 **allowable under section 170 (de-**
23 **termined without regard to sub-**
24 **section (b) thereof and this para-**
25 **graph).**

“(D) APPLICATION OF SECTION 72.—

1
2 **Notwithstanding section 72, in deter-**
3 **mining the extent to which a distribu-**
4 **tion is a qualified charitable distribu-**
5 **tion, the entire amount of the dis-**
6 **tribution shall be treated as includ-**
7 **ible in gross income without regard**
8 **to subparagraph (A) to the extent**
9 **that such amount does not exceed the**
10 **aggregate amount which would be so**
11 **includible if all amounts were distrib-**
12 **uted from all individual retirement**
13 **accounts otherwise taken into ac-**
14 **count in determining the inclusion on**
15 **such distribution under section 72.**
16 **Proper adjustments shall be made in**
17 **applying section 72 to other distribu-**
18 **tions in such taxable year and subse-**
19 **quent taxable years.**

20 **“(E) SPECIAL RULES FOR SPLIT-IN-**
21 **TEREST ENTITIES.—**

22 **“(i) CHARITABLE REMAINDER**
23 **TRUSTS.—Distributions made from**
24 **an individual retirement account**
25 **to a trust described in subpara-**

1 **graph (G)(ii)(I) shall be treated as**
2 **income described in section**
3 **664(b)(1) except to the extent that**
4 **the beneficiary of the individual**
5 **retirement account notifies the**
6 **trustee of the trust of the amount**
7 **which is not allocable to income**
8 **under subparagraph (D).**

9 **“(ii) POOLED INCOME FUNDS.—**
10 **No amount shall be includible in**
11 **the gross income of a pooled in-**
12 **come fund (as defined in subpara-**
13 **graph (G)(ii)(II)) by reason of a**
14 **qualified charitable distribution**
15 **to such fund.**

16 **“(iii) CHARITABLE GIFT ANNU-**
17 **ITIES.—Qualified charitable dis-**
18 **tributions made for a charitable**
19 **gift annuity shall not be treated**
20 **as an investment in the contract.**

21 **“(F) DENIAL OF DEDUCTION.—Quali-**
22 **fied charitable distributions shall not**
23 **be taken into account in determining**
24 **the deduction under section 170.**

1 **“(G) SPLIT-INTEREST ENTITY DE-**
2 **FINED.—For purposes of this para-**
3 **graph, the term ‘split-interest entity’**
4 **means—**

5 **“(i) a charitable remainder**
6 **annuity trust or a charitable re-**
7 **mainder unitrust (as such terms**
8 **are defined in section 664(d)),**

9 **“(ii) a pooled income fund (as**
10 **defined in section 642(c)(5)), and**

11 **“(iii) a charitable gift annuity**
12 **(as defined in section 501(m)(5)).”.**

13 **(b) MODIFICATIONS RELATING TO INFORMA-**
14 **TION RETURNS BY CERTAIN TRUSTS.—**

15 **(1) RETURNS.—Section 6034 of such**
16 **Code (relating to returns by trusts de-**
17 **scribed in section 4947(a)(2) or claiming**
18 **charitable deductions under section**
19 **642(c)) is amended to read as follows:**

20 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
21 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
22 **TIONS UNDER SECTION 642(c).**

23 **“(a) TRUSTS DESCRIBED IN SECTION**
24 **4947(a)(2).—Every trust described in section**
25 **4947(a)(2) shall furnish such information with**

1 respect to the taxable year as the Secretary
2 may by forms or regulations require.

3 **“(b) TRUSTS CLAIMING A CHARITABLE DE-**
4 **DUCTION UNDER SECTION 642(c).—**

5 **“(1) IN GENERAL.—**Every trust not re-
6 **quired to file a return under subsection**
7 **(a) but claiming a charitable, etc., deduc-**
8 **tion under section 642(c) for the taxable**
9 **year shall furnish such information with**
10 **respect to such taxable year as the Sec-**
11 **retary may by forms or regulations pre-**
12 **scribe, including:**

13 **“(A) the amount of the charitable,**
14 **etc., deduction taken under section**
15 **642(c) within such year,**

16 **“(B) the amount paid out within**
17 **such year which represents amounts**
18 **for which charitable, etc., deductions**
19 **under section 642(c) have been taken**
20 **in prior years,**

21 **“(C) the amount for which chari-**
22 **table, etc., deductions have been**
23 **taken in prior years but which has**
24 **not been paid out at the beginning of**
25 **such year,**

1 **“(D) the amount paid out of prin-**
2 **cipal in the current and prior years**
3 **for charitable, etc., purposes,**

4 **“(E) the total income of the trust**
5 **within such year and the expenses at-**
6 **tributable thereto, and**

7 **“(F) a balance sheet showing the**
8 **assets, liabilities, and net worth of**
9 **the trust as of the beginning of such**
10 **year.**

11 **“(2) EXCEPTIONS.—Paragraph (1) shall**
12 **not apply in the case of a taxable year if**
13 **all the net income for such year, deter-**
14 **mined under the applicable principles of**
15 **the law of trusts, is required to be dis-**
16 **tributed currently to the beneficiaries.**
17 **Paragraph (1) shall not apply in the case**
18 **of a trust described in section**
19 **4947(a)(1).”.**

