

107TH CONGRESS
1ST SESSION

S. 592

To amend the Internal Revenue Code of 1986 to create Individual Development Accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 21, 2001

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. HUTCHINSON, Mr. DURBIN, Mr. BROWNBACK, Ms. LANDRIEU, Mr. LUGAR, Mr. BAYH, and Mr. DEWINE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to create Individual Development Accounts, and for other purposes.

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

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

4 (a) SHORT TITLE.—This Act may be cited as the
5 “The Savings Opportunity and Charitable Giving Act of
6 2001”.

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

Sec. 1. Short title; table of contents.

TITLE I—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 101. Findings and purposes.
- Sec. 102. Definitions.
- Sec. 103. Structure and administration of qualified individual development account programs.
- Sec. 104. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 105. Deposits by qualified individual development account programs.
- Sec. 106. Withdrawal procedures.
- Sec. 107. Certification and termination of qualified individual development account programs.
- Sec. 108. Reporting, monitoring, and evaluation.
- Sec. 109. Authorization of appropriations.
- Sec. 110. Account funds disregarded for purposes of certain means-tested federal programs.
- Sec. 111. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.

TITLE II—CHARITABLE GIVING INCENTIVES PACKAGE

- Sec. 201. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
- Sec. 202. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 203. Charitable deduction for contributions of food inventory.

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

3 **SEC. 101. FINDINGS AND PURPOSES.**

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

6 (1) For the vast majority of households the
7 pathway to the economic mainstream and financial
8 security is not through spending and consumption,
9 but through saving, investing, and the accumulation
10 of assets. Assets promote economic household sta-
11 bility, decrease economic strain on households, pro-
12 mote educational attainment, decrease marital dis-
13 solution, decrease the risk of intergenerational pov-
14 erty transmission, increase health and satisfaction

1 among adults, increase property values, decrease res-
2 idential mobility, increase property maintenance, and
3 increase local civic involvement.

4 (2) One-third of all Americans have no assets
5 available for investment and another 20 percent
6 have only negligible assets. Assets are distributed far
7 more unevenly than income. Whereas the top 20 per-
8 cent of American households earn over 43 percent of
9 all income, such households hold over 68 percent of
10 net worth and almost 87 percent of net financial as-
11 sets. Moreover, asset poverty and wealth gaps are
12 even higher among minority households by a ratio of
13 more than 11 to 1. Up to 20 percent of all house-
14 holds are unbanked and do not have access to the
15 basic financial tools that make asset accumulation
16 possible.

17 (3) Public policy has contributed to large asset
18 gaps in the United States. Traditional public assist-
19 ance programs based on income and consumption
20 have rarely been successful in supporting the transi-
21 tion to economic self-sufficiency. Tax policy, through
22 \$288,000,000,000 in annual tax incentives, has
23 helped lay the foundation for the great American
24 middle class, but only for some citizens. Fully 90
25 percent of such current tax benefits accrue to house-

1 holds earning more than \$50,000 per year, roughly
2 half of all American households. Lacking an income
3 tax liability, low-income working families cannot
4 take advantage of asset development incentives.
5 Moreover, low-income families seeking public assist-
6 ance must first spend down their assets and face se-
7 vere asset limits once on assistance.

8 (4) Individual Development Accounts, or IDAs,
9 have proven to be successful in helping low-income
10 working families save and accumulate assets. In one
11 national demonstration project, 2,378 low-income
12 families saved a total of \$834,442 in one year which
13 generated another \$1,644,510 in private matching
14 funds. Thus far, IDA savings have been used to pur-
15 chase long-term, high-return assets, including
16 homes, post-secondary education and training, and
17 small businesses. Presently, about 10,000 IDAs are
18 in existence in the United States, held by a very
19 small fraction of the at least 70 million Americans
20 who are asset poor.

21 (5) Therefore, the Federal Government should
22 support, through the tax code, a significant expan-
23 sion of Individual Development Accounts so that
24 millions of low-income working families across the
25 country can save, accumulate assets, and move their

1 lives forward, and thus make positive contributions
 2 to the economic and social well-being of the United
 3 States, as well as to its future.

