

107TH CONGRESS
1ST SESSION

S. 35

To provide relief to America's working families and to promote continued economic growth by returning a portion of the tax surplus to those who created it.

IN THE SENATE OF THE UNITED STATES

JANUARY 22, 2001

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

A BILL

To provide relief to America's working families and to promote continued economic growth by returning a portion of the tax surplus to those who created it.

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

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Cut With a Purpose Act of 2001”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) SECTION 15 NOT TO APPLY.—No amendment
 4 made by this Act shall be treated as a change in a rate
 5 of tax for purposes of section 15 of the Internal Revenue
 6 Code of 1986.

7 (d) TABLE OF CONTENTS.—The table of contents for
 8 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—REDUCTIONS IN INDIVIDUAL INCOME TAX RATES

Sec. 101. Reduction in marginal income tax rates for individuals.

TITLE II—REDUCTION OF MARRIAGE PENALTY

Sec. 201. Restoration of deduction for two-earner married couples.

TITLE III—REPEAL OF ESTATE AND GIFT TAXES

Sec. 301. Phaseout of estate and gift taxes.

TITLE IV—PROMOTION OF EDUCATION

Sec. 401. Expansion of education IRAs.

TITLE V—INCREASE IN CHILD TAX CREDIT

Sec. 501. Modifications of child tax credit.

TITLE VI—PROMOTION OF CHARITABLE GIVING

Sec. 601. Deduction for portion of charitable contributions to be allowed to in-
 dividuals who do not itemize deductions.

Sec. 602. Tax-free distributions from individual retirement accounts for chari-
 table purposes.

Sec. 603. Higher limitation on corporate charitable contributions.

TITLE VII—RESEARCH CREDIT

Sec. 701. Permanent extension of research credit.

1 **TITLE I—REDUCTIONS IN** 2 **INDIVIDUAL INCOME TAX RATES**

3 **SEC. 101. REDUCTION IN MARGINAL INCOME TAX RATES** 4 **FOR INDIVIDUALS.**

5 (a) RATES FOR 2002.—Section 1 (relating to tax im-
 6 posed) is amended by striking subsections (a) through (d)
 7 and inserting the following:

8 “(a) MARRIED INDIVIDUALS FILING JOINT RETURNS
 9 AND SURVIVING SPOUSES.—There is hereby imposed on
 10 the taxable income of—

11 “(1) every married individual (as defined in sec-
 12 tion 7703) who makes a single return jointly with
 13 his spouse under section 6013, and

14 “(2) every surviving spouse (as defined in sec-
 15 tion 2(a)),

16 a tax determined in accordance with the following table:

“If taxable income is:	The tax is:
Not over \$12,000	14% of taxable income.
Over \$12,000 but not over \$45,200.	\$1,680, plus 15% of the excess over \$12,000.
Over \$45,200 but not over \$109,250.	\$6,660, plus 27% of the excess over \$45,200.
Over \$109,250 but not over \$166,450.	\$23,953.50, plus 30% of the excess over \$109,250.
Over \$166,450 but not over \$297,300.	\$41,113.50, plus 35% of the excess over \$166,450.
Over \$297,300	\$86,911, plus 38% of the excess over \$297,300.

17 “(b) HEADS OF HOUSEHOLDS.—There is hereby im-
 18 posed on the taxable income of every head of a household

- 1 (as defined in section 2(b)) a tax determined in accordance
 2 with the following table:

“If taxable income is:	The tax is:
Not over \$10,000	14% of taxable income.
Over \$10,000 but not over \$36,250.	\$1,400, plus 15% of the excess over \$10,000.
Over \$36,250 but not over \$93,600.	\$5,337.50, plus 27% of the excess over \$36,250.
Over \$93,600 but not over \$151,600.	\$20,822, plus 30% of the excess over \$93,600.
Over \$151,600 but not over \$297,300.	\$38,222, plus 35% of the excess over \$151,600.
Over \$297,300	\$89,217, plus 38% of the excess over \$297,300.

- 3 “(c) UNMARRIED INDIVIDUALS (OTHER THAN SUR-
 4 VIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There
 5 is hereby imposed on the taxable income of every indi-
 6 vidual (other than a surviving spouse as defined in section
 7 2(a) or the head of a household as defined in section 2(b))
 8 who is not a married individual (as defined in section
 9 7703) a tax determined in accordance with the following
 10 table:

“If taxable income is:	The tax is:
Not over \$6,000	14% of taxable income.
Over \$6,000 but not over \$27,050	\$840, plus 15% of the excess over \$6,000.
Over \$27,050 but not over \$65,550.	\$3,997.50, plus 27% of the excess over \$27,050.
Over \$65,550 but not over \$136,750.	\$14,362.50, plus 30% of the excess over \$65,550.
Over \$136,750 but not over \$297,300.	\$35,752.50, plus 35% of the excess over \$136,750.
Over \$297,300	\$91,945, plus 38% of the excess over \$297,300.

- 11 “(d) MARRIED INDIVIDUALS FILING SEPARATE RE-
 12 TURNS.—There is hereby imposed on the taxable income
 13 of every married individual (as defined in section 7703)
 14 who does not make a single return jointly with his spouse

1 under section 6013, a tax determined in accordance with
 2 the following table:

“If taxable income is:	The tax is:
Not over \$6,000	14% of taxable income.
Over \$6,000 but not over \$22,600	\$840, plus 15% of the excess over \$6,000.
Over \$22,600 but not over \$54,625.	\$3,330, plus 27% of the excess over \$22,600.
Over \$54,625 but not over \$83,225.	\$11,976.75, plus 30% of the excess over \$54,625.
Over \$83,225 but not over \$148,650.	\$20,556.75, plus 35% of the excess over \$83,225.
Over \$148,650	\$43,455.50, plus 38% of the excess over \$148,650.”.

3 (b) PHASEIN OF RATE REDUCTIONS.—Section 1 is
 4 amended by adding at the end the following new sub-
 5 section:

6 “(i) PHASEIN OF 2006 RATES OF 10, 15, 25, AND
 7 33 PERCENT.—

8 “(1) IN GENERAL.—In the case of taxable years
 9 beginning in a calendar year after 2002, the tax
 10 rates determined under subsection (a), (b), (c), or
 11 (d) shall be the tax rates imposed by such subsection
 12 in taxable years beginning in calendar year 2002,
 13 reduced—

14 “(A) in the case of the 14 percent rate, by
 15 1 percentage point in each taxable year begin-
 16 ning in a calendar year after 2002 and before
 17 2007,

18 “(B) in the case of the 27 and 35 percent
 19 rates, by 1 percentage point in taxable years be-
 20 ginning in calendar year 2004, and by an addi-

1 tional 1 percentage point in taxable years begin-
2 ning in calendar year 2006, and

3 “(C) in the case of the 30 and 38 percent
4 rate, by 1 percentage point in each taxable year
5 beginning in a calendar year after 2002 and be-
6 fore 2006, and by an additional 2 percentage
7 points in taxable years beginning in calendar
8 year 2006.

9 “(2) ADJUSTMENT OF TABLES.—The Secretary
10 shall adjust the tables prescribed under subsection
11 (f) to carry out the reductions under this sub-
12 section.”.

13 (c) INFLATION ADJUSTMENT TO APPLY IN DETER-
14 MINING RATES FOR 2002.—Subsection (f) of section 1 is
15 amended—

16 (1) by striking “1993” in paragraph (1) and in-
17 serting “2001”,

18 (2) by striking “1992” in paragraph (3)(B) and
19 inserting “2000”, and

20 (3) by striking paragraph (7) and inserting the
21 following new paragraph:

22 “(7) SPECIAL RULE FOR CERTAIN BRACKETS.—

23 “(A) CALENDAR YEARS 2002 THROUGH
24 2006.—In prescribing the tables under para-
25 graph (1) which apply with respect to taxable

years beginning in calendar years after 2001 and before 2007, the Secretary shall make no adjustment to the dollar amounts at which the first rate bracket begins or at which the second rate bracket begins under any table contained in subsection (a), (b), (c), or (d).