20 **(2) INCREASE IN PENALTY RELATING TO**
21 **FILING OF INFORMATION RETURN BY SPLIT-**
22 **INTEREST TRUSTS.—Paragraph (2) of sec-**
23 **tion 6652(c) of such Code (relating to re-**
24 **turns by exempt organizations and by**

1 certain trusts) is amended by adding at
2 the end the following new subparagraph:

3 “(C) SPLIT-INTEREST TRUSTS.—In
4 the case of a trust which is required
5 to file a return under section 6034(a),
6 subparagraphs (A) and (B) of this
7 paragraph shall not apply and para-
8 graph (1) shall apply in the same
9 manner as if such return were re-
10 quired under section 6033, except
11 that—

12 “(i) the 5 percent limitation in
13 the second sentence of paragraph
14 (1)(A) shall not apply,

15 “(ii) in the case of any trust
16 with gross income in excess of
17 \$250,000, the first sentence of
18 paragraph (1)(A) shall be applied
19 by substituting ‘\$100’ for ‘\$20’, and
20 the second sentence thereof shall
21 be applied by substituting
22 ‘\$50,000’ for ‘\$10,000’, and

23 “(iii) the third sentence of
24 paragraph (1)(A) shall be dis-
25 regarded.

1 **If the person required to file such re-**
2 **turn knowingly fails to file the re-**
3 **turn, such person shall be personally**
4 **liable for the penalty imposed pursu-**
5 **ant to this subparagraph.”.**

6 **(3) CONFIDENTIALITY OF NONCHARI-**
7 **TABLE BENEFICIARIES.—Subsection (b) of**
8 **section 6104 of such Code (relating to in-**
9 **spection of annual information returns)**
10 **is amended by adding at the end the fol-**
11 **lowing new sentence: “In the case of a**
12 **trust which is required to file a return**
13 **under section 6034(a), this subsection**
14 **shall not apply to information regarding**
15 **beneficiaries which are not organizations**
16 **described in section 170(c).”.**

17 **(c) EFFECTIVE DATES.—**

18 **(1) SUBSECTION (a).—The amendment**
19 **made by subsection (a) shall apply to tax-**
20 **able years beginning after December 31,**
21 **2001.**

22 **(2) SUBSECTION (b).—The amendments**
23 **made by subsection (b) shall apply to re-**
24 **turns for taxable years beginning after**
25 **December 31, 2001.**

1 SEC. 103. INCREASE IN CAP ON CORPORATE CHARITABLE
2 CONTRIBUTIONS.

3 (a) IN GENERAL.—Paragraph (2) of section
4 170(b) of the Internal Revenue Code of 1986
5 (relating to corporations) is amended by strik-
6 ing “10 percent” and inserting “the applicable
7 percentage”.

8 (b) APPLICABLE PERCENTAGE.—Subsection
9 (b) of section 170 of such Code is amended by
10 adding at the end the following new para-
11 graph:

12 “(3) APPLICABLE PERCENTAGE DE-
13 FINED.—For purposes of paragraph (2),
14 the applicable percentage shall be deter-
15 mined in accordance with the following
16 table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2002 through 2007	11
2008	12
2009	13
2010 and thereafter	15.”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Sections 512(b)(10) and
19 805(b)(2)(A) of such Code are each
20 amended by striking “10 percent” each
21 place it occurs and inserting “the applica-

1 (4) **FACILITY.**—The term “facility”
2 means any real property, including any
3 building, improvement, or appurtenance.

4 (5) **GROSS NEGLIGENCE.**—The term
5 “gross negligence” means voluntary and
6 conscious conduct by a person with
7 knowledge (at the time of the conduct)
8 that the conduct is likely to be harmful to
9 the health or well-being of another per-
10 son.

11 (6) **INTENTIONAL MISCONDUCT.**—The
12 term “intentional misconduct” means
13 conduct by a person with knowledge (at
14 the time of the conduct) that the conduct
15 is harmful to the health or well-being of
16 another person.

17 (7) **MOTOR VEHICLE.**—The term “motor
18 vehicle” has the meaning provided that
19 term in section 30102(6) of title 49, United
20 States Code.

21 (8) **NONPROFIT ORGANIZATION.**—The
22 term “nonprofit organization” means—

23 (A) any organization described in
24 section 501(c)(3) of the Internal Rev-
25 enue Code of 1986 and exempt from

1 **tax under section 501(a) of such Code;**
2 **or**

3 **(B) any not-for-profit organization**
4 **organized and conducted for public**
5 **benefit and operated primarily for**
6 **charitable, civic, educational, reli-**
7 **gious, welfare, or health purposes.**

8 **(9) STATE.—The term “State” means**
9 **each of the several States, the District of**
10 **Columbia, the Commonwealth of Puerto**
11 **Rico, the Virgin Islands, Guam, American**
12 **Samoa, the Northern Mariana Islands,**
13 **any other territory or possession of the**
14 **United States, or any political subdivi-**
15 **sion of any such State, territory, or pos-**
16 **session.**

17 **(b) LIABILITY.—**

18 **(1) LIABILITY OF BUSINESS ENTITIES**
19 **THAT DONATE EQUIPMENT TO NONPROFIT OR-**
20 **GANIZATIONS.—**

21 **(A) IN GENERAL.—Subject to sub-**
22 **section (c), a business entity shall not**
23 **be subject to civil liability relating to**
24 **any injury or death that results from**
25 **the use of equipment donated by a**