4 (b) PURPOSES.—The purposes of this title are to pro-
 5 vide for the establishment of individual development ac-
 6 count programs that will—

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

10 (2) promote education, homeownership, and the
 11 development of small businesses;

12 (3) stabilize families and build communities;
 13 and

14 (4) support continued United States economic
 15 expansion.

16 **SEC. 102. DEFINITIONS.**

17 As used in this title:

18 (1) ELIGIBLE INDIVIDUAL.—

19 (A) IN GENERAL.—The term “eligible indi-
 20 vidual” means an individual who—

21 (i) has attained the age of 18 years
 22 but not the age of 61;

23 (ii) is a citizen or legal resident of the
 24 United States;

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

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

(I) \$20,000, in the case of a taxpayer described in section 1(c) or 1(d) of the Internal Revenue Code of 1986;

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

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

(B) INFLATION ADJUSTMENT.—

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

(I) such dollar amount, multiplied by

(II) the cost-of-living adjustment determined under section (1)(f)(3) of the Internal Revenue Code of 1986

1 for the calendar year in which the tax-
 2 able year begins, by substituting
 3 “2001” for “1992”.

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

8 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—
 9 The term “Individual Development Account” means
 10 an account established for an eligible individual as
 11 part of a qualified individual development account
 12 program, but only if the written governing instru-
 13 ment creating the account meets the following re-
 14 quirements:

15 (A) The sole owner of the account is the
 16 individual for whom the account was estab-
 17 lished.

18 (B) No contribution will be accepted unless
 19 it is in cash.

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

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

1 (E) Except as provided in section 1005(b),
 2 any amount in the account may be paid out
 3 only for the purpose of paying the qualified ex-
 4 penses of the account owner.

5 (3) PARALLEL ACCOUNT.—The term “parallel
 6 account” means a separate, parallel individual or
 7 pooled account for all matching funds and earnings
 8 dedicated to an Individual Development Account
 9 owner as part of a qualified individual development
 10 account program, the sole owner of which is a quali-
 11 fied financial institution, a qualified nonprofit orga-
 12 nization, or an Indian tribe.

13 (4) QUALIFIED FINANCIAL INSTITUTION.—

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

18 (B) RULE OF CONSTRUCTION.—Nothing in
 19 this paragraph shall be construed as preventing
 20 a person described in subparagraph (A) from
 21 collaborating with 1 or more contractual affili-
 22 ates, qualified nonprofit organizations, or In-
 23 dian tribes to carry out an individual develop-
 24 ment account program established under sec-
 25 tion 1002.

1 (5) QUALIFIED NONPROFIT ORGANIZATION.—

2 The term “qualified nonprofit organization”
3 means—

4 (A) any organization described in section
5 501(c)(3) of the Internal Revenue Code of 1986
6 and exempt from taxation under section 501(a)
7 of such Code;

8 (B) any community development financial
9 institution certified by the Community Develop-
10 ment Financial Institution Fund; or

11 (C) any credit union chartered under Fed-
12 eral or State law.

13 (6) INDIAN TRIBE.—The term “Indian tribe”
14 means any Indian tribe as defined in section 4(12)
15 of the Native American Housing Assistance and
16 Self-Determination Act of 1996 (25 U.S.C.
17 4103(12), and includes any tribal subsidiary, sub-
18 division, or other wholly owned tribal entity.

19 (7) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
20 COUNT PROGRAM.—The term “qualified individual
21 development account program” means a program es-
22 tablished under section 1002 under which—

23 (A) Individual Development Accounts and
24 parallel accounts are held by a qualified finan-
25 cial institution; and

(B) additional activities determined by the Secretary as necessary to responsibly develop and administer accounts, including recruiting, providing financial education and other training to account owners, and regular program monitoring, are carried out by the qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(8) QUALIFIED EXPENSE DISTRIBUTION.—

(A) IN GENERAL.—The term “qualified expense distribution” means any amount paid (including through electronic payments) or distributed out of an Individual Development Account and a parallel account established for an eligible individual if such amount—