“(B) LATER CALENDAR YEARS.—In prescribing the tables under paragraph (1) which apply with respect to taxable years beginning in a calendar year after 2006, the cost-of-living adjustment used in making adjustments to the dollar amounts referred to in subparagraph (A) shall be determined under paragraph (3) by substituting ‘2005’ for ‘2000’.”.

(d) CONFORMING AMENDMENTS.—

(1) The following provisions are each amended by striking “1992” and inserting “2000” each place it appears:

(A) Section 32(j)(1)(B).

(B) Section 41(e)(5)(C).

(C) Section 42(h)(3)(H)(i)(II).

(D) Section 59(j)(2)(B).

(E) Section 63(c)(4)(B).

(F) Section 68(b)(2)(B).

(G) Section 132(f)(6)(A)(ii).

1 (H) Section 135(b)(2)(B)(ii).

2 (I) Section 146(d)(2)(B).

3 (J) Section 151(d)(4).

4 (K) Section 220(g)(2).

5 (L) Section 221(g)(1)(B).

6 (M) Section 512(d)(2)(B).

7 (N) Section 513(h)(2)(C)(ii).

8 (O) Section 685(c)(3)(B).

9 (P) Section 877(a)(2).

10 (Q) Section 911(b)(2)(D)(ii)(II).

11 (R) Section 2032A(a)(3)(B).

12 (S) Section 2503(b)(2)(B).

13 (T) Section 2631(c)(2).

14 (U) Section 4001(e)(1)(B).

15 (V) Section 4261(e)(4)(A)(ii).

16 (W) Section 6039F(d).

17 (X) Section 6323(i)(4)(B).

18 (Y) Section 6334(g)(1)(B).

19 (Z) Section 6601(j)(3)(B).

20 (AA) Section 7430(c)(1).

21 (2) Sections 25A(h)(1)(A)(ii) and
 22 25A(h)(2)(A)(ii) are each amended by striking “be-
 23 gins,” and all that follows through “thereof”.

24 (3) Subclause (II) of section 42(h)(6)(G)(i) is
 25 amended by striking “1987” and inserting “2000”.

1 (e) ADDITIONAL CONFORMING AMENDMENTS.—

2 (1) Section 1(g)(7)(B)(ii)(II) is amended by
3 striking “15 percent” and inserting “10 percent”.

4 (2) Section 1(h) is amended—

5 (A) by striking “28 percent” both places it
6 appears in paragraphs (1)(A)(ii)(I) and
7 (1)(B)(i) and inserting “15 percent”, and

8 (B) by striking paragraph (13).

9 (3) Section 531 is amended by striking “39.6
10 percent” and inserting “33 percent”.

11 (4) Section 541 of such Code is amended by
12 striking “39.6 percent” and inserting “33 percent”.

13 (5) Section 3402(p)(1)(B) is amended by strik-
14 ing “7, 15, 28, or 31 percent” and inserting “5, 10,
15 15, or 25 percent”.

16 (6) Section 3402(p)(2) is amended by striking
17 “15 percent” and inserting “10 percent”.

18 (7) Section 3402(q)(1) is amended by striking
19 “28 percent” and inserting “15 percent”.

20 (8) Section 3402(r)(3) is amended by striking
21 “31 percent” and inserting “25 percent”.

22 (9) Section 3406(a)(1) is amended by striking
23 “31 percent” and inserting “25 percent”.

24 (10) The Secretary of the Treasury may pre-
25 scribe percentages which shall apply in lieu of the

percentages specified in the amendments made by this subsection in order to coordinate those percentages with the percentages specified in the tables prescribed under the last sentence of section 1(i)(1) of the Internal Revenue Code of 1986, as added by this section.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (5), (6), (7), (8), and (9) of subsection (e) shall apply to amounts paid after December 31, 2001.

TITLE II—REDUCTION OF MARRIAGE PENALTY

SEC. 201. RESTORATION OF DEDUCTION FOR TWO-EARNER MARRIED COUPLES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

1 **“SEC. 222. DEDUCTION FOR TWO-EARNER MARRIED COU-**
 2 **PLES.**

3 “(a) DEDUCTION ALLOWED.—In the case of a joint
 4 return for the taxable year, there shall be allowed as a
 5 deduction an amount equal to 10 percent of the lesser of—

6 “(1) the applicable dollar amount for the cal-
 7 endar year in which such taxable year begins, or

8 “(2) the qualified earned income of the spouse
 9 with the lower qualified earned income for such tax-
 10 able year.

11 “(b) APPLICABLE DOLLAR AMOUNT.—For purposes
 12 of subsection (a)(1), the applicable dollar amount for any
 13 calendar year shall be determined under the following
 14 table:

“Calendar year:	Applicable Dollar Amount:
2002	\$6,000
2003	\$12,000
2004	\$18,000
2005	\$24,000
2006 and thereafter	\$30,000.

15 “(c) QUALIFIED EARNED INCOME.—

16 “(1) IN GENERAL.—For purposes of this sec-
 17 tion, the term ‘qualified earned income’ means an
 18 amount equal to the excess of—

19 “(A) the earned income of the spouse for
 20 the taxable year, over

21 “(B) an amount equal to the sum of the
 22 deductions described in paragraphs (1), (2),

1 (6), (7), (12), (13), and (16) of section 62(a)
 2 to the extent such deductions are properly allo-
 3 cable to or chargeable against earned income
 4 described in subparagraph (A).

5 The amount of qualified earned income shall be de-
 6 termined without regard to any community property
 7 laws.

8 “(2) EARNED INCOME.—For purposes of para-
 9 graph (1), the term ‘earned income’ means income
 10 which is earned income within the meaning of sec-
 11 tion 911(d)(2) or 401(c)(2)(C), except that—

12 “(A) such term shall not include any
 13 amount—

14 “(i) not includible in gross income,

15 “(ii) received as a pension or annuity,

16 “(iii) paid or distributed out of an in-
 17 dividual retirement plan (within the mean-
 18 ing of section 7701(a)(37)),

19 “(iv) received as deferred compensa-
 20 tion, or

21 “(v) received for services performed
 22 by an individual in the employ of his
 23 spouse (within the meaning of section
 24 3121(b)(3)(A)), and

1 “(B) section 911(d)(2)(B) shall be applied
 2 without regard to the phrase ‘not in excess of
 3 30 percent of his share of the net profits of
 4 such trade or business’.

5 “(d) DEDUCTION DISALLOWED FOR INDIVIDUAL
 6 CLAIMING BENEFITS OF SECTION 911 OR 931.—No de-
 7 duction shall be allowed under this section for any taxable
 8 year if either spouse claims the benefits of section 911
 9 or 931 for such taxable year.”.

10 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
 11 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)
 12 of section 62 (defining adjusted gross income) is amended
 13 by inserting after paragraph (17) the following new para-
 14 graph:

15 “(18) DEDUCTION FOR TWO-EARNER MARRIED
 16 COUPLES.—The deduction allowed by section 222.”.

17 (c) CONFORMING AMENDMENTS.—

18 (1) Sections 86(b)(2)(A), 135(c)(4)(A),
 19 137(b)(3)(A), and 219(g)(3)(A)(ii) are each amend-
 20 ed by inserting “222,” after “221,”.

21 (2) Subsection (f) of section 86 is amended by
 22 striking “and” at the end of paragraph (3), by re-
 23 designating paragraph (4) as paragraph (5), and by
 24 inserting after paragraph (3) the following new
 25 paragraph:

1 “(4) section 222(c)(2) (defining earned in-
2 come), and”.

3 (3) Clause (i) of section 221(b)(2)(C) is amend-
4 ed by inserting “222,” before “911”.

5 (4) Clause (iii) of section 469(i)(3)(E) is
6 amended by striking “and 221” and inserting “,
7 221, and 222”.

8 (5) The table of sections for part VII of sub-
9 chapter B of chapter 1 is amended by striking the
10 item relating to section 222 and inserting the fol-
11 lowing:

“Sec. 222. Deduction for two-earner married couples.
“Sec. 223. Cross reference.”.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years ending after De-
14 cember 31, 2001.

15 **TITLE III—REPEAL OF ESTATE** 16 **AND GIFT TAXES**

17 **SEC. 301. PHASEOUT OF ESTATE AND GIFT TAXES.**

18 (a) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle
19 B (relating to estate and gift taxes) is repealed effective
20 with respect to estates of decedents dying, and gifts made,
21 after December 31, 2008.

22 (b) PHASEOUT OF TAX.—Subsection (c) of section
23 2001 (relating to imposition and rate of tax) is amended
24 by adding at the end the following new paragraph:

1 “(3) PHASEOUT OF TAX.—In the case of es-
 2 tates of decedents dying, and gifts made, during any
 3 calendar year after 2001 and before 2009—

4 “(A) IN GENERAL.—The tentative tax
 5 under this subsection shall be determined by
 6 using a table prescribed by the Secretary (in
 7 lieu of using the table contained in paragraph
 8 (1)) which is the same as such table; except
 9 that—

10 “(i) each of the rates of tax shall be
 11 reduced (but not below zero) by the num-
 12 ber of percentage points determined under
 13 subparagraph (B), and

14 “(ii) the amounts setting forth the tax
 15 shall be adjusted to the extent necessary to
 16 reflect the adjustments under clause (i).

17 “(B) PERCENTAGE POINTS OF REDUC-
 18 TION.—

“For calendar year:	The number of percentage points is:
2002 or 2003	5
2004	10
2005	15
2006	20
2007	30
2008	40.

19 “(C) COORDINATION WITH PARAGRAPH
 20 (2).—Paragraph (2) shall be applied by reduc-
 21 ing the 55 percent percentage contained therein
 22 by the number of percentage points determined

1 for such calendar year under subparagraph
2 (B).”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 subsection (b) shall apply to estates of decedents dying,
5 and gifts made, after December 31, 2001.

6 **TITLE IV—PROMOTION OF** 7 **EDUCATION**

8 **SEC. 401. EXPANSION OF EDUCATION IRAS.**

9 (a) TAX-FREE EXPENDITURES FOR ELEMENTARY
10 AND SECONDARY SCHOOL EXPENSES.—

11 (1) IN GENERAL.—Section 530(b)(2) (defining
12 qualified higher education expenses) is amended to
13 read as follows:

14 “(2) QUALIFIED EDUCATION EXPENSES.—

15 “(A) IN GENERAL.—The term ‘qualified
16 education expenses’ means—

17 “(i) qualified higher education ex-
18 penses (as defined in section 529(e)(3));

19 and

20 “(ii) qualified elementary and sec-
21 ondary education expenses (as defined in
22 paragraph (4)).

23 Such expenses shall be reduced as provided in
24 section 25A(g)(2).

1 “(B) QUALIFIED STATE TUITION PRO-
 2 GRAMS.—Such term shall include amounts paid
 3 or incurred to purchase tuition credits or cer-
 4 tificates, or to make contributions to an ac-
 5 count, under a qualified State tuition program
 6 (as defined in section 529(b)) for the benefit of
 7 the beneficiary of the account.”.

8 (2) QUALIFIED ELEMENTARY AND SECONDARY
 9 EDUCATION EXPENSES.—Section 530(b) (relating to
 10 definitions and special rules) is amended by adding
 11 at the end the following new paragraph:

12 “(4) QUALIFIED ELEMENTARY AND SECONDARY
 13 EDUCATION EXPENSES.—

14 “(A) IN GENERAL.—The term ‘qualified el-
 15 ementary and secondary education expenses’
 16 means—

17 “(i) expenses for tuition, fees, aca-
 18 demic tutoring, special needs services,
 19 books, supplies, computer equipment (in-
 20 cluding related software and services), and
 21 other equipment which are incurred in con-
 22 nection with the enrollment or attendance
 23 of the designated beneficiary of the trust
 24 as an elementary or secondary school stu-

1 dent at a public, private, or religious
2 school, or

3 “(ii) expenses for room and board,
4 uniforms, transportation, and supple-
5 mentary items and services (including ex-
6 tended day programs) which are required
7 or provided by a public, private, or reli-
8 gious school in connection with such enroll-
9 ment or attendance.

10 “(B) SPECIAL RULE FOR
11 HOMESCHOOLING.—Such term shall include ex-
12 penses described in subparagraph (A)(i) in con-
13 nection with education provided by
14 homeschooling if the requirements of any appli-
15 cable State or local law are met with respect to
16 such education.

17 “(C) SCHOOL.—The term ‘school’ means
18 any school which provides elementary education
19 or secondary education (kindergarten through
20 grade 12), as determined under State law.”.

21 (3) CONFORMING AMENDMENTS.—Subsections
22 (b)(1) and (d)(2) of section 530 are each amended
23 by striking “higher” each place it appears in the
24 text and heading thereof.

25 (b) MAXIMUM ANNUAL CONTRIBUTIONS.—

1 (1) IN GENERAL.—Section 530(b)(1)(A)(iii)
 2 (defining education individual retirement account) is
 3 amended by striking “\$500” and inserting “the ap-
 4 plicable dollar amount for the calendar year in which
 5 such taxable year begins”.

6 (2) APPLICABLE DOLLAR AMOUNT.—Section
 7 530(b) is amended by adding at the end the fol-
 8 lowing new paragraph:

9 “(4) APPLICABLE DOLLAR AMOUNT.—For pur-
 10 poses of paragraph (1)(A)(iii), the applicable dollar
 11 amount for any calendar year shall be determined
 12 under the following table:

“Calendar year:	Applicable Dollar Amount:
2002	\$1,000
2003	\$2,000
2004	\$3,000
2005	\$4,000
2006 and thereafter	\$5,000.”.

13 (3) CONFORMING AMENDMENT.—Section
 14 4973(e)(1)(A) is amended by striking “\$500” and
 15 inserting “the applicable dollar amount for the cal-
 16 endar year in which such taxable year begins”.

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

TITLE V—INCREASE IN CHILD TAX CREDIT

SEC. 501. MODIFICATIONS OF CHILD TAX CREDIT.

(a) IN GENERAL.—Subsection (a) of section 24 (relating to child tax credit) is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year with respect to each qualifying child of the taxpayer an amount equal to the applicable dollar amount for the calendar year in which such taxable year begins.

“(2) APPLICABLE DOLLAR AMOUNT.—For purposes of paragraph (1), the applicable dollar amount for any calendar year shall be determined under the following table:

“Calendar year:	Applicable Dollar Amount:
2002	\$600
2003	\$700
2004	\$800
2005	\$900
2006 and thereafter	\$1,000.”.

(b) INCREASE IN PHASE-OUT THRESHOLD.—

(1) BEFORE 2006.—Section 24(b)(2) is amended—

(A) by inserting “, increased by \$18,000 with respect to each taxable year beginning

1 after December 31, 2001” after “return” in
 2 subparagraph (A),

3 (B) by inserting “, increased by \$25,000
 4 with respect to each taxable year beginning
 5 after December 31, 2001” after “married” in
 6 subparagraph (B), and

7 (C) by inserting “, increased by \$9,000
 8 with respect to each taxable year beginning
 9 after December 31, 2001” after “return” in
 10 subparagraph (C).