1 **business entity to a nonprofit organi-**
2 **zation.**

3 **(B) APPLICATION.—This paragraph**
4 **shall apply with respect to civil liabil-**
5 **ity under Federal and State law.**

6 **(2) LIABILITY OF BUSINESS ENTITIES**
7 **PROVIDING USE OF FACILITIES TO NONPROFIT**
8 **ORGANIZATIONS.—**

9 **(A) IN GENERAL.—Subject to sub-**
10 **section (c), a business entity shall not**
11 **be subject to civil liability relating to**
12 **any injury or death occurring at a fa-**
13 **cility of the business entity in connec-**
14 **tion with a use of such facility by a**
15 **nonprofit organization, if—**

16 **(i) the use occurs outside of**
17 **the scope of business of the busi-**
18 **ness entity;**

19 **(ii) such injury or death oc-**
20 **currs during a period that such fa-**
21 **cility is used by the nonprofit or-**
22 **ganization; and**

23 **(iii) the business entity au-**
24 **thorized the use of such facility**
25 **by the nonprofit organization.**

1 **(B) APPLICATION.—This paragraph**
2 **shall apply—**

3 **(i) with respect to civil liabil-**
4 **ity under Federal and State law;**
5 **and**

6 **(ii) regardless of whether a**
7 **nonprofit organization pays for**
8 **the use of a facility.**

9 **(3) LIABILITY OF BUSINESS ENTITIES**
10 **PROVIDING USE OF A MOTOR VEHICLE OR AIR-**
11 **CRAFT.—**

12 **(A) IN GENERAL.—Subject to sub-**
13 **section (c), a business entity shall not**
14 **be subject to civil liability relating to**
15 **any injury or death occurring as a re-**
16 **sult of the operation of aircraft or a**
17 **motor vehicle of a business entity**
18 **loaned to a nonprofit organization for**
19 **use outside of the scope of business of**
20 **the business entity, if—**

21 **(i) such injury or death occurs**
22 **during a period that such motor**
23 **vehicle or aircraft is used by a**
24 **nonprofit organization; and**

1 (ii) the business entity author-
2 ized the use by the nonprofit or-
3 ganization of motor vehicle or air-
4 craft that resulted in the injury
5 or death.

6 **(B) APPLICATION.—**This paragraph
7 shall apply—

8 (i) with respect to civil liabil-
9 ity under Federal and State law;
10 and

11 (ii) regardless of whether a
12 nonprofit organization pays for
13 the use of the aircraft or motor
14 vehicle.

15 **(4) LIABILITY OF BUSINESS ENTITIES**
16 **PROVIDING TOURS OF FACILITIES.—**

17 **(A) IN GENERAL.—**Subject to sub-
18 section (c), a business entity shall not
19 be subject to civil liability relating to
20 any injury to, or death of an indi-
21 vidual occurring at a facility of the
22 business entity, if—

23 (i) such injury or death occurs
24 during a tour of the facility in an
25 area of the facility that is not oth-

1 erwise accessible to the general
2 public; and

3 (ii) the business entity author-
4 ized the tour.

5 (B) APPLICATION.—This paragraph
6 shall apply—

7 (i) with respect to civil liabil-
8 ity under Federal and State law;
9 and

10 (ii) regardless of whether an
11 individual pays for the tour.

12 (c) EXCEPTIONS.—Subsection (b) shall not
13 apply to an injury or death that results from
14 an act or omission of a business entity that
15 constitutes gross negligence or intentional
16 misconduct, including any misconduct that—

17 (1) constitutes a crime of violence (as
18 that term is defined in section 16 of title
19 18, United States Code) or act of inter-
20 national terrorism (as that term is de-
21 fined in section 2331 of title 18, United
22 States Code) for which the defendant has
23 been convicted in any court;

1 **(2) constitutes a hate crime (as that**
2 **term is used in the Hate Crime Statistics**
3 **Act (28 U.S.C. 534 note));**

4 **(3) involves a sexual offense, as de-**
5 **defined by applicable State law, for which**
6 **the defendant has been convicted in any**
7 **court; or**

8 **(4) involves misconduct for which the**
9 **defendant has been found to have vio-**
10 **lated a Federal or State civil rights law.**

11 **(d) SUPERSEDING PROVISION.—**

12 **(1) IN GENERAL.—Subject to paragraph**
13 **(2) and subsection (e), this title preempts**
14 **the laws of any State to the extent that**
15 **such laws are inconsistent with this title,**
16 **except that this title shall not preempt**
17 **any State law that provides additional**
18 **protection for a business entity for an in-**
19 **jury or death described in a paragraph of**
20 **subsection (b) with respect to which the**
21 **conditions specified in such paragraph**
22 **apply.**

23 **(2) LIMITATION.—Nothing in this title**
24 **shall be construed to supersede any Fed-**
25 **eral or State health or safety law.**

1 **(e) ELECTION OF STATE REGARDING NON-**
2 **APPLICABILITY.—A provision of this title shall**
3 **not apply to any civil action in a State court**
4 **against a business entity in which all parties**
5 **are citizens of the State if such State enacts**
6 **a statute—**

7 **(1) citing the authority of this section;**

8 **(2) declaring the election of such**
9 **State that such provision shall not apply**
10 **to such civil action in the State; and**