(i) is used exclusively to pay the qualified expenses of the Individual Development Account owner or such owner’s spouse or dependents, as approved by the qualified financial institution, qualified nonprofit organization, or Indian tribe;

(ii) is paid by the qualified financial institution, qualified nonprofit organization, or Indian tribe—

1 (I) except as otherwise provided
 2 in this clause, directly to the unre-
 3 lated third party to whom the amount
 4 is due;

5 (II) in the case of distributions
 6 for working capital under a qualified
 7 business plan (as defined in subpara-
 8 graph (B)(iv)(IV)), directly to the ac-
 9 count owner;

10 (III) in the case of any qualified
 11 rollover, directly to another Individual
 12 Development Account and parallel ac-
 13 count; or

14 (IV) in the case of a qualified
 15 final distribution, directly to the
 16 spouse, dependent, or other named
 17 beneficiary of the deceased account
 18 owner; and

19 (iii) is paid after the account owner
 20 has completed a financial education course
 21 as required under section 1003(b).

22 (B) QUALIFIED EXPENSES.—

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

1 (I) Qualified higher education ex-
2 penses.

3 (II) Qualified first-time home-
4 buyer costs.

5 (III) Qualified business capital-
6 ization or expansion costs.

7 (IV) Qualified rollovers.

8 (V) Qualified final distribution.

9 (ii) QUALIFIED HIGHER EDUCATION
10 EXPENSES.—

11 (I) IN GENERAL.—The term
12 “qualified higher education expenses”
13 has the meaning given such term by
14 section 72(t)(7) of the Internal Rev-
15 enue Code of 1986, determined by
16 treating postsecondary vocational edu-
17 cational schools as eligible educational
18 institutions.

19 (II) POSTSECONDARY VOCA-
20 TIONAL EDUCATION SCHOOL.—The
21 term “postsecondary vocational edu-
22 cational school” means an area voca-
23 tional education school (as defined in
24 subparagraph (C) or (D) of section
25 521(4) of the Carl D. Perkins Voca-

1 tional and Applied Technology Edu-
 2 cation Act (20 U.S.C. 2471(4)))
 3 which is in any State (as defined in
 4 section 521(33) of such Act), as such
 5 sections are in effect on the date of
 6 the enactment of this Act.

7 (III) COORDINATION WITH
 8 OTHER BENEFITS.—The amount of
 9 qualified higher education expenses
 10 for any taxable year shall be reduced
 11 as provided in section 25A(g)(2) of
 12 such Code and may not be taken into
 13 account for purposes of determining
 14 qualified higher education expenses
 15 under section 135 or 530 of the Inter-
 16 nal Revenue Code of 1986.

17 (iii) QUALIFIED FIRST-TIME HOME-
 18 BUYER COSTS.—The term “qualified first-
 19 time homebuyer costs” means qualified ac-
 20 quisition costs (as defined in section
 21 72(t)(8) of such Code without regard to
 22 subparagraph (B) thereof) with respect to
 23 a principal residence (within the meaning
 24 of section 121 of such Code) for a qualified

1 first-time homebuyer (as defined in section
2 72(t)(8) of such Code).

3 (iv) QUALIFIED BUSINESS CAPITAL-
4 IZATION OR EXPANSION COSTS.—

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

11 (II) QUALIFIED EXPENDI-
12 TURES.—The term “qualified expendi-
13 tures” means expenditures included in
14 a qualified business plan, including
15 capital, plant, equipment, working
16 capital, inventory expenses, attorney
17 and accounting fees, and other costs
18 normally associated with starting or
19 expanding a business.

20 (III) QUALIFIED BUSINESS.—
21 The term “qualified business” means
22 any business that does not contravene
23 any law.

24 (IV) QUALIFIED BUSINESS
25 PLAN.—The term “qualified business

1 plan” means a business plan which
 2 has been approved by the qualified fi-
 3 nancial institution, qualified nonprofit
 4 organization, or Indian tribe and
 5 which meets such requirements as the
 6 Secretary may specify.

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

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

24 (9) SECRETARY.—The term “Secretary” means
 25 the Secretary of the Treasury.

1 **SEC. 103. STRUCTURE AND ADMINISTRATION OF QUALI-**
2 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
3 **PROGRAMS.**

4 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
5 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
6 cial institution, qualified nonprofit organization, or Indian
7 tribe may establish 1 or more qualified individual develop-
8 ment account programs which meet the requirements of
9 this title.

10 (b) BASIC PROGRAM STRUCTURE.—

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

14 (A) An Individual Development Account to
15 which an eligible individual may contribute cash
16 in accordance with section 1003.

17 (B) A parallel account to which all match-
18 ing funds shall be deposited in accordance with
19 section 1004.

20 (2) TAILORED IDA PROGRAMS.—A qualified fi-
21 nancial institution, a qualified nonprofit organiza-
22 tion, or an Indian tribe may tailor its qualified indi-
23 vidual development account program to allow match-
24 ing funds to be spent on 1 or more of the categories
25 of qualified expenses.

1 (c) TAX TREATMENT OF PARALLEL ACCOUNTS.—

2 Any account described in subparagraph (B) of subsection

3 (b)(1) is exempt from taxation under the Internal Revenue

4 Code of 1986.

5 **SEC. 104. PROCEDURES FOR OPENING AND MAINTAINING**

6 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**

7 **AND QUALIFYING FOR MATCHING FUNDS.**

8 (a) OPENING AN ACCOUNT.—An eligible individual

9 may open an Individual Development Account with a

10 qualified financial institution, a qualified nonprofit organi-

11 zation, or an Indian tribe upon certification that such indi-

12 vidual maintains no other Individual Development Ac-

13 count (other than an Individual Development Account to

14 be terminated by a qualified rollover).

15 (b) REQUIRED COMPLETION OF FINANCIAL EDU-

16 CATION COURSE.—

17 (1) IN GENERAL.—Before becoming eligible to

18 withdraw matching funds to pay for qualified ex-

19 penses, owners of Individual Development Accounts

20 must complete a financial education course offered

21 by a qualified financial institution, a qualified non-

22 profit organization, an Indian tribe, or a government

23 entity.

24 (2) STANDARD AND APPLICABILITY OF

25 COURSE.—The Secretary, in consultation with rep-

1 representatives of qualified individual development ac-
2 count programs and financial educators, shall estab-
3 lish minimum quality standards for the contents of
4 financial education courses and providers of such
5 courses offered under paragraph (1) and a protocol
6 to exempt individuals from the requirement under
7 paragraph (1) because of hardship or lack of need.

8 (c) PROOF OF STATUS AS AN ELIGIBLE INDIVIDUAL.—Federal income tax forms from the preceding
9 taxable year (or in the absence of such forms, such docu-
10 mentation as specified by the Secretary proving the eligi-
11 ble individual's adjusted gross income and the status of
12 the individual as an eligible individual) shall be presented
13 to the qualified financial institution, qualified nonprofit
14 organization, or Indian tribe at the time of the establish-
15 ment of the Individual Development Account and in any
16 taxable year in which contributions are made to the Ac-
17 count to qualify for matching funds under section
18 1004(b)(1)(A).

19 (d) DIRECT DEPOSITS.—The Secretary may, under
20 regulations, provide for the direct deposit of any portion
21 (not less than \$1) of any overpayment of Federal tax of
22 an individual as a contribution to the Individual Develop-
23 ment Account of such individual.
24

1 **SEC. 105. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
2 **MENT ACCOUNT PROGRAMS.**

3 (a) PARALLEL ACCOUNTS.—The qualified financial
4 institution, qualified nonprofit organization, or Indian
5 tribe shall deposit all matching funds for each Individual
6 Development Account into a parallel account at a qualified
7 financial institution, a qualified nonprofit organization, or
8 an Indian tribe.

9 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

10 (1) IN GENERAL.—Subject to paragraph (2),
11 the qualified financial institution, qualified nonprofit
12 organization, or Indian tribe shall not less than
13 quarterly (or upon a proper withdrawal request
14 under section 1005, if necessary) deposit into the
15 parallel account with respect to each eligible indi-
16 vidual the following:

17 (A) A dollar-for-dollar match for the first
18 \$500 contributed by the eligible individual into
19 an Individual Development Account with re-
20 spect to any taxable year.

21 (B) Any matching funds provided by State,
22 local, or private sources in accordance to the
23 matching ratio set by those sources.

24 (2) INFLATION ADJUSTMENT.—

25 (A) IN GENERAL.—In the case of any tax-
26 able year beginning after 2002, the dollar

1 amount referred to in paragraph (1)(A) shall be
 2 increased by an amount equal to—

- 3 (i) such dollar amount, multiplied by
- 4 (ii) the cost-of-living adjustment de-
- 5 termined under section (1)(f)(3) of the In-
- 6 ternal Revenue Code of 1986 for the cal-
- 7 endar year in which the taxable year be-
- 8 gins, by substituting “2001” for “1992”.

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

13 (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.

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

1 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-
 2 sure proper recordkeeping and determination of the tax
 3 credit under section 30B of the Internal Revenue Code
 4 of 1986, the Secretary shall prescribe regulations with re-
 5 spect to accounting for matching funds in the parallel ac-
 6 counts.

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

13 **SEC. 106. WITHDRAWAL PROCEDURES.**

14 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—To
 15 withdraw money from an individual's Individual Develop-
 16 ment Account to pay qualified expenses of such individual
 17 or such individual's spouse or dependents, the qualified
 18 financial institution, qualified nonprofit organization, or
 19 Indian tribe shall directly transfer such funds from the
 20 Individual Development Account, and, if applicable, from
 21 the parallel account electronically to the distributees de-
 22 scribed in section 1001(8)(A)(ii). If the distributee is not
 23 equipped to receive funds electronically, the qualified fi-
 24 nancial institution, qualified nonprofit organization, or In-

1 dian tribe may issue such funds by paper check to the
 2 distributee.

3 (b) WITHDRAWALS FOR NONQUALIFIED EX-
 4 PENSES.—An Individual Development Account owner may
 5 unilaterally withdraw any amount of funds from the Indi-
 6 vidual Development Account for purposes other than to
 7 pay qualified expenses, but shall forfeit a proportionate
 8 amount of matching funds from the individual's parallel
 9 account by doing so, unless such withdrawn funds are re-
 10 contributed to such Account by September 30 following
 11 the withdrawal.

12 (c) WITHDRAWALS FROM ACCOUNTS OF NON-
 13 ELIGIBLE INDIVIDUALS.—If the individual for whose ben-
 14 efit an Individual Development Account is established
 15 ceases to be an eligible individual, such account shall re-
 16 main an Individual Development Account, but such indi-
 17 vidual shall not be eligible for any further matching funds
 18 under section 1004(b)(1)(A) during the period—

19 (1) beginning on the first day of the taxable
 20 year of such individual following the beginning of
 21 such ineligibility, and

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

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

4 (e) WITHDRAWAL LIABILITY RESTS ONLY WITH EL-
 5 IGIBLE INDIVIDUALS.—Nothing in this title may be con-
 6 strued to impose liability on a qualified financial institu-
 7 tion, a qualified nonprofit organization, or an Indian tribe
 8 for non-compliance with the requirements of this title re-
 9 lated to withdrawals from Individual Development Ac-
 10 counts.

11 **SEC. 107. CERTIFICATION AND TERMINATION OF QUALI-**
 12 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
 13 **PROGRAMS.**

14 (a) CERTIFICATION PROCEDURES.—Upon estab-
 15 lishing a qualified individual development account pro-
 16 gram under section 1002, a qualified financial institution,
 17 a qualified nonprofit organization, or an Indian tribe shall
 18 certify to the Secretary on forms prescribed by the Sec-
 19 retary and accompanied by any documentation required
 20 by the Secretary, that—

- 21 (1) the accounts described in subparagraphs
- 22 (A) and (B) of section 1002(b)(1) are operating pur-
 23 suant to all the provisions of this title; and
- 24 (2) the qualified financial institution, qualified
- 25 nonprofit organization, or Indian tribe agrees to im-

1 plement an information system necessary to monitor
2 the cost and outcomes of the qualified individual de-
3 velopment account program.

4 (b) **AUTHORITY TO TERMINATE QUALIFIED IDA**
5 **PROGRAM.**—If the Secretary determines that a qualified
6 financial institution, a qualified nonprofit organization, or
7 an Indian tribe under this title is not operating a qualified
8 individual development account program in accordance
9 with the requirements of this title (and has not imple-
10 mented any corrective recommendations directed by the
11 Secretary), the Secretary shall terminate such institu-
12 tion's, nonprofit organization's, or Indian tribe's authority
13 to conduct the program. If the Secretary is unable to iden-
14 tify a qualified financial institution, a qualified nonprofit
15 organization, or an Indian tribe to assume the authority
16 to conduct such program, then any funds in a parallel ac-
17 count established for the benefit of any individual under
18 such program shall be deposited into the Individual Devel-
19 opment Account of such individual as of the first day of
20 such termination.

21 **SEC. 108. REPORTING, MONITORING, AND EVALUATION.**

22 (a) **RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-**
23 **STITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS,**
24 **AND INDIAN TRIBES.**—Each qualified financial institu-
25 tion, qualified nonprofit organization, or Indian tribe that

1 operates a qualified individual development account pro-
 2 gram under section 1002 shall report annually to the Sec-
 3 retary within 90 days after the end of each calendar year
 4 on—

5 (1) the number of eligible individuals making
 6 contributions into Individual Development Accounts;

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

10 (3) the amounts withdrawn from Individual De-
 11 velopment Accounts and parallel accounts, and the
 12 purposes for which such amounts were withdrawn;

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

15 (5) such other information needed to help the
 16 Secretary monitor the cost and outcomes of the
 17 qualified individual development account program
 18 (provided in a non-individually-identifiable manner).

19 (b) RESPONSIBILITIES OF THE SECRETARY.—

20 (1) MONITORING PROTOCOL.—Not later than
 21 12 months after the date of the enactment of this
 22 Act, the Secretary shall develop and implement a
 23 protocol and process to monitor the cost and out-
 24 comes of the qualified individual development ac-
 25 count programs established under section 1002.

1 (2) ANNUAL REPORTS.—In each year after the
2 date of the enactment of this Act, the Secretary
3 shall submit a progress report to Congress on the
4 status of such qualified individual development ac-
5 count programs. Such report shall include from a
6 representative sample of qualified individual develop-
7 ment account programs information on—

8 (A) the characteristics of participants, in-
9 cluding age, gender, race or ethnicity, marital
10 status, number of children, employment status,
11 and monthly income;

12 (B) deposits, withdrawals, balances, uses
13 of Individual Development Accounts, and par-
14 ticipant characteristics;

15 (C) the characteristics of qualified indi-
16 vidual development account programs, including
17 match rate, economic education requirements,
18 permissible uses of accounts, staffing of pro-
19 grams in full time employees, and the total
20 costs of programs; and

21 (D) process information on program imple-
22 mentation and administration, especially on
23 problems encountered and how problems were
24 solved.

1 **SEC. 109. AUTHORIZATION OF APPROPRIATIONS.**

2 There is authorized to be appropriated to the Sec-
3 retary \$1,000,000 for fiscal year 2002 and for each fiscal
4 year through 2008, for the purposes of implementing this
5 title, including the reporting, monitoring, and evaluation
6 required under section 1007, to remain available until ex-
7 pended.