11 (2) AFTER 2005.—Paragraph (2) of section
 12 24(b) is amended to read as follows:

13 “(2) THRESHOLD AMOUNT.—For purposes of
 14 paragraph (1), the term ‘threshold amount’ means
 15 \$200,000 (\$100,000 in the case of a married indi-
 16 vidual (as determined under section 7703) filing a
 17 separate return).”.

18 (c) REDUCTION IN PHASE-OUT RATE.—Section
 19 24(b)(1) is amended by striking “\$50” and inserting
 20 “\$20”.

21 (d) REPEAL OF REDUCTION OF CREDIT FOR TAX-
 22 PAYERS SUBJECT TO ALTERNATIVE MINIMUM TAX.—
 23 Subsection (d) of section 24 is amended by striking para-
 24 graph (2) and by redesignating paragraph (3) as para-
 25 graph (2).

1 (e) EFFECTIVE DATES.—

2 (1) IN GENERAL.—The amendments made by
3 subsections (a), (b)(1), and (d) shall apply to taxable
4 years beginning after December 31, 2001.

5 (2) 2006 PHASE-OUT RATE AND AMOUNT.—The
6 amendments made by subsections (b)(2) and (c)
7 shall apply to taxable years beginning after Decem-
8 ber 31, 2005.

9 **TITLE VI—PROMOTION OF** 10 **CHARITABLE GIVING**

11 **SEC. 601. DEDUCTION FOR PORTION OF CHARITABLE CON-** 12 **TRIBUTIONS TO BE ALLOWED TO INDIVID-** 13 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

14 (a) IN GENERAL.—Subsection (b) of section 63 is
15 amended by striking “and” at the end of paragraph (1),
16 by striking the period at the end of paragraph (2) and
17 inserting “, and”, and by adding at the end the following:

18 “(3) the applicable percentage of the deduction
19 provided by section 170 (relating to charitable, etc.,
20 contributions and gifts), in an amount not to exceed
21 the standard deduction.

22 For purposes of paragraph (3), the applicable percentage
23 shall be determined under the following table:

“For taxable years beginning in	The applicable percentage
calendar year:	is:
2002	20
2003	40
2004	60

“For taxable years beginning in calendar year:	The applicable percentage is:
2005	80
2006 and thereafter	100.”.

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

6 “(3) the deduction provided by section 170 as
7 determined under subsection (b)(3).”.

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

11 **SEC. 602. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
12 **TIREMENT ACCOUNTS FOR CHARITABLE**
13 **PURPOSES.**

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

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

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

1 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
 2 term ‘qualified charitable distribution’ means
 3 any distribution from an individual retirement
 4 account—
 5

6 “(i) which is made on or after the
 7 date that the individual for whose benefit
 8 the account is maintained has attained age
 9 59½, and

10 “(ii) which is made directly from the
 11 account to an organization described in
 12 section 170(c).

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

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

1 **SEC. 603. HIGHER LIMITATION ON CORPORATE CHARIT-**
 2 **TABLE CONTRIBUTIONS.**

3 (a) IN GENERAL.—Paragraph (2) of section 170(b)
 4 (relating to percentage limitations) is amended by striking
 5 “10 percent” and inserting “15 percent”.

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

9 **TITLE VII—RESEARCH CREDIT**

10 **SEC. 701. PERMANENT EXTENSION OF RESEARCH CREDIT.**

11 (a) IN GENERAL.—Section 41 (relating to credit for
 12 increasing research activities) is amended by striking sub-
 13 section (h).

14 (b) CONFORMING AMENDMENT.—Paragraph (1) of
 15 section 45C(b) is amended by striking subparagraph (D).

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to amounts paid or incurred after
 18 the date of the enactment of this Act.

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