11 **(3) containing no other provisions.**

12 **(f) EFFECTIVE DATE.—This section shall**
13 **apply to injuries (and deaths resulting there-**
14 **from) occurring on or after the date of the en-**
15 **actment of this Act.**

16 **SEC. 105. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
17 **OF FOOD INVENTORY.**

18 **(a) IN GENERAL.—Paragraph (3) of section**
19 **170(e) of the Internal Revenue Code of 1986**
20 **(relating to special rule for certain contribu-**
21 **tions of inventory and other property) is**
22 **amended by redesignating subparagraph (C)**
23 **as subparagraph (D) and by inserting after**
24 **subparagraph (B) the following new subpara-**
25 **graph:**

1 **“(C) SPECIAL RULE FOR CONTRIBU-**
2 **TIONS OF FOOD INVENTORY.—**

3 **“(i) GENERAL RULE.—In the**
4 **case of a charitable contribution**
5 **of food, this paragraph shall be**
6 **applied—**

7 **“(I) without regard to**
8 **whether the contribution is**
9 **made by a C corporation, and**

10 **“(II) only for food that is**
11 **apparently wholesome food.**

12 **“(ii) DETERMINATION OF FAIR**
13 **MARKET VALUE.—In the case of a**
14 **qualified contribution of appar-**
15 **ently wholesome food to which**
16 **this paragraph applies and which,**
17 **solely by reason of internal stand-**
18 **ards of the taxpayer or lack of**
19 **market, cannot or will not be**
20 **sold, the fair market value of such**
21 **food shall be determined by tak-**
22 **ing into account the price at**
23 **which the same or similar food**
24 **items are sold by the taxpayer at**
25 **the time of the contribution (or, if**

1 not so sold at such time, in the re-
2 cent past).

3 “(iii) APPARENTLY WHOLESOME
4 FOOD.—For purposes of this sub-
5 paragraph, the term ‘apparently
6 wholesome food’ shall have the
7 meaning given to such term by
8 section 22(b)(2) of the Bill Emer-
9 son Good Samaritan Food Dona-
10 tion Act (42 U.S.C. 1791(b)(2)), as
11 in effect on the date of the enact-
12 ment of this subparagraph.”.

13 (b) EFFECTIVE DATE.—The amendment
14 made by subsection (a) shall apply to taxable
15 years beginning after December 31, 2001.

16 SEC. 106. REFORM OF EXCISE TAX ON NET INVESTMENT IN-
17 COME OF PRIVATE FOUNDATIONS.

18 (a) IN GENERAL.—Subsection (a) of section
19 4940 of the Internal Revenue Code of 1986 (re-
20 lating to excise tax based on investment in-
21 come) is amended by striking “2 percent” and
22 inserting “1 percent”.

23 (b) REPEAL OF REDUCTION IN TAX WHERE
24 PRIVATE FOUNDATION MEETS CERTAIN DISTRIBU-

1 TION REQUIREMENTS.—Section 4940 of such
2 Code is amended by striking subsection (e).

3 (c) EFFECTIVE DATE.—The amendments
4 made by this section shall apply to taxable
5 years beginning after December 31, 2001.

6 SEC. 107. EXCISE TAX ON UNRELATED BUSINESS TAXABLE
7 INCOME OF CHARITABLE REMAINDER
8 TRUSTS.

9 (a) IN GENERAL.—Subsection (c) of section
10 664 of the Internal Revenue Code of 1986 (re-
11 lating to exemption from income taxes) is
12 amended to read as follows:

13 “(c) TAXATION OF TRUSTS.—

14 “(1) INCOME TAX.—A charitable re-
15 mainder annuity trust and a charitable
16 remainder unitrust shall, for any taxable
17 year, not be subject to any tax imposed
18 by this subtitle.

19 “(2) EXCISE TAX.—

20 “(A) IN GENERAL.—In the case of a
21 charitable remainder annuity trust or
22 a charitable remainder unitrust that
23 has unrelated business taxable in-
24 come (within the meaning of section
25 512, determined as if part III of sub-

1 chapter F applied to such trust) for a
2 taxable year, there is hereby imposed
3 on such trust or unitrust an excise
4 tax equal to the amount of such unre-
5 lated business taxable income.

6 “(B) CERTAIN RULES TO APPLY.—
7 The tax imposed by subparagraph (A)
8 shall be treated as imposed by chap-
9 ter 42 for purposes of this title other
10 than subchapter E of chapter 42.

11 “(C) CHARACTER OF DISTRIBUTIONS
12 AND COORDINATION WITH DISTRIBUTION
13 REQUIREMENTS.—The amounts taken
14 into account in determining unre-
15 lated business taxable income (as de-
16 fined in subparagraph (A)) shall not
17 be taken into account for purposes
18 of—

19 “(i) subsection (b),

20 “(ii) determining the value of
21 trust assets under subsection
22 (d)(2), and

23 “(iii) determining income
24 under subsection (d)(3).