8 **SEC. 110. ACCOUNT FUNDS DISREGARDED FOR PURPOSES**
9 **OF CERTAIN MEANS-TESTED FEDERAL PRO-**
10 **GRAMS.**

11 Notwithstanding any other provision of Federal law
12 that requires consideration of 1 or more financial cir-
13 cumstances of an individual, for the purposes of deter-
14 mining eligibility to receive, or the amount of, any assist-
15 ance or benefit authorized by such provision to be provided
16 to or for the benefit of such individual, an amount equal
17 to the sum of—

18 (1) all amounts (including earnings thereon) in
19 any Individual Development Account; plus

20 (2) the matching deposits made on behalf of
21 such individual (including earnings thereon) in any
22 parallel account,

23 shall be disregarded for such purposes.

1 **SEC. 111. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**
 2 **MENT ACCOUNTS PROVIDED THROUGH A TAX**
 3 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**
 4 **TIONS.**

5 (a) IN GENERAL.—Subpart B of part IV of sub-
 6 chapter A of chapter 1 (relating to other credits) is
 7 amended by inserting after section 30A the following new
 8 section:

9 **“SEC. 30B. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**
 10 **MENT CREDIT FOR QUALIFIED FINANCIAL IN-**
 11 **STITUTIONS.**

12 “(a) DETERMINATION OF AMOUNT.—There shall be
 13 allowed as a credit against the applicable tax for the tax-
 14 able year an amount equal to the individual development
 15 account investment provided by an eligible entity during
 16 the taxable year under an individual development account
 17 program established under section 1002 of the ____ Act.

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

21 “(1) the tax imposed under this chapter (other
 22 than the taxes imposed under the provisions de-
 23 scribed in subparagraphs (C) through (Q) of section
 24 26(b)(2)), over

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

1 “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-
2 MENT.—

3 “(1) IN GENERAL.—For purposes of this sec-
4 tion, the term ‘individual development account in-
5 vestment’ means, with respect to an individual devel-
6 opment account program of a qualified financial in-
7 stitution in any taxable year, an amount equal to the
8 sum of—

9 “(A) the aggregate amount of dollar-for-
10 dollar matches under such program under sec-
11 tion 1004(b)(1)(A) of the ____ Act for such
12 taxable year, plus

13 “(B) an amount equal to the sum of—

14 “(i) with respect to each Individual
15 Development Account opened during such
16 taxable year, \$100, plus

17 “(ii) with respect to each Individual
18 Development Account maintained during
19 such taxable year, \$30.

20 “(2) INFLATION ADJUSTMENT.—

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

25 “(i) such dollar amount, multiplied by

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

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

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

13 “(e) OTHER DEFINITIONS.—For purposes of this
 14 section, any term used in this section and also in the ____
 15 Act shall have the meaning given such term by such Act.

16 “(f) DENIAL OF DOUBLE BENEFIT.—No deduction
 17 or credit (other than under this section) shall be allowed
 18 under this chapter with respect to any expense which is
 19 taken into account under subsection (c)(1)(A) in deter-
 20 mining the credit under this section.

21 “(g) REGULATIONS.—The Secretary may prescribe
 22 such regulations as may be necessary or appropriate to
 23 carry out this section, including regulations providing for
 24 a recapture of the credit allowed under this section (not-
 25 withstanding any termination date described in subsection

(h)) in cases where there is a forfeiture under section 1005(b) of the ____ Act in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.

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

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

“Sec. 30B. Individual development account investment credit for qualified financial institutions.”.

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

TITLE II—CHARITABLE GIVING INCENTIVES PACKAGE

SEC. 201. DEDUCTION FOR PORTION OF CHARITABLE CONTRIBUTIONS TO BE ALLOWED TO INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS.

(a) IN GENERAL.—Section 170 of the Internal Revenue Code of 1986 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection

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

3 “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
 4 DEDUCTIONS.—

5 “(1) IN GENERAL.—In the case of an individual
 6 who does not itemize his deductions for the taxable
 7 year, there shall be taken into account as a direct
 8 charitable deduction under section 63 an amount
 9 equal to the applicable percentage of the excess of
 10 the amount allowable under subsection (a) for the
 11 taxable year over the applicable amount.

12 “(2) APPLICABLE PERCENTAGE.—For purposes
 13 of this subsection, the applicable percentage shall be
 14 determined under the following table:

“In the case of taxable years The applicable percentage is— beginning in—	
2002	50
2003	60
2004	70
2005	80
2006	90
2007 and thereafter	100.

15 “(3) APPLICABLE AMOUNT.—For purposes of
 16 this subsection, the applicable amount is equal—

17 “(A) \$500 in the case of an individual, and

18 “(B) \$1,000 in the case of a joint return.”.

19 (b) DIRECT CHARITABLE DEDUCTION.—

20 (1) IN GENERAL.—Subsection (b) of section 63
 21 of such Code is amended by striking “and” at the

1 end of paragraph (1), by striking the period at the
 2 end of paragraph (2) and inserting “, and”, and by
 3 adding at the end the following new paragraph:

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

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

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

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

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

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

1 **SEC. 202. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
 2 **TIREMENT ACCOUNTS FOR CHARITABLE**
 3 **PURPOSES.**

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

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

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

15 “(B) SPECIAL RULES RELATING TO CHARI-
 16 TABLE REMAINDER TRUSTS, POOLED INCOME
 17 FUNDS, AND CHARITABLE GIFT ANNUITIES.—

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

22 “(I) to a charitable remainder
 23 annuity trust or a charitable remain-
 24 der unitrust (as such terms are de-
 25 fined in section 664(d)),

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

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

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

15 “(ii) DETERMINATION OF INCLUSION
16 OF AMOUNTS DISTRIBUTED.—In deter-
17 mining the amount includible in the gross
18 income of any person by reason of a pay-
19 ment or distribution from a trust referred
20 to in clause (i)(I) or a charitable gift annu-
21 ity (as so defined), the portion of any
22 qualified charitable distribution to such
23 trust or for such annuity which would (but
24 for this subparagraph) have been includible
25 in gross income—

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

3 “(II) shall not be treated as an
4 investment in the contract.

5 “(iii) NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No
6 amount shall be includible in the gross income of a pooled income fund (as so defined) by reason of a qualified charitable
7 distribution to such fund.
8
9
10

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

16 “(i) which is made on or after the
17 date that the individual for whose benefit
18 the account is maintained has attained age
19 59½, and

20 “(ii) which is made directly from the
21 account to—

22 “(I) an organization described in
23 section 170(c), or

24 “(II) a trust, fund, or annuity referred to in subparagraph (B).
25

1 “(D) DENIAL OF DEDUCTION.—The
 2 amount allowable as a deduction under section
 3 170 to the taxpayer for the taxable year shall
 4 be reduced (but not below zero) by the sum of
 5 the amounts of the qualified charitable distribu-
 6 tions during such year which would be includ-
 7 ible in the gross income of the taxpayer for
 8 such year but for this paragraph.”

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

12 **SEC. 203. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 13 **OF FOOD INVENTORY.**

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

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

21 “(A) CONTRIBUTIONS BY NON-CORPORATE
 22 TAXPAYERS.—In the case of a charitable con-
 23 tribution of food by a taxpayer, paragraph
 24 (3)(A) shall be applied without regard to wheth-

1 er or not the contribution is made by a corpora-
2 tion.

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

8 “(i) paragraph (3)(B) shall not apply,
9 and

10 “(ii) the reduction under paragraph
11 (1)(A) for such contribution shall be no
12 greater than the amount (if any) by which
13 the amount of such contribution exceeds
14 twice the basis of such food.

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

21 “(D) DETERMINATION OF FAIR MARKET
22 VALUE.—In the case of a charitable contribu-
23 tion of food which is a qualified contribution
24 (within the meaning of paragraph (3), as modi-
25 fied by subparagraphs (A) and (B) of this para-

graph) and which, solely by reason of internal standards of the taxpayer, lack of market, or similar circumstances, or which is produced by the taxpayer exclusively for the purposes of transferring the food to an organization described in paragraph (3)(A), cannot or will not be sold, the fair market value of such contribution shall be determined—

“(i) without regard to such internal standards, such lack of market, such circumstances, or such exclusive purpose, and

“(ii) if applicable, by taking into account the price at which the same or similar food items are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).”.

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

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