

106TH CONGRESS
1ST SESSION

H. R. 1607

To assist States in providing individuals a credit against State income taxes or a comparable benefit for contributions to charitable organizations working to prevent or reduce poverty and protect and encourage donations to charitable organizations, to prohibit discrimination against nongovernmental organizations and certain individuals on the basis of religion in the distribution of government funds to provide government assistance and the distribution of such assistance, to allow such organizations to accept such funds to provide such assistance without impairing the religious character of such organizations, to provide for tax-free distributions from individual retirement accounts for charitable purposes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 1999

Mr. KASICH (for himself, Mr. SOUDER, Mr. PITTS, Ms. GRANGER, Mr. WAMP, Mr. MCINTOSH, Mr. TIAHRT, Mr. DEMINT, Mr. PICKERING, Mr. ROGAN, and Mr. WATTS of Oklahoma) 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

A BILL

To assist States in providing individuals a credit against State income taxes or a comparable benefit for contributions to charitable organizations working to prevent or reduce poverty and protect and encourage donations to charitable organizations, to prohibit discrimination against nongovernmental organizations and certain individuals on the basis of religion in the distribution of

government funds to provide government assistance and the distribution of such assistance, to allow such organizations to accept such funds to provide such assistance without impairing the religious character of such organizations, to provide for tax-free distributions from individual retirement accounts for charitable purposes, 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 “Charity Empowerment Act of 1999”.

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

Sec. 1. Short title; table of contents.

TITLE I—ASSISTANCE TO STATES IN PROVIDING CHARITY TAX CREDITS

Sec. 101. Authority to use certain Federal grant funds for State charity tax credit.

Sec. 102. Definitions.

Sec. 103. Study and report.

Sec. 104. Effective date.

TITLE II—BUDGET OFFSET

Sec. 201. Reduction of earned income credit for individuals without children.

TITLE III—TORT REFORMS RELATING TO CHARITABLE CONTRIBUTIONS

Sec. 301. Definitions.

Sec. 302. Liability.

Sec. 303. Exceptions.

Sec. 304. Superseding provision.

Sec. 305. Election of State regarding nonapplicability.

Sec. 306. Effective date.

TITLE IV—CHARITABLE CHOICE EXPANSION ACT

Sec. 401. Provision of assistance under government programs by religious organizations.

TITLE V—TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL
RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES

Sec. 501. Tax-free distributions from individual retirement accounts for charitable purposes.

1 **TITLE I—ASSISTANCE TO**
2 **STATES IN PROVIDING CHAR-**
3 **ITY TAX CREDITS**

4 **SEC. 101. AUTHORITY TO USE CERTAIN FEDERAL GRANT**
5 **FUNDS FOR STATE CHARITY TAX CREDIT.**

6 (a) IN GENERAL.—Notwithstanding any other provi-
7 sion of law, if there is in effect under State law a charity
8 tax credit, then the State may use for any purpose—

9 (1) not more than 50 percent of the total
10 amount paid to the State during the fiscal year
11 under the provisions of law specified in subsection
12 (d)(1);

13 (2) not more than 50 percent of the total
14 amount paid to the State during the fiscal year
15 under the provisions of law specified in subsection
16 (d)(2);

17 (3) not more than 50 percent of the total
18 amount paid to the State during the fiscal year
19 under the provisions of law specified in subsection
20 (d)(3);

21 (4) not more than 50 percent of the total
22 amount paid to the State during the fiscal year
23 under the law specified in subsection (d)(4);

1 (5) not more than 50 percent of the total
2 amount paid to the State during the fiscal year
3 under the law specified in subsection (d)(5);

4 (6) not more than 50 percent of the total
5 amount paid to the State during the fiscal year
6 under the law specified in subsection (d)(6); and

7 (7) not more than 50 percent of the total
8 amount paid to the State during the fiscal year
9 under the law specified in subsection (d)(7).

10 (b) LIMITATION.—The aggregate amount a State
11 may use under subsection (a) during a fiscal year shall
12 not exceed 100 percent of the revenue loss of the State
13 during the fiscal year that is attributable to the charity
14 tax credit, as determined by the Secretary of the Treasury
15 without regard to any such revenue loss occurring before
16 January 1, 2000.

17 (c) CERTAIN CREDIT AMOUNTS TREATED AS STATE
18 PAYMENT FOR TEMPORARY ASSISTANCE FOR NEEDY
19 FAMILIES.—For purposes of title IV of the Social Security
20 Act, an amount equal to the excess (if any) of—

21 (1) the amount of the revenue loss of a State
22 (not to exceed 100 percent) during a fiscal year that
23 is attributable to the charity tax credit, as deter-
24 mined under subsection (b), over

1 (2) the aggregate amount used by the State
2 under subsection (a) during the fiscal year,
3 shall be treated as an amount used during the fiscal year
4 by the State to carry out a State program funded under
5 part A of such title.

6 (d) PROVISIONS OF LAW.—The provisions of law re-
7 ferred to in this subsection are the following:

8 (1) Paragraphs (1) through (4) of section
9 403(a) of the Social Security Act (42 U.S.C.
10 603(a)).

11 (2) The Child Care and Development Block
12 Grant Act of 1990 (42 U.S.C. 9858–9858q), and
13 section 418 of the Social Security Act (42 U.S.C.
14 618).

15 (3) Sections 2002 and 2007 of the Social Secu-
16 rity Act (42 U.S.C. 1397a and 1397f).

17 (4) The Community Services Block Grant Act
18 (42 U.S.C. 9901–9912).

19 (5) The Low-Income Home Energy Assistance
20 Act of 1981.

21 (6) The Job Training Partnership Act (29
22 U.S.C. 1501 et seq.).

23 (7) Title I of the Housing and Community De-
24 velopment Act of 1974 (42 U.S.C. 5301 et seq.).

1 **SEC. 102. DEFINITIONS.**

2 (a) CHARITY TAX CREDIT.—For purposes of this
3 title, the term “charity tax credit” means a nonrefundable
4 credit against State income tax (or, in the case of a State
5 which does not impose an income tax, a comparable ben-
6 efit)—

7 (1) which is allowable only to individuals for
8 cash contributions to qualified charities,

9 (2) the maximum amount of which for each
10 taxable year does not exceed \$250 (\$500 in the case
11 of a joint or combined return of individuals who are
12 married to each other), and

13 (3) under which the annual amount of the cred-
14 it allowed per taxpayer is not more than \$50 (\$100
15 in the case of a joint or combined return of individ-
16 uals who are married to each other) in the first year
17 and increased by not more than \$50 (\$100 in the
18 case of a joint or combined return of individuals who
19 are married to each other) for each subsequent year.

20 (b) QUALIFIED CHARITY.—For purposes of this
21 title—

22 (1) IN GENERAL.—The term “qualified charity”
23 means any organization—

24 (A) which is described in section 501(c)(3)
25 of the Internal Revenue Code of 1986 and ex-

1 empt from tax under section 501(a) of such
2 Code,

3 (B) which is certified by the appropriate
4 State authority as meeting the requirements of
5 paragraphs (3) and (4), and

6 (C) if such organization is otherwise re-
7 quired to file a return under section 6033 of
8 such Code, which elects to treat the information
9 required to be furnished by paragraph (5) as
10 being specified in section 6033(b) of such Code.

11 (2) CERTAIN CONTRIBUTIONS TO COLLECTION
12 ORGANIZATIONS TREATED AS CONTRIBUTIONS TO
13 QUALIFIED CHARITY.—

14 (A) IN GENERAL.—A contribution to a col-
15 lection organization shall be treated as a con-
16 tribution to a qualified charity if the donor des-
17 ignates in writing that the contribution is for
18 the qualified charity.

19 (B) COLLECTION ORGANIZATION.—The
20 term “collection organization” means an organi-
21 zation described in section 501(c)(3) of such
22 Code and exempt from tax under section 501(a)
23 of such Code—

24 (i) which solicits and collects gifts and
25 grants which, by agreement, are distrib-

1 uted to qualified charities described in
2 paragraph (1),

3 (ii) which distributes to qualified
4 charities described in paragraph (1) at
5 least 90 percent of the gifts and grants it
6 receives that are designated for such quali-
7 fied charities, and

8 (iii) which meets the requirements of
9 paragraph (6).

10 (3) CHARITY MUST PRIMARILY ASSIST POOR IN-
11 DIVIDUALS.—

12 (A) IN GENERAL.—An organization meets
13 the requirements of this paragraph only if the
14 appropriate State authority reasonably expects
15 that the predominant activity of such organiza-
16 tion will be the provision of direct services with-
17 in the United States to individuals and families
18 whose annual incomes generally do not exceed
19 185 percent of the official poverty line (as de-
20 fined by the Office of Management and Budget)
21 in order to prevent or alleviate poverty among
22 such individuals and families.

23 (B) NO RECORDKEEPING IN CERTAIN
24 CASES.—An organization shall not be required
25 to establish or maintain records with respect to

1 the incomes of individuals and families for pur-
2 poses of subparagraph (A) if such individuals or
3 families are members of groups which are gen-
4 erally recognized as including substantially only
5 individuals and families described in subpara-
6 graph (A).

7 (C) FOOD AID AND HOMELESS SHEL-
8 TERS.—Except as otherwise provided by the ap-
9 propriate State authority, for purposes of sub-
10 paragraph (A), services to individuals in the
11 form of—

12 (i) donations of food or meals, or

13 (ii) temporary shelter to homeless in-
14 dividuals,

15 shall be treated as provided to individuals de-
16 scribed in subparagraph (A) if the location and
17 operation of such services are such that the
18 service provider may reasonably conclude that
19 the beneficiaries of such services are predomi-
20 nantly individuals described in subparagraph
21 (A).

22 (4) MINIMUM EXPENSE REQUIREMENT.—

23 (A) IN GENERAL.—An organization meets
24 the requirements of this paragraph only if the
25 appropriate State authority reasonably expects

1 that the annual poverty program expenses of
2 such organization will not be less than 75 per-
3 cent of the annual aggregate expenses of such
4 organization.

5 (B) POVERTY PROGRAM EXPENSE.—For
6 purposes of subparagraph (A)—

7 (i) IN GENERAL.—The term “poverty
8 program expense” means any expense in
9 providing program services referred to in
10 paragraph (3).

11 (ii) EXCEPTIONS.—Such term shall
12 not include—

13 (I) any management or general
14 expense,

15 (II) any expense for the purpose
16 of influencing legislation (as defined
17 in section 4911(d) of the Internal
18 Revenue Code of 1986),

19 (III) any expense for the purpose
20 of fundraising,

21 (IV) any expense for a legal serv-
22 ice provided on behalf of any indi-
23 vidual referred to in paragraph (3),
24 and

1 (V) any expense which consists of
2 a payment to an affiliate of the orga-
3 nization.

4 (5) REPORTING REQUIREMENT.—The informa-
5 tion required to be furnished under this paragraph
6 is—

7 (A) the percentages determined by dividing
8 the following categories of the organization's ex-
9 penses for the year by its total expenses for the
10 year: program services, management expenses,
11 general expenses, fundraising expenses, and
12 payments to affiliates, and

13 (B) the category or categories (including
14 food, shelter, education, substance abuse, job
15 training, or otherwise) of services which con-
16 stitute its predominant activities.

17 (6) ADDITIONAL REQUIREMENTS FOR SOLICITA-
18 TION ORGANIZATIONS.—The requirements of this
19 paragraph are met if the organization—

20 (A) maintains separate accounting for rev-
21 enues and expenses, and

22 (B) makes available to the public its ad-
23 ministrative and fundraising costs and informa-
24 tion as to the organizations receiving funds
25 from it and the amount of such funds.

1 (7) RECOMMENDATIONS.—It is recommended,
2 but not required, that—

3 (A) the definition of “qualified charity” be
4 further limited under State law to
5 organizations—

6 (i) which have been operating for at
7 least 1 year or are controlled by, or oper-
8 ated under the auspices of, organizations
9 which have been operating for at least one
10 year, and

11 (ii) with expenses of less than 5 per-
12 cent of total expenses for the purpose of
13 influencing legislation, litigation on behalf
14 of any individual referred to in paragraph
15 (3), voter registration, political organizing,
16 public policy advocacy, or public policy re-
17 search,

18 (B) subject to subsection (a)(2), the
19 amount of the credit be at least 50 percent and
20 not more than 90 percent of the amount of the
21 cash contributions to qualified charities, and

22 (C) contributions made not later than the
23 time prescribed by law for filing the return of
24 the State income tax for a taxable year (not in-
25 cluding extensions thereof) be treated as made

1 (at the taxpayer's election) on the last day of
2 such year.

3 (8) SPECIAL RULE FOR STATES REQUIRING TAX
4 UNIFORMITY.—In the case of a State—

5 (A) which has a constitutional requirement
6 of tax uniformity, and

7 (B) which, as of December 31, 1997, im-
8 posed a tax on personal income with—

9 (i) a single flat rate applicable to all
10 earned and unearned income (except inso-
11 far as any amount is not taxed pursuant to
12 tax forgiveness provisions), and

13 (ii) no generally available exemptions
14 or deductions to individuals,

15 the requirement of subsection (a)(2) shall be treated
16 as met if the amount of the credit is limited to a
17 uniform percentage (but not greater than 25 per-
18 cent) of State personal income tax liability (deter-
19 mined without regard to credits).

20 (9) COORDINATION WITH FEDERAL CHARI-
21 TABLE CONTRIBUTION DEDUCTION.—The amount of
22 the deduction allowed under the Internal Revenue
23 Code of 1986 for contributions which are taken into
24 account in determining any charity tax credit shall

1 be reduced by the amount of such credit which is al-
2 lowed.

3 (c) STATE.—For purposes of this title, the term
4 “State” means each of the several States, the District of
5 Columbia, the Commonwealth of Puerto Rico, the Virgin
6 Islands, Guam, American Samoa, the Northern Mariana
7 Islands, any other territory or possession of the United
8 States.

9 **SEC. 103. STUDY AND REPORT.**

10 (a) STUDY.—The Comptroller General of the United
11 States shall conduct a study of the effects of the charity
12 tax credit under this title, including—

13 (1) the types of organizations which receive
14 contributions during the first year to which the cred-
15 it applies, and

16 (2) the types of services provided to the poor by
17 such organizations.

18 (b) REPORT.—The Comptroller General shall report
19 to the Congress the results of such study, including—

20 (1) the geographical distribution of funding
21 from charity tax credit contributions, and an anal-
22 ysis of Internal Revenue Service Form 990’s of
23 qualified charities to determine if the broad cat-
24 egories of services provided to the poor (including
25 food, shelter, education, substance abuse, job train-

1 ing, or otherwise) match the services that would oth-
 2 erwise be provided by Federal welfare program
 3 funds without the enactment of the reductions in the
 4 programs permitted by this legislation, and
 5 (2) any recommendations for legislative
 6 changes.

7 **SEC. 104. EFFECTIVE DATE.**

8 This title shall take effect on January 1, 2000.

9 **TITLE II—BUDGET OFFSET**

10 **SEC. 201. REDUCTION OF EARNED INCOME CREDIT FOR IN-**
 11 **DIVIDUALS WITHOUT CHILDREN.**

12 (a) IN GENERAL.—The table in subparagraph (A) of
 13 section 32(b)(1) of the Internal Revenue Code of 1986 is
 14 amended by striking the item relating to no qualifying
 15 children and inserting the following:

“No qualifying children 3.825 7.651.”.

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

19 **TITLE III—TORT REFORMS RE-**
 20 **LATING TO CHARITABLE CON-**
 21 **TRIBUTIONS**

22 **SEC. 301. DEFINITIONS.**

23 In this title:

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
5 entity” means a firm, corporation, association, part-
6 nership, consortium, joint venture, or other form of
7 enterprise.

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
15 negligence” means voluntary and conscious conduct
16 by a person with knowledge (at the time of the con-
17 duct) that the conduct is likely to be harmful to the
18 health or well-being of another person.

19 (6) INTENTIONAL MISCONDUCT.—The term
20 “intentional 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 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 **SEC. 302. LIABILITY.**

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

24 (1) IN GENERAL.—Subject to section 303, a
25 business entity shall not be subject to civil liability

1 relating to any injury or death that results from the
 2 use of equipment donated by a business entity to a
 3 nonprofit organization.

4 (2) APPLICATION.—This subsection shall apply
 5 with respect to civil liability under Federal and State
 6 law.

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

9 (1) IN GENERAL.—Subject to section 303, a
 10 business entity shall not be subject to civil liability
 11 relating to any injury or death occurring at a facility
 12 of the business entity in connection with a use of
 13 such facility by a nonprofit organization if—

14 (A) the use occurs outside of the scope of
 15 business of the business entity;

16 (B) such injury or death occurs during a
 17 period that such facility is used by the non-
 18 profit organization; and

19 (C) the business entity authorized the use
 20 of such facility by the nonprofit organization.

21 (2) APPLICATION.—This subsection shall
 22 apply—

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

1 (B) regardless of whether a nonprofit orga-
2 nization pays for the use of a facility.

3 (c) LIABILITY OF BUSINESS ENTITIES PROVIDING
4 USE OF A MOTOR VEHICLE OR AIRCRAFT.—

5 (1) IN GENERAL.—Subject to section 303, a
6 business entity shall not be subject to civil liability
7 relating to any injury or death occurring as a result
8 of the operation of aircraft or a motor vehicle of a
9 business entity loaned to a nonprofit organization
10 for use outside of the scope of business of the busi-
11 ness entity if—

12 (A) such injury or death occurs during a
13 period that such motor vehicle or aircraft is
14 used by a nonprofit organization; and

15 (B) the business entity authorized the use
16 by the nonprofit organization of motor vehicle
17 or aircraft that resulted in the injury or death.

18 (2) APPLICATION.—This subsection shall
19 apply—

20 (A) with respect to civil liability under
21 Federal and State law; and

22 (B) regardless of whether a nonprofit orga-
23 nization pays for the use of the aircraft or
24 motor vehicle.

1 (d) LIABILITY OF BUSINESS ENTITIES PROVIDING
2 TOURS OF FACILITIES.—

3 (1) IN GENERAL.—Subject to section 303, a
4 business entity shall not be subject to civil liability
5 relating to any injury to, or death of an individual
6 occurring at a facility of the business entity if—

7 (A) such injury or death occurs during a
8 tour of the facility in an area of the facility that
9 is not otherwise accessible to the general public;
10 and

11 (B) the business entity authorized the
12 tour.

13 (2) APPLICATION.—This subsection shall
14 apply—

15 (A) with respect to civil liability under
16 Federal and State law; and

17 (B) regardless of whether an individual
18 pays for the tour.

19 **SEC. 303. EXCEPTIONS.**

20 Section 302 shall not apply to an injury or death that
21 results from an act or omission of a business entity that
22 constitutes gross negligence or intentional misconduct, in-
23 cluding any misconduct that—

24 (1) constitutes a crime of violence (as that term
25 is defined in section 16 of title 18, United States

1 Code) or act of international terrorism (as that term
2 is defined in section 2331 of title 18) for which the
3 defendant has been convicted in any court;

4 (2) constitutes a hate crime (as that term is
5 used in the Hate Crime Statistics Act (28 U.S.C.
6 534 note));

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

10 (4) involves misconduct for which the defendant
11 has been found to have violated a Federal or State
12 civil rights law.

13 **SEC. 304. SUPERSEDING PROVISION.**

14 (a) IN GENERAL.—Subject to subsection (b) and sec-
15 tion 305, this title preempts the laws of any State to the
16 extent that such laws are inconsistent with this title, ex-
17 cept that this title shall not preempt any State law that
18 provides additional protection for a business entity for an
19 injury or death described in a subsection of section 302
20 with respect to which the conditions specified in such sub-
21 section apply.

22 (b) LIMITATION.—Nothing in this title shall be con-
23 strued to supersede any Federal or State health or safety
24 law.

1 **SEC. 305. ELECTION OF STATE REGARDING NONAPPLICA-**
2 **BILITY.**

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

8 (1) citing the authority of this section;

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

12 (3) containing no other provisions.

13 **SEC. 306. EFFECTIVE DATE.**

14 This title shall apply to injuries (and deaths resulting
15 therefrom) occurring after the date of the enactment of
16 this Act.

17 **TITLE IV—CHARITABLE CHOICE**
18 **EXPANSION ACT**

19 **SEC. 401. PROVISION OF ASSISTANCE UNDER GOVERN-**
20 **MENT PROGRAMS BY RELIGIOUS ORGANIZA-**
21 **TIONS.**

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

1 **“SEC. 1994A. CHARITABLE CHOICE.**

2 “(a) SHORT TITLE.—This section may be cited as the
3 ‘Charitable Choice Expansion Act of 1999’.

4 “(b) PURPOSE.—The purposes of this section are—

5 “(1) to prohibit discrimination against non-
6 governmental organizations and certain individuals
7 on the basis of religion in the distribution of govern-
8 ment funds to provide government assistance and
9 distribution of such assistance, under government
10 programs described in subsection (c); and

11 “(2) to allow such organizations to accept such
12 funds to provide such assistance without impairing
13 the religious character of such organizations or the
14 religious freedom of the individuals.

15 “(c) RELIGIOUS ORGANIZATIONS INCLUDED AS NON-
16 GOVERNMENTAL PROVIDERS.—For any program carried
17 out by the Federal Government, or by a State or local
18 government with Federal funds, in which the Federal,
19 State, or local government is authorized to use nongovern-
20 mental organizations, through contracts, grants, certifi-
21 cates, vouchers, or other forms of disbursement, to provide
22 assistance to beneficiaries under the program, the govern-
23 ment shall consider, on the same basis as other nongovern-
24 mental organizations, religious organizations to provide
25 the assistance under the program, so long as the program
26 is implemented in a manner consistent with the Establish-

1 ment Clause of the first amendment to the Constitution.
2 Neither the Federal Government nor a State or local gov-
3 ernment receiving funds under such program shall dis-
4 criminate against an organization that provides assistance
5 under, or applies to provide assistance under, such pro-
6 gram, on the basis that the organization has a religious
7 character.

8 “(d) EXCLUSIONS.—As used in subsection (c), the
9 term ‘program’ does not include activities carried out
10 under—

11 “(1) Federal programs providing education to
12 children eligible to attend elementary schools or sec-
13 ondary schools, as defined in section 14101 of the
14 Elementary and Secondary Education Act of 1965
15 (20 U.S.C. 8801) (except for activities to assist stu-
16 dents in obtaining the recognized equivalents of sec-
17 ondary school diplomas);

18 “(2) the Higher Education Act of 1965 (20
19 U.S.C. 1001 et seq.);

20 “(3) the Head Start Act (42 U.S.C. 9831 et
21 seq.); or

22 “(4) the Child Care and Development Block
23 Grant Act of 1990 (42 U.S.C. 9858 et seq.).

24 “(e) RELIGIOUS CHARACTER AND INDEPENDENCE.—

1 “(1) IN GENERAL.—A religious organization
2 that provides assistance under a program described
3 in subsection (c) shall retain its independence from
4 Federal, State, and local governments, including
5 such organization’s control over the definition, devel-
6 opment, practice, and expression of its religious be-
7 liefs.

8 “(2) ADDITIONAL SAFEGUARDS.—Neither the
9 Federal Government nor a State or local government
10 shall require a religious organization—

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;

15 in order to be eligible to provide assistance under a
16 program described in subsection (c).

17 “(f) EMPLOYMENT PRACTICES.—

18 “(1) TENETS AND TEACHINGS.—A religious or-
19 ganization that provides assistance under a program
20 described in subsection (c) may require that its em-
21 ployees providing assistance under such program ad-
22 here to the religious tenets and teachings of such or-
23 ganization, and such organization may require that
24 those employees adhere to rules forbidding the use
25 of drugs or alcohol.

1 “(2) TITLE VII EXEMPTION.—The exemption of
2 a religious organization provided under section 702
3 or 703(e)(2) of the Civil Rights Act of 1964 (42
4 U.S.C. 2000e–1, 2000e–2(e)(2)) regarding employ-
5 ment practices shall not be affected by the religious
6 organization’s provision of assistance under, or re-
7 ceipt of funds from, a program described in sub-
8 section (c).

9 “(g) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

10 “(1) IN GENERAL.—If an individual described
11 in paragraph (3) has an objection to the religious
12 character of the organization from which the indi-
13 vidual receives, or would receive, assistance funded
14 under any program described in subsection (c), the
15 appropriate Federal, State, or local governmental
16 entity shall provide to such individual (if otherwise
17 eligible for such assistance) within a reasonable pe-
18 riod of time after the date of such objection, assist-
19 ance that—

20 “(A) is from an alternative organization
21 that is accessible to the individual; and

22 “(B) has a value that is not less than the
23 value of the assistance that the individual would
24 have received from such organization.

1 “(2) NOTICE.—The appropriate Federal, State,
2 or local governmental entity shall ensure that notice
3 is provided to individuals described in paragraph (3)
4 of the rights of such individuals under this section.

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

9 “(h) NONDISCRIMINATION AGAINST BENE-
10 FICIARIES.—

11 “(1) GRANTS AND CONTRACTS.—A religious or-
12 ganization providing assistance through a grant or
13 contract under a program described in subsection (c)
14 shall not discriminate, in carrying out the program,
15 against an individual described in subsection (g)(3)
16 on the basis of religion, a religious belief, a refusal
17 to hold a religious belief, or a refusal to actively par-
18 ticipate in a religious practice.

19 “(2) INDIRECT FORMS OF DISBURSEMENT.—A
20 religious organization providing assistance through a
21 voucher, certificate, or other form of indirect dis-
22 bursement under a program described in subsection
23 (c) shall not deny an individual described in sub-
24 section (g)(3) admission into such program on the

1 basis of religion, a religious belief, or a refusal to
2 hold a religious belief.

3 “(i) FISCAL ACCOUNTABILITY.—

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

11 “(2) LIMITED AUDIT.—Such organization shall
12 segregate government funds provided under such
13 program into a separate account. Only the govern-
14 ment funds shall be subject to audit by the govern-
15 ment.

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

1 “(k) LIMITATIONS ON USE OF FUNDS FOR CERTAIN
2 PURPOSES.—No funds provided through a grant or con-
3 tract to a religious organization to provide assistance
4 under any program described in subsection (c) shall be
5 expended for sectarian worship, instruction, or proselytiza-
6 tion.

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

18 “(m) TREATMENT OF INTERMEDIATE CONTRAC-
19 TORS.—If a nongovernmental organization (referred to in
20 this subsection as an ‘intermediate organization’), acting
21 under a contract or other agreement with the Federal Gov-
22 ernment or a State or local government, is given the au-
23 thority under the contract or agreement to select non-
24 governmental organizations to provide assistance under
25 the programs described in subsection (c), the intermediate

1 organization shall have the same duties under this section
 2 as the government but shall retain all other rights of a
 3 nongovernmental organization under this section.”.

4 **TITLE V—TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
 5 **TIREMENT ACCOUNTS FOR**
 6 **CHARITABLE PURPOSES**

8 **SEC. 501. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
 9 **TIREMENT ACCOUNTS FOR CHARITABLE**
 10 **PURPOSES.**

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

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

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

22 “(B) SPECIAL RULES RELATING TO CHARI-
 23 TABLE REMAINDER TRUSTS, POOLED INCOME
 24 FUNDS, AND CHARITABLE GIFT ANNUITIES.—

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

“(I) to a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)),

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

“(III) for the issuance of a charitable gift annuity (as defined in section 501(m)(5)).

The preceding sentence shall apply only if no person holds an income interest in the amounts in the trust, fund, or annuity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

“(ii) DETERMINATION OF INCLUSION OF AMOUNTS DISTRIBUTED.—In determining the amount includible in the gross

1 income of any person by reason of a pay-
 2 ment or distribution from a trust referred
 3 to in clause (i)(I) or a charitable gift annu-
 4 ity (as so defined), the portion of any
 5 qualified charitable distribution to such
 6 trust or for such annuity which would (but
 7 for this subparagraph) have been includible
 8 in gross income—

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

11 “(II) shall not be treated as an
 12 investment in the contract.

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

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

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

1 the account is maintained has attained age
2 59½, and

3 “(ii) which is made directly from the
4 account to—

5 “(I) an organization described in
6 section 170(c), or

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

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

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

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