1 **“(D) TAX COURT PROCEEDINGS.—For**
2 **purposes of this paragraph, the ref-**
3 **erences in section 6212(c)(1) to sec-**
4 **tion 4940 shall be deemed to include**
5 **references to this paragraph.”.**

6 **(b) EFFECTIVE DATE.—The amendment**
7 **made by subsection (a) shall apply to taxable**
8 **years beginning after December 31, 2001.**

9 **SEC. 108. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
10 **LOWED FOR SCIENTIFIC PROPERTY USED**
11 **FOR RESEARCH AND FOR COMPUTER TECH-**
12 **NOLOGY AND EQUIPMENT USED FOR EDU-**
13 **CATIONAL PURPOSES.**

14 **(a) SCIENTIFIC PROPERTY USED FOR RE-**
15 **SEARCH.—Clause (ii) of section 170(e)(4)(B) of**
16 **the Internal Revenue Code of 1986 (defining**
17 **qualified research contributions) is amended**
18 **by inserting “or assembled” after “con-**
19 **structed”.**

20 **(b) COMPUTER TECHNOLOGY AND EQUIPMENT**
21 **FOR EDUCATIONAL PURPOSES.—Clause (ii) of**
22 **section 170(e)(6)(B) of such Code is amended**
23 **by inserting “or assembled” after “con-**
24 **structed” and “or assembling” after “construc-**
25 **tion”.**

1 **(c) CONFORMING AMENDMENT.—**Subpara-
2 **graph (D) of section 170(e)(6) of such Code is**
3 **amended by inserting “or assembled” after**
4 **“constructed” and “or assembling” after “con-**
5 **struction”.**

6 **(d) EFFECTIVE DATE.—**The amendments
7 **made by this section shall apply to taxable**
8 **years beginning after December 31, 2001.**

9 **SEC. 109. ADJUSTMENT TO BASIS OF S CORPORATION**
10 **STOCK FOR CERTAIN CHARITABLE CON-**
11 **TRIBUTIONS.**

12 **(a) IN GENERAL.—**Paragraph (1) of section
13 **1367(a) of such Code (relating to adjustments**
14 **to basis of stock of shareholders, etc.) is**
15 **amended by striking “and” at the end of sub-**
16 **paragraph (B), by striking the period at the**
17 **end of subparagraph (C) and inserting “, and”,**
18 **and by adding at the end the following new**
19 **subparagraph:**

20 **“(D) the excess of the amount of**
21 **the shareholder’s deduction for any**
22 **charitable contribution made by the**
23 **S corporation over the shareholder’s**
24 **proportionate share of the adjusted**
25 **basis of the property contributed.”.**

1 **(b) EFFECTIVE DATE.—**The amendment
2 made by this section shall apply to taxable
3 years beginning after December 31, 2001.

4 **TITLE II—EXPANSION OF**
5 **CHARITABLE CHOICE**

6 **SEC. 201. PROVISION OF ASSISTANCE UNDER GOVERN-**
7 **MENT PROGRAMS BY RELIGIOUS AND COM-**
8 **MUNITY ORGANIZATIONS.**

9 **Title XXIV of the Revised Statutes is**
10 **amended by inserting after section 1990 (42**
11 **U.S.C. 1994) the following:**

12 **“SEC. 1994A. CHARITABLE CHOICE.**

13 **“(a) SHORT TITLE.—**This section may be
14 **cited as the ‘Charitable Choice Act of 2001’.**

15 **“(b) PURPOSES.—**The purposes of this sec-
16 **tion are—**

17 **“(1) to provide assistance to individ-**
18 **uals and families in need in the most ef-**
19 **fective and efficient manner;**

20 **“(2) to prohibit discrimination against**
21 **religious organizations on the basis of re-**
22 **ligion in the administration and distribu-**
23 **tion of government assistance under the**
24 **government programs described in sub-**
25 **section (c)(4);**

1 **“(3) to allow religious organizations**
2 **to assist in the administration and dis-**
3 **tribution of such assistance without im-**
4 **pairing the religious character of such**
5 **organizations; and**

6 **“(4) to protect the religious freedom**
7 **of individuals and families in need who**
8 **are eligible for government assistance, in-**
9 **cluding expanding the possibility of**
10 **choosing to receive services from a reli-**
11 **gious organization providing such assist-**
12 **ance.**

13 **“(c) RELIGIOUS ORGANIZATIONS INCLUDED AS**
14 **NON-GOVERNMENTAL PROVIDERS.—**

15 **“(1) IN GENERAL.—**

16 **“(A) INCLUSION.—For any program**
17 **described in paragraph (4) that is car-**
18 **ried out by the Federal Government,**
19 **or by a State or local government**
20 **with Federal funds, the government**
21 **shall consider, on the same basis as**
22 **other nongovernmental organiza-**
23 **tions, religious organizations to pro-**
24 **vide the assistance under the pro-**
25 **gram, if the program is implemented**

1 in a manner that is consistent with
2 the Establishment Clause and the
3 Free Exercise Clause of the first
4 amendment to the Constitution.

5 “(B) DISCRIMINATION PROHIBITED.—

6 Neither the Federal Government nor
7 a State or local government receiving
8 funds under a program described in
9 paragraph (4) shall discriminate
10 against an organization that provides
11 assistance under, or applies to pro-
12 vide assistance under, such program,
13 on the basis that the organization has
14 a religious character.

15 “(2) FUNDS NOT AID TO RELIGION.—Fed-

16 eral, State, or local government funds or
17 other assistance that is received by a reli-
18 gious organization for the provision of
19 services under this section constitutes
20 aid to individuals and families in need,
21 the ultimate beneficiaries of such serv-
22 ices, and not aid to the religious organi-
23 zation.

24 “(3) FUNDS NOT ENDORSEMENT OF RELI-

25 GION.—The receipt by a religious organi-

1 zation of Federal, State, or local govern-
2 ment funds or other assistance under this
3 section is not and should not be per-
4 ceived as an endorsement by the govern-
5 ment of religion or the organization's re-
6 ligious beliefs or practices.

7 “(4) PROGRAMS.—For purposes of this
8 section, a program is described in this
9 paragraph—

10 “(A) if it involves activities car-
11 ried out using Federal funds—

12 “(i) related to the prevention
13 and treatment of juvenile delin-
14 quency and the improvement of
15 the juvenile justice system, in-
16 cluding programs funded under
17 the Juvenile Justice and Delin-
18 quency Prevention Act of 1974 (42
19 U.S.C. 5601 et seq.);

20 “(ii) related to the prevention
21 of crime, including programs
22 funded under title I of the Omni-
23 bus Crime Control and Safe
24 Streets Act of 1968 (42 U.S.C. 3701
25 et seq.);

1 “(iii) under the Federal hous-
2 ing laws;

3 “(iv) under title I of the Work-
4 force Investment Act of 1998 (29
5 U.S.C. 2801 et seq.)

6 “(v) under the Older Ameri-
7 cans Act of 1965 (42 U.S.C. 3001 et
8 seq.);

9 “(vi) under the Child Care De-
10 velopment Block Grant Act of
11 1990 (42 U.S.C. 9858 et seq.);

12 “(vii) under the Community
13 Development Block Grant Pro-
14 gram established under title I of
15 the Housing and Community De-
16 velopment Act of 1974 (42 U.S.C.
17 5301 et seq.);

18 “(viii) related to the interven-
19 tion in and prevention of domes-
20 tic violence;

21 “(ix) related to hunger relief
22 activities; or

23 “(x) under the Job Access and
24 Reverse Commute grant program
25 established under section 3037 of

1 **the Federal Transit Act of 1998**
2 **(49 U.S.C. 5309 note); or**

3 **“(B)(i) if it involves activities to**
4 **assist students in obtaining the recog-**
5 **nized equivalents of secondary school**
6 **diplomas and activities relating to**
7 **non-school-hours programs; and**

8 **“(ii) except as provided in sub-**
9 **paragraph (A) and clause (i), does not**
10 **include activities carried out under**
11 **Federal programs providing edu-**
12 **cation to children eligible to attend**
13 **elementary schools or secondary**
14 **schools, as defined in section 14101 of**
15 **the Elementary and Secondary Edu-**
16 **cation Act of 1965 (20 U.S.C. 8801).**

17 **“(d) ORGANIZATIONAL CHARACTER AND AU-**
18 **TONOMY.—**

19 **“(1) IN GENERAL.—A religious organi-**
20 **zation that provides assistance under a**
21 **program described in subsection (c)(4)**
22 **shall retain its autonomy from Federal,**
23 **State, and local governments, including**
24 **such organization’s control over the defi-**

1 nition, development, practice, and ex-
2 pression of its religious beliefs.

3 “(2) **ADDITIONAL SAFEGUARDS.**—Neither
4 the Federal Government nor a State or
5 local government shall require a religious
6 organization in order to be eligible to
7 provide assistance under a program de-
8 scribed in subsection (c)(4)—

9 “(A) to alter its form of internal
10 governance; or

11 “(B) to remove religious art, icons,
12 scripture, or other symbols because
13 they are religious.

14 “(e) **EMPLOYMENT PRACTICES.**—

15 “(1) **IN GENERAL.**—In order to aid in
16 the preservation of its religious char-
17 acter, a religious organization that pro-
18 vides assistance under a program de-
19 scribed in subsection (c)(4) may, notwith-
20 standing any other provision of law, re-
21 quire that its employees adhere to the re-
22 ligious practices of the organization.

23 “(2) **TITLE VII EXEMPTION.**—The exemp-
24 tion of a religious organization provided
25 under section 702 or 703(e)(2) of the Civil

1 **Rights Act of 1964 (42 U.S.C. 2000e-1,**
2 **2000e-2(e)(2)) regarding employment**
3 **practices shall not be affected by the reli-**
4 **gious organization’s provision of assist-**
5 **ance under, or receipt of funds from, a**
6 **program described in subsection (c)(4).**

7 **“(3) EFFECT ON OTHER LAWS.—Nothing**
8 **in this section alters the duty of a reli-**
9 **gious organization to comply with the**
10 **nondiscrimination provisions in title VI**
11 **of the Civil Rights Act of 1964 (42 U.S.C.**
12 **2000d et seq.) (prohibiting discrimination**
13 **on the basis of race, color, and national**
14 **origin), title IX of the Education Amend-**
15 **ments of 1972 (20 U.S.C. 1681-1686) (pro-**
16 **hibiting discrimination in educational in-**
17 **stitutions on the basis of sex and visual**
18 **impairment), section 504 of the Rehabili-**
19 **tation Act of 1973 (29 U.S.C. 794) (prohib-**
20 **iting discrimination against otherwise**
21 **qualified disabled individuals), and the**
22 **Age Discrimination Act of 1975 (42 U.S.C.**
23 **6101-6107) (prohibiting discrimination on**
24 **the basis of age).**

1 **“(f) RIGHTS OF BENEFICIARIES OF ASSIST-**
2 **ANCE.—**

3 **“(1) IN GENERAL.—If an individual de-**
4 **scribed in paragraph (3) has an objection**
5 **to the religious character of the organiza-**
6 **tion from which the individual receives,**
7 **or would receive, assistance funded**
8 **under any program described in sub-**
9 **section (c)(4), the appropriate Federal,**
10 **State, or local governmental entity shall**
11 **provide to such individual (if otherwise**
12 **eligible for such assistance) within a rea-**
13 **sonable period of time after the date of**
14 **such objection, assistance that—**

15 **“(A) is an alternative, including a**
16 **nonreligious alternative, that is ac-**
17 **cessible to the individual; and**

18 **“(B) has a value that is not less**
19 **than the value of the assistance that**
20 **the individual would have received**
21 **from such organization.**

22 **“(2) NOTICE.—The appropriate Fed-**
23 **eral, State, or local governmental entity**
24 **shall guarantee that notice is provided to**
25 **the individuals described in paragraph**

1 **(3) of the rights of such individuals under**
2 **this section.**

3 **“(3) INDIVIDUAL DESCRIBED.—An indi-**
4 **vidual described in this paragraph is an**
5 **individual who receives or applies for as-**
6 **sistance under a program described in**
7 **subsection (c)(4).**

8 **“(g) NONDISCRIMINATION AGAINST BENE-**
9 **FICIARIES.—**

10 **“(1) GRANTS AND CONTRACTS.—A reli-**
11 **gious organization providing assistance**
12 **through a grant or contract under a pro-**
13 **gram described in subsection (c)(4) shall**
14 **not discriminate, in carrying out the pro-**
15 **gram, against an individual described in**
16 **subsection (f)(3) on the basis of religion, a**
17 **religious belief, or a refusal to hold a reli-**
18 **gious belief.**

19 **“(2) INDIRECT FORMS OF DISBURSE-**
20 **MENT.—A religious organization pro-**
21 **viding assistance through a voucher, cer-**
22 **tificate, or other form of indirect dis-**
23 **bursement under a program described in**
24 **subsection (c)(4) shall not discriminate,**
25 **in carrying out the program, against an**

1 individual described in subsection (f)(3)
2 on the basis of religion, a religious belief,
3 or a refusal to hold a religious belief.

4 **“(h) ACCOUNTABILITY.—**

5 **“(1) IN GENERAL.—**Except as provided
6 **in paragraph (2), a religious organization**
7 **providing assistance under any program**
8 **described in subsection (c)(4) shall be**
9 **subject to the same regulations as other**
10 **nongovernmental organizations to ac-**
11 **count in accord with generally accepted**
12 **accounting principles for the use of such**
13 **funds provided under such program.**

14 **“(2) LIMITED AUDIT.—**Such organiza-
15 **tion shall segregate government funds**
16 **provided under such program into a sep-**
17 **arate account or accounts. Only the gov-**
18 **ernment funds shall be subject to audit**
19 **by the government.**

20 **“(i) LIMITATIONS ON USE OF FUNDS FOR CER-**
21 **TAIN PURPOSES.—**No funds provided through a
22 **grant or contract to a religious organization**
23 **to provide assistance under any program de-**
24 **scribed in subsection (c)(4) shall be expended**
25 **for sectarian worship, instruction, or pros-**

1 elytization. A certificate shall be signed by
2 such organizations and filed with the govern-
3 ment agency that disbursed the funds that
4 gives assurance the organization will comply
5 with this subsection.

6 “(j) EFFECT ON STATE AND LOCAL FUNDS.—
7 If a State or local government contributes
8 State or local funds to carry out a program de-
9 scribed in subsection (c)(4), the State or local
10 government may segregate the State or local
11 funds from the Federal funds provided to
12 carry out the program or may commingle the
13 State or local funds with the Federal funds. If
14 the State or local government commingles the
15 State or local funds, the provisions of this sec-
16 tion shall apply to the commingled funds in
17 the same manner, and to the same extent, as
18 the provisions apply to the Federal funds.

19 “(k) TREATMENT OF INTERMEDIATE CON-
20 TRACTORS.—If a nongovernmental organiza-
21 tion (referred to in this subsection as an ‘in-
22 termediate contractor’), acting under a con-
23 tract or other agreement with the Federal
24 Government or a State or local government,
25 is given the authority under the contract or

1 agreement to select nongovernmental organi-
2 zations to provide assistance under the pro-
3 grams described in subsection (c)(4), the in-
4 termediate contractor shall have the same du-
5 ties under this section as the government
6 when selecting or otherwise dealing with sub-
7 contractors, but the intermediate contractor,
8 if it is a religious organization, shall retain all
9 other rights of a religious organization under
10 this section.

11 “(1) COMPLIANCE.—A party alleging that
12 the rights of the party under this section have
13 been violated by a State or local government
14 may bring a civil action pursuant to section
15 1979 against the official or government agen-
16 cy that has allegedly committed such viola-
17 tion. A party alleging that the rights of the
18 party under this section have been violated
19 by the Federal Government may bring a civil
20 action for appropriate relief in Federal dis-
21 trict court against the official or government
22 agency that has allegedly committed such vio-
23 lation.”.

1 **TITLE III—INDIVIDUAL**
2 **DEVELOPMENT ACCOUNTS**

3 **SEC. 301. ADDITIONAL QUALIFIED ENTITIES ELIGIBLE TO**
4 **CONDUCT PROJECTS UNDER THE ASSETS**
5 **FOR INDEPENDENCE ACT.**

6 **Section 404(7)(A)(iii)(I)(aa) of the Assets**
7 **for Independence Act (42 U.S.C. 604 note) is**
8 **amended to read as follows:**

9 **“(aa) a federally in-**
10 **sured credit union; or”.**

11 **SEC. 302. INCREASE IN LIMITATION ON NET WORTH.**

12 **Section 408(a)(2)(A) of the Assets for Inde-**
13 **pendence Act (42 U.S.C. 604 note) is amended**
14 **by striking “\$10,000” and inserting “\$20,000”.**

15 **SEC. 303. CHANGE IN LIMITATION ON DEPOSITS FOR AN IN-**
16 **DIVIDUAL.**

17 **Section 410(b) of the Assets for Independ-**
18 **ence Act (42 U.S.C. 604 note) is amended to**
19 **read as follows:**

20 **“(b) LIMITATION ON DEPOSITS FOR AN INDI-**
21 **VIDUAL.—Not more than \$500 from a grant**
22 **made under section 406(b) shall be provided**
23 **per year to any one individual during the**
24 **project.”.**

1 **SEC. 304. ELIMINATION OF LIMITATION ON DEPOSITS FOR**
2 **A HOUSEHOLD.**

3 **Section 410 of the Assets for Independ-**
4 **ence Act (42 U.S.C. 604 note) is amended by**
5 **striking subsection (c) and redesignating sub-**
6 **sections (d) and (e) as subsections (c) and (d),**
7 **respectively.**

8 **SEC. 305. EXTENSION OF PROGRAM.**

9 **Section 416 of the Assets for Independ-**
10 **ence Act (42 U.S.C. 604 note) is amended by**
11 **striking “2001, 2002, and 2003” and inserting**
12 **“and 2001, and \$50,000,000 for each of fiscal**
13 **years 2002 through 2008”.**

14 **SEC. 306. CONFORMING AMENDMENTS.**

15 **(a) AMENDMENTS TO TEXT.—The text of**
16 **each of the following provisions of the Assets**
17 **for Independence Act (42 U.S.C. 604 note) is**
18 **amended by striking “demonstration” each**
19 **place it appears:**

- 20 **(1) Section 403.**
21 **(2) Section 404(2).**
22 **(3) Section 405(a).**
23 **(4) Section 405(b).**
24 **(5) Section 405(c).**
25 **(6) Section 405(d).**
26 **(7) Section 405(e).**

- 1 **(8) Section 405(g).**
- 2 **(9) Section 406(a).**
- 3 **(10) Section 406(b).**
- 4 **(11) Section 407(b)(1)(A).**
- 5 **(12) Section 407(c)(1)(A).**
- 6 **(13) Section 407(c)(1)(B).**
- 7 **(14) Section 407(c)(1)(C).**
- 8 **(15) Section 407(c)(1)(D).**
- 9 **(16) Section 407(d).**
- 10 **(17) Section 408(a).**
- 11 **(18) Section 408(b).**
- 12 **(19) Section 409.**
- 13 **(20) Section 410(e).**
- 14 **(21) Section 411.**
- 15 **(22) Section 412(a).**
- 16 **(23) Section 412(b)(2).**
- 17 **(24) Section 412(c).**
- 18 **(25) Section 413(a).**
- 19 **(26) Section 413(b).**
- 20 **(27) Section 414(a).**
- 21 **(28) Section 414(b).**
- 22 **(29) Section 414(c).**
- 23 **(30) Section 414(d)(1).**
- 24 **(31) Section 414(d)(2).**

1 **(b) AMENDMENTS TO SUBSECTION HEAD-**
2 **INGS.—The heading of each of the following**
3 **provisions of the Assets for Independence Act**
4 **(42 U.S.C. 604 note) is amended by striking**
5 **“DEMONSTRATION”:**

6 **(1) Section 405(a).**

7 **(2) Section 406(a).**

8 **(3) Section 413(a).**

9 **(c) AMENDMENTS TO SECTION HEADINGS.—**
10 **The headings of sections 406 and 411 of the**
11 **Assets for Independence Act (42 U.S.C. 604**
12 **note) are amended by striking “DEMONSTRA-**
13 **TION”.**

14 **SEC. 307. APPLICABILITY.**

15 **(a) IN GENERAL.—The amendments made**
16 **by this title shall apply to funds provided be-**
17 **fore, on or after the date of the enactment of**
18 **this Act.**

19 **(b) PRIOR AMENDMENTS.—The amendments**
20 **made by title VI of the Departments of Labor,**
21 **Health and Human Services, and Education,**
22 **and Related Agencies Appropriations Act,**
23 **2001 (as enacted into law by Public Law 106-**
24 **554) shall apply to funds provided before, on**
25 **or after the date of the enactment of such Act.**

Union Calendar No. 81

107TH CONGRESS
1ST SESSION

H. R. 7

[Report No. 107-138, Parts I and II]

A BILL

To provide incentives for charitable contributions by individuals and businesses, to improve the effectiveness and efficiency of government program delivery to individuals and families in need, and to enhance the ability of low-income Americans to gain financial security by building assets.

JULY 12, 2001

Reported from the Committee on the Judiciary with amendments

JULY 16, 2001

Reported from the Committee on Ways and Means with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed