

109TH CONGRESS
1ST SESSION

S. 6

To amend the Internal Revenue Code of 1986 to provide permanent family tax relief, to reauthorize and improve the program of block grants to States for temporary assistance for needy families and to improve access to quality child care, and to provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 24, 2005

Mr. SANTORUM (for himself, Mr. FRIST, Mrs. HUTCHISON, Mr. McCONNELL, and Mr. HATCH) 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 provide permanent family tax relief, to reauthorize and improve the program of block grants to States for temporary assistance for needy families and to improve access to quality child care, and to provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, and for other purposes.

★(Star Print)

Subtitle C—Child Support

- Sec. 251. Distribution of child support collected by States on behalf of children receiving certain welfare benefits.
- Sec. 252. Mandatory review and adjustment of child support orders for families receiving TANF.
- Sec. 253. Report on undistributed child support payments.
- Sec. 254. Use of new hire information to assist in administration of unemployment compensation programs.
- Sec. 255. Decrease in amount of child support arrearage triggering passport denial.
- Sec. 256. Use of tax refund intercept program to collect past-due child support on behalf of children who are not minors.
- Sec. 257. Garnishment of compensation paid to veterans for service-connected disabilities in order to enforce obligations.
- Sec. 258. Improving Federal debt collection practices.
- Sec. 259. Maintenance of technical assistance funding.
- Sec. 260. Maintenance of Federal parent locator service funding.
- Sec. 261. Identification and seizure of assets held by multistate financial institutions.
- Sec. 262. Information comparisons with insurance data.
- Sec. 263. Tribal access to the Federal parent locator service.
- Sec. 264. Reimbursement of Secretary's costs of information comparisons and disclosure for enforcement of obligations on Higher Education Act loans and grants.
- Sec. 265. Technical amendment relating to cooperative agreements between States and Indian tribes.
- Sec. 266. Claims upon longshore and harbor workers' compensation for child support.
- Sec. 267. State option to use Statewide automated data processing and information retrieval system for interstate cases.
- Sec. 268. State law requirement concerning the Uniform Interstate Family Support Act (UIFSA).
- Sec. 269. Grants to States for access and visitation programs.
- Sec. 270. Timing of corrective action year for State noncompliance with child support enforcement program requirements.

Subtitle D—Child Welfare

- Sec. 275. Extension of authority to approve demonstration projects.
- Sec. 276. Removal of Commonwealth of Puerto Rico foster care funds from limitation on payments.
- Sec. 277. Technical correction.

Subtitle E—Supplemental Security Income

- Sec. 281. Review of State agency blindness and disability determinations.

Subtitle F—Transitional Medical Assistance

- Sec. 285. Extension and simplification of the Transitional Medical Assistance Program (TMA).
- Sec. 286. Prohibition against covering childless adults with SCHIP funds.

Subtitle G—Effective Date

- Sec. 291. Effective date.

Sec. 292. Extension through remainder of fiscal year 2005.

TITLE III—CARE ACT

Sec. 300. Short title; etc.

Subtitle A—Charitable Giving Incentives

- Sec. 301. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
- Sec. 302. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 303. Charitable deduction for contributions of food inventories.
- Sec. 304. Charitable deduction for contributions of book inventories.
- Sec. 305. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 306. Modifications to encourage contributions of capital gain real property made for conservation purposes.
- Sec. 307. Exclusion of 25 percent of gain on sales or exchanges of land or water interests to eligible entities for conservation purposes.
- Sec. 308. Tax exclusion for cost-sharing payments under Partners for Fish and Wildlife Program.
- Sec. 309. Adjustment to basis of S corporation stock for certain charitable contributions.
- Sec. 310. Enhanced deduction for charitable contribution of literary, musical, artistic, and scholarly compositions.
- Sec. 311. Mileage reimbursements to charitable volunteers excluded from gross income.
- Sec. 312. Extension of enhanced deduction for inventory to include public schools.
- Sec. 313. 10-year divestiture period for certain excess business holdings of private foundations

Subtitle B—Proposals Improving the Oversight of Tax-Exempt Organizations

- Sec. 321. Disclosure of written determinations.
- Sec. 322. Disclosure of Internet web site and name under which organization does business.
- Sec. 323. Modification to reporting capital transactions.
- Sec. 324. Disclosure that Form 990 is publicly available.
- Sec. 325. Disclosure to State officials of proposed actions related to section 501(c) organizations.
- Sec. 326. Expansion of penalties to preparers of Form 990.
- Sec. 327. Notification requirement for entities not currently required to file.

Subtitle C—Other Charitable and Exempt Organization Provisions

- Sec. 331. Modification of excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 332. Modifications to section 512(b)(13).
- Sec. 333. Simplification of lobbying expenditure limitation.
- Sec. 334. Expedited review process for certain tax-exemption applications.
- Sec. 335. Clarification of definition of church tax inquiry.
- Sec. 336. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 337. Definition of convention or association of churches.

- Sec. 338. Payments by charitable organizations to victims of war on terrorism and families of astronauts killed in the line of duty.
- Sec. 339. Modification of scholarship foundation rules.
- Sec. 340. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.
- Sec. 341. Matching grants to low-income taxpayer clinics for return preparation.
- Sec. 342. Exemption of qualified 501(c)(3) bonds for nursing homes from Federal guarantee prohibitions.
- Sec. 343. Excise taxes exemption for blood collector organizations.
- Sec. 344. Pilot project for forest conservation activities.
- Sec. 345. Clarification of treatment of Johnny Micheal Spann Patriot Trusts.

Subtitle D—Social Services Block Grant

- Sec. 351. Restoration of funds for the Social Services Block Grant.
- Sec. 352. Requirement to submit annual report on State activities.

Subtitle E—Individual Development Accounts

- Sec. 361. Short title.
- Sec. 362. Purposes.
- Sec. 363. Definitions.
- Sec. 364. Structure and administration of qualified individual development account programs.
- Sec. 365. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 366. Deposits by qualified individual development account programs.
- Sec. 367. Withdrawal procedures.
- Sec. 368. Certification and termination of qualified individual development account programs.
- Sec. 369. Reporting, monitoring, and evaluation.
- Sec. 370. Authorization of appropriations.
- Sec. 371. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.
- Sec. 372. Account funds disregarded for purposes of certain means-tested Federal programs.

Subtitle F—Management of Exempt Organizations

- Sec. 381. Authorization of appropriations.

Subtitle G—Compassion Capital Fund

- Sec. 391. Support for nonprofit community-based organizations; Department of Health and Human Services.
- Sec. 392. Support for nonprofit community-based organizations; Corporation for National and Community Service.
- Sec. 393. Support for nonprofit community-based organizations; Department of Justice.
- Sec. 394. Support for nonprofit community-based organizations; Department of Housing and Urban Development.
- Sec. 395. Coordination.

Subtitle H—Maternity Group Homes

- Sec. 399. Maternity group homes.

1 **TITLE I—FAMILY TAX RELIEF**

2 **SEC. 101. TAX BENEFITS RELATING TO CHILDREN MADE**
 3 **PERMANENT.**

4 Title IX of the Economic Growth and Tax Relief Rec-
 5 conciliation Act of 2001 (relating to sunset provisions of
 6 such Act) shall not apply to title II of such Act (relating
 7 to tax benefits for children).

8 **SEC. 102. MARRIAGE PENALTY RELIEF MADE PERMANENT.**

9 Title IX of the Economic Growth and Tax Relief Rec-
 10 conciliation Act of 2001 (relating to sunset provisions of
 11 such Act) shall not apply to title III of such Act (relating
 12 to marriage penalty relief).

13 **TITLE II—PERSONAL RESPONSIB-**
 14 **ILITY AND INDIVIDUAL DE-**
 15 **VELOPMENT FOR EVERYONE**

16 **SECTION 201. SHORT TITLE OF TITLE.**

17 This title may be cited as the “Personal Responsi-
 18 bility and Individual Development for Everyone Act” or
 19 the “PRIDE Act”.

20 **SEC. 202. REFERENCES.**

21 Except as otherwise expressly provided, wherever in
 22 this title an amendment or repeal is expressed in terms
 23 of an amendment to, or repeal of, a section or other provi-
 24 sion, the amendment or repeal shall be considered to be

1 made to a section or other provision of the Social Security
2 Act.

3 **Subtitle A—TANF**

4 **SEC. 211. STATE PLAN.**

5 (a) PERFORMANCE IMPROVEMENT.—Section 402(a)
6 (42 U.S.C. 602(a)) is amended—

7 (1) in paragraph (1)—

8 (A) in subparagraph (A)—

9 (i) by redesignating clause (vi) as
10 clause (vii); and

11 (ii) by striking clause (v) and insert-
12 ing the following:

13 “(v) Establish specific measurable
14 performance objectives for pursuing the
15 purposes of the program under this part as
16 described in section 401(a), including by—

17 “(I) establishing objectives con-
18 sistent (as determined by the State)
19 with the criteria used by the Secretary
20 in establishing performance targets
21 under section 403(a)(4)(C) (including
22 with respect to workplace attachment
23 and advancement), and with such ad-
24 ditional criteria related to other pur-
25 poses of the program under this part

1 as described in section 401(a) as the
2 Secretary, in consultation with the
3 National Governors' Association and
4 the American Public Human Services
5 Association, shall establish; and

6 “(II) describing the methodology
7 that the State will use to measure
8 State performance in relation to each
9 such objective.

10 “(vi) Describe any strategies and pro-
11 grams the State plans to use to address—

12 “(I) employment retention and
13 advancement for recipients of assist-
14 ance under the program, including
15 placement into high-demand jobs, and
16 whether the jobs are identified using
17 labor market information;

18 “(II) efforts to reduce teen preg-
19 nancy;

20 “(III) services for struggling and
21 noncompliant families, and for clients
22 with special problems; and

23 “(IV) program integration, in-
24 cluding the extent to which employ-
25 ment and training services under the

1 program are provided through the
2 One-Stop delivery system created
3 under the Workforce Investment Act
4 of 1998, and the extent to which
5 former recipients of such assistance
6 have access to additional core, inten-
7 sive, or training services funded
8 through such Act.”; and

9 (B) in subparagraph (B)—

10 (i) by striking clauses (i) and (iv);

11 (ii) by redesignating clauses (ii) and
12 (iii) as clauses (i) and (ii), respectively;

13 and

14 (iii) by inserting after clause (ii) (as
15 so redesignated by clause (ii)) the fol-
16 lowing:

17 “(iii) If the State is undertaking any
18 strategies or programs to engage faith-
19 based organizations in the provision of
20 services funded under this part, or that
21 otherwise relate to section 104 of the Per-
22 sonal Responsibility and Work Opportunity
23 Reconciliation Act of 1996, the document
24 shall describe such strategies and pro-
25 grams.

1 “(iv) The document shall describe
2 strategies to improve program manage-
3 ment and performance.

4 “(v) The document shall include a
5 performance report which details State
6 progress toward full engagement for all
7 adult or minor child head of household re-
8 cipients of assistance.”;

9 (2) in paragraph (4), by inserting “and tribal”
10 after “that local”; and

11 (3) by adding at the end the following:

12 “(8) CERTIFICATION OF CONSULTATION ON
13 PROVISION OF TRANSPORTATION AID.—In the case
14 of a State that provides transportation aid under the
15 State program, a certification by the chief executive
16 officer of the State that State and local transpor-
17 tation agencies and planning bodies have been con-
18 sulted in the development of the plan.”.

19 (b) PROCEDURES FOR SUBMITTING AND AMENDING
20 STATE PLANS.—

21 (1) IN GENERAL.—Subsection (b) of section
22 402 (42 U.S.C. 602(b)) is amended to read as fol-
23 lows:

24 “(b) PROCEDURES FOR SUBMITTING AND AMENDING
25 STATE PLANS.—

1 “(1) STANDARD STATE PLAN FORMAT.—The
2 Secretary shall, after notice and public comment, de-
3 velop a proposed Standard State Plan Form to be
4 used by States under subsection (a). Such form shall
5 be finalized by the Secretary for use by States not
6 later than 9 months after the date of enactment of
7 the Personal Responsibility and Individual Develop-
8 ment for Everyone Act.

9 “(2) REQUIREMENT FOR COMPLETED PLAN
10 USING STANDARD STATE PLAN FORMAT BY FISCAL
11 YEAR 2007.—Notwithstanding any other provision of
12 law, each State shall submit a complete State plan,
13 using the Standard State Plan Form developed
14 under paragraph (1), not later than October 1,
15 2006.

16 “(3) PUBLIC NOTICE AND COMMENT.—Prior to
17 submitting a State plan to the Secretary under this
18 section, the State shall—

19 “(A) make the proposed State plan avail-
20 able to the public through an appropriate State
21 maintained Internet website and through other
22 means as the State determines appropriate;

23 “(B) allow for a reasonable public com-
24 ment period of not less than 45 days; and

1 “(C) make comments received concerning
2 such plan or, at the discretion of the State, a
3 summary of the comments received available to
4 the public through such website and through
5 other means as the State determines appro-
6 priate.

7 “(4) PUBLIC AVAILABILITY OF STATE PLAN.—
8 A State shall ensure that the State plan that is in
9 effect for any fiscal year is available to the public
10 through an appropriate State maintained Internet
11 website and through other means as the State deter-
12 mines appropriate.

13 “(5) AMENDING THE STATE PLAN.—A State
14 shall file an amendment to the State plan with the
15 Secretary if the State determines that there has
16 been a material change in any information required
17 to be included in the State plan or any other infor-
18 mation that the State has included in the plan, in-
19 cluding substantial changes in the use of funding.
20 Prior to submitting an amendment to the State plan
21 to the Secretary, the State shall—

22 “(A) make the proposed amendment avail-
23 able to the public as provided for in paragraph
24 (3)(A);

1 “(B) allow for a reasonable public com-
2 ment period of not less than 45 days; and

3 “(C) make the comments available as pro-
4 vided for in paragraph (3)(C).”.

5 (2) CONFORMING AMENDMENT.—Section 402
6 (42 U.S.C. 602) is amended by striking subsection
7 (c).

8 (c) CONSULTATION WITH STATE REGARDING PLAN
9 AND DESIGN OF TRIBAL PROGRAMS.—Section 412(b)(1)
10 (42 U.S.C. 612(b)(1)) is amended—

11 (1) in subparagraph (E), by striking “and” at
12 the end;

13 (2) in subparagraph (F), by striking the period
14 at the end and inserting “; and”; and

15 (3) by adding at the end the following:

16 “(G) provides an assurance that the State
17 in which the tribe is located has been consulted
18 regarding the plan and its design.”.

19 (d) PERFORMANCE MEASURES.—Section 413 (42
20 U.S.C. 613) is amended by adding at the end the fol-
21 lowing:

22 “(k) PERFORMANCE IMPROVEMENT.—The Secretary,
23 in consultation with the States, shall develop uniform per-
24 formance measures designed to assess the degree of effec-
25 tiveness, and the degree of improvement, of State pro-

1 grams funded under this part in accomplishing the pur-
2 poses of this part.”.

3 (e) ANNUAL RANKING OF STATES.—Section
4 413(d)(1) (42 U.S.C. 613(d)(1)) is amended to read as
5 follows:

6 “(1) ANNUAL RANKING OF STATES.—

7 “(A) IN GENERAL.—The Secretary shall
8 rank annually the States to which grants are
9 paid under section 403 in the order of their
10 success in—

11 “(i) placing recipients of assistance
12 under the State program funded under this
13 part into private sector jobs;

14 “(ii) the success of the recipients in
15 retaining employment;

16 “(iii) the ability of the recipients to
17 increase their wages;

18 “(iv) the degree to which recipients
19 have workplace attachment and advance-
20 ment;

21 “(v) reducing the overall welfare case-
22 load; and

23 “(vi) when a practicable method for
24 calculating this information becomes avail-
25 able, diverting individuals from formally

1 applying to the State program and receiv-
2 ing assistance.

3 “(B) CONSIDERATION OF OTHER FAC-
4 TORS.—In ranking States under this para-
5 graph, the Secretary shall take into account the
6 average number of minor children living at
7 home in families in the State that have incomes
8 below the poverty line and the amount of fund-
9 ing provided each State under this part for
10 such families.”.

11 **SEC. 212. FAMILY ASSISTANCE GRANTS.**

12 (a) EXTENSION OF AUTHORITY.—Section 403(a)(1)
13 (42 U.S.C. 603(a)(1)(A)) is amended—

14 (1) in subparagraph (A)—

15 (A) by striking “1996, 1997, 1998, 1999,
16 2000, 2001, 2002, and 2003” and inserting
17 “2006 through 2010”; and

18 (B) by inserting “payable to the State for
19 the fiscal year” before the period; and

20 (2) in subparagraph (C), by striking “for fiscal
21 year 2003” and all that follows through the period,
22 and inserting “for each of fiscal years 2006 through
23 2010, \$16,566,542,000 for grants under this para-
24 graph.”.

1 (b) MATCHING GRANTS FOR THE TERRITORIES.—
 2 Section 1108(b)(2) (42 U.S.C. 1308(b)(2)) is amended by
 3 striking “1997 through 2003” and inserting “2006
 4 through 2010”.

5 **SEC. 213. PROMOTION OF FAMILY FORMATION AND**
 6 **HEALTHY MARRIAGE.**

7 (a) STATE PLANS.—Section 402(a)(1)(A) (42 U.S.C.
 8 602(a)(1)(A)), as amended by section 211(a), is amended
 9 by adding at the end the following:

10 “(viii) Encourage equitable treatment
 11 of healthy 2-parent married families under
 12 the program referred to in clause (i).”.

13 (b) HEALTHY MARRIAGE PROMOTION GRANTS; RE-
 14 PEAL OF BONUS FOR REDUCTION OF ILLEGITIMACY
 15 RATIO.—Section 403(a)(2) (42 U.S.C. 603(a)(2)) is
 16 amended to read as follows:

17 “(2) HEALTHY MARRIAGE PROMOTION
 18 GRANTS.—

19 “(A) AUTHORITY.—

20 “(i) IN GENERAL.—The Secretary
 21 shall award competitive grants to States,
 22 territories, and Indian tribes and tribal or-
 23 ganizations for not more than 50 percent
 24 of the cost of developing and implementing

1 innovative programs to promote and sup-
2 port healthy 2-parent married families.

3 “(ii) USE OF OTHER TANF FUNDS.—

4 A State or Indian tribe with an approved
5 tribal family assistance plan may use funds
6 provided under other grants made under
7 this part for all or part of the expenditures
8 incurred for the remainder of the costs de-
9 scribed in clause (i). In the case of a State,
10 any such funds expended shall not be con-
11 sidered qualified State expenditures for
12 purposes of section 409(a)(7).

13 “(B) HEALTHY MARRIAGE PROMOTION AC-

14 TIVITIES.—Funds provided under subparagraph
15 (A) shall be used to support any of the fol-
16 lowing programs or activities:

17 “(i) Public advertising campaigns on
18 the value of marriage and the skills needed
19 to increase marital stability and health.

20 “(ii) Education in high schools on the
21 value of marriage, relationship skills, and
22 budgeting.

23 “(iii) Marriage education, marriage
24 skills, and relationship skills programs,
25 that may include parenting skills, financial

1 management, conflict resolution, and job
2 and career advancement, for non-married
3 pregnant women, non-married expectant
4 fathers, and non-married recent parents.

5 “(iv) Pre-marital education and mar-
6 riage skills training for engaged couples
7 and for couples or individuals interested in
8 marriage.

9 “(v) Marriage enhancement and mar-
10 riage skills training programs for married
11 couples.

12 “(vi) Divorce reduction programs that
13 teach relationship skills.

14 “(vii) Marriage mentoring programs
15 which use married couples as role models
16 and mentors.

17 “(viii) Programs to reduce the dis-
18 incentives to marriage in means-tested aid
19 programs, if offered in conjunction with
20 any activity described in this subpara-
21 graph.

22 “(C) VOLUNTARY PARTICIPATION.—Par-
23 ticipation in programs or activities described in
24 any of clauses (iii) through (vii) shall be vol-
25 untary.

1 “(D) GENERAL RULES GOVERNING USE OF
2 FUNDS.—The rules of section 404, other than
3 subsection (b) of that section, shall not apply to
4 a grant made under this paragraph.

5 “(E) REQUIREMENTS FOR RECEIPT OF
6 FUNDS.—A State, territory, or Indian tribe or
7 tribal organization may not be awarded a grant
8 under this paragraph unless the State, terri-
9 tory, Indian tribe or tribal organization, as a
10 condition of receiving funds under such a
11 grant—

12 “(i) consults with experts in domestic
13 violence or with relevant community do-
14 mestic violence coalitions in developing
15 such programs or activities; and

16 “(ii) describes in the application for a
17 grant under this paragraph—

18 “(I) how the programs or activi-
19 ties proposed to be conducted will ad-
20 dress, as appropriate, issues of domes-
21 tic violence; and

22 “(II) what the State, territory, or
23 Indian tribe or tribal organization,
24 will do, to the extent relevant, to en-
25 sure that participation in such pro-

1 grams or activities is voluntary, and
2 to inform potential participants that
3 their involvement is voluntary.

4 “(F) APPROPRIATION.—

5 “(i) IN GENERAL.—Out of any money
6 in the Treasury of the United States not
7 otherwise appropriated, there are appro-
8 priated for each of fiscal years 2006
9 through 2010, \$100,000,000 for grants
10 under this paragraph.

11 “(ii) EXTENDED AVAILABILITY OF
12 FUNDS.—

13 “(I) IN GENERAL.—Funds ap-
14 propriated under clause (i) for each of
15 fiscal years 2006 through 2010 shall
16 remain available to the Secretary until
17 expended.

18 “(II) AUTHORITY FOR GRANT
19 RECIPIENTS.—A State, territory, or
20 Indian tribe or tribal organization
21 may use funds made available under a
22 grant awarded under this paragraph
23 without fiscal year limitation pursuant
24 to the terms of the grant.”.

1 (c) COUNTING OF SPENDING ON NON-ELIGIBLE
 2 FAMILIES TO PREVENT AND REDUCE INCIDENCE OF
 3 OUT-OF-WEDLOCK BIRTHS, ENCOURAGE FORMATION
 4 AND MAINTENANCE OF HEALTHY 2-PARENT MARRIED
 5 FAMILIES, OR ENCOURAGE RESPONSIBLE FATHER-
 6 HOOD.—Section 409(a)(7)(B)(i) (42 U.S.C.
 7 609(a)(7)(B)(i)) is amended by adding at the end the fol-
 8 lowing:

9 “(V) COUNTING OF SPENDING
 10 ON NON-ELIGIBLE FAMILIES TO PRE-
 11 VENT AND REDUCE INCIDENCE OF
 12 OUT-OF-WEDLOCK BIRTHS, ENCOUR-
 13 AGE FORMATION AND MAINTENANCE
 14 OF HEALTHY 2-PARENT MARRIED
 15 FAMILIES, OR ENCOURAGE RESPON-
 16 SIBLE FATHERHOOD.—Subject to sub-
 17 clauses (II) and (III), the term ‘quali-
 18 fied State expenditures’ includes the
 19 total expenditures by the State during
 20 the fiscal year under all State pro-
 21 grams for a purpose described in
 22 paragraph (3) or (4) of section
 23 401(a).”.

24 (d) PURPOSES.—Section 401(a)(4) (42 U.S.C.
 25 601(a)(4)) is amended by striking “two-parent families”

1 and inserting “healthy 2-parent married families, and en-
2 courage responsible fatherhood”.

3 **SEC. 214. SUPPLEMENTAL GRANT FOR POPULATION IN-**
4 **CREASES IN CERTAIN STATES.**

5 Section 403(a)(3)(H) (42 U.S.C. 603(a)(3)(H)) is
6 amended—

7 (1) in clause (i), by striking “2002 and 2003”
8 and inserting “2006 through 2009”;

9 (2) in clause (ii), by striking “March 31, 2005”
10 and inserting “fiscal year 2009”; and

11 (3) in clause (iii), by striking “2002 and 2003”
12 and inserting “2006 through 2009”.

13 **SEC. 215. BONUS TO REWARD EMPLOYMENT ACHIEVE-**
14 **MENT.**

15 (a) BONUS TO REWARD EMPLOYMENT ACHIEVE-
16 MENT.—Section 403(a)(4) (42 U.S.C. 603(a)(4)) is
17 amended to read as follows:

18 “(4) BONUS TO REWARD EMPLOYMENT
19 ACHIEVEMENT.—

20 “(A) IN GENERAL.—The Secretary shall
21 make a grant pursuant to this paragraph to
22 each State for each bonus year for which the
23 State is an employment achievement State.

24 “(B) AMOUNT OF GRANT.—

1 “(i) IN GENERAL.—Subject to clause
2 (ii), the Secretary shall determine the
3 amount of the grant payable under this
4 paragraph to an employment achievement
5 State for a bonus year, which shall be
6 based on the performance of the State as
7 determined under subparagraph (D)(i) for
8 the fiscal year that immediately precedes
9 the bonus year.

10 “(ii) LIMITATION.—The amount pay-
11 able to a State under this paragraph for a
12 bonus year shall not exceed 5 percent of
13 the State family assistance grant.

14 “(C) FORMULA FOR MEASURING STATE
15 PERFORMANCE.—

16 “(i) IN GENERAL.—Subject to clause
17 (ii), not later than October 1, 2006, the
18 Secretary, in consultation with the States,
19 shall develop a formula for measuring
20 State performance in operating the State
21 program funded under this part so as to
22 achieve the goals of employment entry, job
23 retention, increased earnings from employ-
24 ment, and workplace attachment and ad-
25 vancement for families receiving assistance

1 under the program, as measured on an ab-
2 solute basis and on the basis of improve-
3 ment in State performance.

4 “(ii) SPECIAL RULE FOR BONUS
5 YEARS 2006 AND 2007.—For the purposes
6 of awarding a bonus under this paragraph
7 for bonus year 2006 or 2007, the Sec-
8 retary may measure the performance of a
9 State in fiscal year 2005 or 2006 (as the
10 case may be) using the job entry rate, job
11 retention rate, and earnings gain rate com-
12 ponents of the formula developed under
13 section 403(a)(4)(C) as in effect imme-
14 diately before the effective date of this
15 paragraph.

16 “(D) DETERMINATION OF STATE PER-
17 FORMANCE.—For each bonus year, the Sec-
18 retary shall—

19 “(i) use the formula developed under
20 subparagraph (C) to determine the per-
21 formance of each eligible State for the fis-
22 cal year that precedes the bonus year; and

23 “(ii) prescribe performance standards
24 in such a manner so as to ensure that—

1 “(I) the average annual total
2 amount of grants to be made under
3 this paragraph for each bonus year
4 equals \$100,000,000; and

5 “(II) the total amount of grants
6 to be made under this paragraph for
7 all bonus years equals \$600,000,000.

8 “(E) DEFINITIONS.—In this paragraph:

9 “(i) BONUS YEAR.—The term ‘bonus
10 year’ means each of fiscal years 2006
11 through 2011.

12 “(ii) EMPLOYMENT ACHIEVEMENT
13 STATE.—The term ‘employment achieve-
14 ment State’ means, with respect to a bonus
15 year, an eligible State whose performance
16 determined pursuant to subparagraph
17 (D)(i) for the fiscal year preceding the
18 bonus year equals or exceeds the perform-
19 ance standards prescribed under subpara-
20 graph (D)(ii) for such preceding fiscal
21 year.

22 “(F) APPROPRIATION.—Out of any money
23 in the Treasury of the United States not other-
24 wise appropriated, there are appropriated for

1 the period of fiscal years 2006 through 2011,
2 \$600,000,000 for grants under this paragraph.

3 “(G) GRANTS FOR TRIBAL ORGANIZA-
4 TIONS.—This paragraph shall apply with re-
5 spect to tribal organizations in the same man-
6 ner in which this paragraph applies with re-
7 spect to States. In determining the criteria
8 under which to make grants to tribal organiza-
9 tions under this paragraph, the Secretary shall
10 consult with tribal organizations.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 subsection (a) shall take effect on October 1, 2005.

13 **SEC. 216. CONTINGENCY FUND.**

14 (a) CONTINGENCY FUNDING AVAILABLE TO NEEDY
15 STATES.—Section 403(b) (42 U.S.C. 603(b)) is amend-
16 ed—

17 (1) by striking paragraphs (1) through (3) and
18 inserting the following:

19 “(1) CONTINGENCY FUND GRANTS.—

20 “(A) PAYMENTS.—Subject to subpara-
21 graph (C), and out of funds appropriated under
22 subparagraph (E), each State shall receive a
23 contingency fund grant for each eligible month
24 in which the State is a needy State under para-
25 graph (3).

1 “(B) MONTHLY CONTINGENCY FUND
2 GRANT AMOUNT.—For each eligible month in
3 which a State is a needy State, the State shall
4 receive a contingency fund grant equal to the
5 product of—

6 “(i) the applicable percentage (as de-
7 fined under subparagraph (D)(i)) of the
8 applicable benefit level (as defined in sub-
9 paragraph (D)(ii)); and

10 “(ii) the amount by which the total
11 number of families that received assistance
12 under the State program funded under this
13 part in the most recently concluded 3-
14 month period for which data are available
15 from the State exceeds a 5-percent in-
16 crease in the number of such families in
17 the corresponding 3-month period in either
18 of the 2 most recent preceding fiscal years
19 and that was due, in large measure, to eco-
20 nomic conditions rather than State policy
21 changes.

22 “(C) LIMITATION.—The total amount paid
23 to a single State under subparagraph (A) dur-
24 ing a fiscal year shall not exceed the amount
25 equal to 10 percent of the State family assist-

1 ance grant (as defined under subparagraph (B)
2 of subsection (a)(1)).

3 “(D) DEFINITIONS.—In this paragraph:

4 “(i) APPLICABLE PERCENTAGE.—The
5 term ‘applicable percentage’ means the
6 Federal medical assistance percentage for
7 the State (as defined in section 1905(b)).

8 “(ii) APPLICABLE BENEFIT LEVEL.—

9 “(I) IN GENERAL.—Subject to
10 subclause (II), the term ‘applicable
11 benefit level’ means the amount equal
12 to the maximum cash assistance grant
13 for a family consisting of 3 individuals
14 under the State program funded
15 under this part.

16 “(II) RULE FOR STATES WITH
17 MORE THAN 1 MAXIMUM LEVEL.—In
18 the case of a State that has more
19 than 1 maximum cash assistance
20 grant level for families consisting of 3
21 individuals, the basic assistance cost
22 shall be the amount equal to the max-
23 imum cash assistance grant level ap-
24 plicable to the largest number of fami-
25 lies consisting of 3 individuals receiv-

1 ing assistance under the State pro-
2 gram funded under this part.

3 “(E) APPROPRIATION.—Out of any money
4 in the Treasury of the United States not other-
5 wise appropriated, there is appropriated for the
6 period of fiscal years 2006 through 2010, such
7 sums as are necessary for making contingency
8 fund grants under this subsection in a total
9 amount not to exceed \$2,000,000,000.”;

10 (2) by redesignating paragraph (4) as para-
11 graph (2); and

12 (3) in paragraph (2), as so redesignated—

13 (A) by striking “(3)(A)” and inserting
14 “(1)”; and

15 (B) by striking “2-month period that be-
16 gins with any” and inserting “fiscal year quar-
17 ter that includes a”.

18 (b) MODIFICATION OF DEFINITION OF NEEDY
19 STATE.—Section 403(b), as amended by subsection (a),
20 (42 U.S.C. 603(b)) is further amended—

21 (1) by striking paragraphs (5) and (6);

22 (2) by redesignating paragraphs (7) and (8) as
23 paragraphs (5) and (6), respectively; and

24 (3) by inserting after paragraph (2) (as redesign-
25 ated by subsection (a)(2)) the following:

1 “(3) INITIAL DETERMINATION OF WHETHER A
2 STATE QUALIFIES AS A NEEDY STATE.—

3 “(A) IN GENERAL.—For purposes of para-
4 graph (1), subject to paragraph (4), a State will
5 be initially determined to be a needy State for
6 a month if, as determined by the Secretary—

7 “(i) the monthly average of the
8 unduplicated number of families that re-
9 ceived assistance under the State program
10 funded under this part in the most recently
11 concluded 3-month period for which data
12 are available from the State increased by
13 at least 5 percent over the number of such
14 families that received such benefits in the
15 corresponding 3-month period in either of
16 the 2 most recent preceding fiscal years;

17 “(ii) the increase in the number of
18 such families for the State was due, in
19 large measure, to economic conditions
20 rather than State policy changes; and

21 “(iii) the State satisfies any of the fol-
22 lowing criteria:

23 “(I) The average rate of total un-
24 employment in the State (seasonally
25 adjusted) for the period consisting of

1 the most recent 3 months for which
2 data are available has increased by
3 the lesser of 1.5 percentage points or
4 by 50 percent over the corresponding
5 3-month period in either of the 2 most
6 recent preceding fiscal years.

7 “(II) The average insured unem-
8 ployment rate for the most recent 13
9 weeks for which data are available has
10 increased by 1 percentage point over
11 the corresponding 13-week period in
12 either of the 2 most recent preceding
13 fiscal years.

14 “(III) As determined by the Sec-
15 retary of Agriculture, the monthly av-
16 erage number of households (as of the
17 last day of each month) that partici-
18 pated in the food stamp program in
19 the State in the then most recently
20 concluded 3-month period for which
21 data are available exceeds by at least
22 15 percent the monthly average num-
23 ber of households (as of the last day
24 of each month) in the State that par-
25 ticipated in the food stamp program

1 in the corresponding 3-month period
2 in either of the 2 most recent pre-
3 ceding fiscal years, but only if the
4 Secretary and the Secretary of Agri-
5 culture concur in the determination
6 that the State's increased caseload
7 was due, in large measure, to eco-
8 nomic conditions rather than changes
9 in Federal or State policies related to
10 the food stamp program.

11 “(B) DURATION.—A State that qualifies
12 as a needy State—

13 “(i) under subclause (I) or (II) of
14 subparagraph (A)(iii), shall be considered
15 a needy State until the State's average
16 rate of total unemployment or the State's
17 insured unemployment rate, respectively,
18 falls below the level attained in the applica-
19 ble period that was first used to determine
20 that the State qualified as a needy State
21 under that subparagraph (and in the case
22 of the insured unemployment rate, without
23 regard to any declines in the rate that are
24 the result of seasonal variation); and

1 “(ii) under subclause (III) of subpara-
 2 graph (A)(iii), shall be considered a needy
 3 State so long as the State meets the cri-
 4 teria for being considered a needy State
 5 under that subparagraph.

6 “(4) EXCEPTIONS.—

7 “(A) UNEXPENDED BALANCES.—

8 “(i) IN GENERAL.—Notwithstanding
 9 paragraph (3), a State that has unex-
 10 pended TANF balances in an amount that
 11 exceeds 30 percent of the total amount of
 12 grants received by the State under sub-
 13 section (a) for the most recently completed
 14 fiscal year (other than welfare-to-work
 15 grants made under paragraph (5) of that
 16 subsection prior to fiscal year 2000), shall
 17 not be a needy State under this subsection.

18 “(ii) DEFINITION OF UNEXPENDED
 19 TANF BALANCES.—In clause (i), the term
 20 ‘unexpended TANF balances’ means the
 21 lessor of—

22 “(I) the total amount of grants
 23 made to the State (regardless of the
 24 fiscal year in which such funds were
 25 awarded) under subsection (a) (other

1 than welfare-to-work grants made
2 under paragraph (5) of that sub-
3 section prior to fiscal year 2000) but
4 not yet expended as of the end of the
5 fiscal year preceding the fiscal year
6 for which the State would, in the ab-
7 sence of this subparagraph, be consid-
8 ered a needy State under this sub-
9 section; and

10 “(II) the total amount of grants
11 made to the State under subsection
12 (a) (other than welfare-to-work grants
13 made under paragraph (5) of that
14 subsection prior to fiscal year 2000)
15 but not yet expended as of the end of
16 such preceding fiscal year, plus the
17 difference between—

18 “(aa) the pro rata share of
19 the current fiscal year grant to
20 be made under subsection (a) to
21 the State; and

22 “(bb) current year expendi-
23 tures of the total amount of
24 grants made to the State under
25 subsection (a) (regardless of the

1 fiscal year in which such funds
 2 were awarded) (other than such
 3 welfare-to-work grants) through
 4 the end of the most recent cal-
 5 endar quarter.

6 “(B) FAILURE TO SATISFY MAINTENANCE
 7 OF EFFORT REQUIREMENT.—Notwithstanding
 8 paragraph (3), a State that fails to satisfy the
 9 requirement of section 409(a)(7) with respect to
 10 a fiscal year shall not be a needy State under
 11 this subsection for that fiscal year.”.

12 (c) CLARIFICATION OF REPORTING REQUIRE-
 13 MENTS.—Paragraph (6) of section 403(b) (42 U.S.C.
 14 603(b)), as redesignated by subsection (b)(2), is amended
 15 by striking “on the status of the Fund” and inserting “on
 16 the States that qualified for contingency funds and the
 17 amount of funding awarded under this subsection”.

18 (d) ELIMINATION OF PENALTY FOR FAILURE TO
 19 MAINTAIN 100 PERCENT MAINTENANCE OF EFFORT.—

20 (1) IN GENERAL.—Section 409(a) (42 U.S.C.
 21 609(a)) is amended—

22 (A) by striking paragraph (10); and

23 (B) by redesignating paragraphs (11)
 24 through (14) as paragraphs (10) through (13),
 25 respectively.

1 (2) CONFORMING AMENDMENTS.—Section 409
2 (42 U.S.C. 609) is amended—

3 (A) in subsection (a)(7)(B)(i)(III), by
4 striking “(12)” and inserting “(11)”;

5 (B) in subsection (b)(2), by striking “(10),
6 (12), or (13)” and inserting “(11), or (12)”;
7 and

8 (C) in subsection (c)(4), by striking “(10),
9 (12), or (13)” and inserting “(11), or (12)”.

10 **SEC. 217. USE OF FUNDS.**

11 (a) TREATMENT OF INTERSTATE IMMIGRANTS.—
12 Section 404 (42 U.S.C. 604) is amended by striking sub-
13 section (c).

14 (b) RESTORATION OF AUTHORITY TO TRANSFER UP
15 TO 10 PERCENT OF TANF FUNDS TO THE SOCIAL SERV-
16 ICES BLOCK GRANT.—Section 404(d)(2) (42 U.S.C.
17 604(d)(2)) is amended to read as follows:

18 “(2) LIMITATION ON AMOUNT TRANSFERABLE
19 TO TITLE XX PROGRAMS.—A State may use not
20 more than 10 percent of the amount of any grant
21 made to the State under section 403(a) for a fiscal
22 year to carry out State programs pursuant to title
23 XX.”.

24 (c) CLARIFICATION OF AUTHORITY OF STATES TO
25 USE TANF FUNDS CARRIED OVER FROM PRIOR YEARS

1 TO PROVIDE TANF BENEFITS AND SERVICES.—Section
2 404(e) (42 U.S.C. 604(e)) is amended to read as follows:

3 “(e) AUTHORITY TO CARRYOVER OR RESERVE CER-
4 TAIN AMOUNTS FOR BENEFITS OR SERVICES OR FOR FU-
5 TURE CONTINGENCIES.—

6 “(1) CARRYOVER.—A State or tribe may use a
7 grant made to the State or tribe under this part for
8 any fiscal year to provide, without fiscal year limita-
9 tion, any benefit or service that may be provided
10 under the State or tribal program funded under this
11 part.

12 “(2) CONTINGENCY RESERVE.—A State or tribe
13 may designate any portion of a grant made to the
14 State or tribe under this part as a contingency re-
15 serve for future needs, and may use any amount so
16 designated to provide, without fiscal year limitation,
17 any benefit or service that may be provided under
18 the State or tribal program funded under this part.
19 If a State or tribe so designates a portion of such
20 a grant, the State or tribe shall include in its report
21 under section 411(a) the amount so designated.”.

22 (d) STATE OPTION TO ESTABLISH UNDERGRADUATE
23 POSTSECONDARY OR VOCATIONAL EDUCATIONAL PRO-
24 GRAM.—

1 (1) IN GENERAL.—Section 404 (42 U.S.C. 604)
2 is amended by adding at the end the following:

3 “(1) AUTHORITY TO ESTABLISH UNDERGRADUATE
4 POSTSECONDARY OR VOCATIONAL EDUCATIONAL PRO-
5 GRAM.—

6 “(1) IN GENERAL.—Subject to the succeeding
7 paragraphs of this subsection, a State to which a
8 grant is made under section 403 may use the grant
9 to establish a program under which an eligible par-
10 ticipant (as defined in paragraph (5)) may be pro-
11 vided support services described in paragraph (7)
12 and, subject to paragraph (8), may have hours of
13 participation in such program counted as being en-
14 gaged in work for purposes of determining monthly
15 participation rates under section 407(b)(1)(B)(i).

16 “(2) STATE PLAN REQUIREMENT.—In order to
17 establish a program under this subsection, a State
18 shall describe (in an addendum to the State plan
19 submitted under section 402) the applicable eligi-
20 bility criteria that is designed to limit participation
21 in the program to only those individuals—

22 “(A) whose past earnings indicate that the
23 individuals cannot qualify for employment that
24 pays enough to allow them to obtain self-suffi-
25 ciency (as determined by the State); and

1 “(B) for whom enrollment in the program
2 will prepare the individuals for higher-paying
3 occupations in demand in the State.

4 “(3) LIMITATION ON ENROLLMENT.—The num-
5 ber of eligible participants in a program established
6 under this subsection may not exceed 10 percent of
7 the total number of families receiving assistance
8 under the State program funded under this part.

9 “(4) NO FEDERAL FUNDS FOR TUITION.—A
10 State may not use Federal funds provided under a
11 grant made under section 403 to pay tuition for an
12 eligible participant.

13 “(5) DEFINITION OF ELIGIBLE PARTICIPANT.—
14 In this subsection, the term ‘eligible participant’
15 means an individual who receives assistance under
16 the State program funded under this part and satis-
17 fies the following requirements:

18 “(i) The individual is enrolled in a
19 postsecondary 2- or 4-year degree program
20 or in a vocational educational training pro-
21 gram.

22 “(ii) During the period the individual
23 participates in the program, the individual
24 maintains satisfactory academic progress,
25 as defined by the institution operating the

1 undergraduate postsecondary or vocational
2 educational program in which the indi-
3 vidual is enrolled.

4 “(6) REQUIRED TIME PERIODS FOR COMPLE-
5 TION OF DEGREE OR VOCATIONAL EDUCATIONAL
6 TRAINING PROGRAM.—

7 “(A) IN GENERAL.—Subject to subpara-
8 graph (B), an eligible participant participating
9 in a program established under this subsection
10 shall be required to complete the requirements
11 of a degree or vocational educational training
12 program within the normal timeframe for full-
13 time students seeking the particular degree or
14 completing the vocational educational training
15 program.

16 “(B) EXCEPTION.—For good cause, the
17 State may allow an eligible participant to com-
18 plete their degree requirements or vocational
19 educational training program within a period
20 not to exceed 1½ times the normal timeframe
21 established under subparagraph (A) (unless fur-
22 ther modification is required by the Americans
23 with Disabilities Act of 1990 (42 U.S.C. 12101
24 et seq.), or section 504 of the Rehabilitation
25 Act of 1973 (29 U.S.C. 794)) and may modify

1 the requirements applicable to an individual
2 participating in the program. For purposes of
3 the preceding sentence, good cause includes the
4 case of an eligible participant with 1 or more
5 significant barriers to normal participation, as
6 determined by the State, such as the need to
7 care for a family member with special needs.

8 “(7) SUPPORT SERVICES DESCRIBED.—For
9 purposes of paragraph (1), the support services de-
10 scribed in this paragraph include any or all of the
11 following during the period the eligible participant is
12 in the program established under this subsection:

13 “(A) Child care.

14 “(B) Transportation services.

15 “(C) Payment for books and supplies.

16 “(D) Other services provided under policies
17 determined by the State to ensure coordination
18 and lack of duplication with other programs
19 available to provide support services.

20 “(8) RULES FOR INCLUSION IN MONTHLY
21 WORK PARTICIPATION RATES.—

22 “(A) FAMILIES COUNTED AS PARTICI-
23 PATING IF THEY MEET THE REQUIREMENTS OF
24 SUBPARAGRAPHS (B) OR (C).—For each eligible
25 participant, a State may elect, for purposes of

1 determining monthly participation rates under
2 section 407(b)(1)(B)(i), to include such partici-
3 pant in the determination of such rates in ac-
4 cordance with subparagraph (B) or (C).

5 “(B) FULL OR PARTIAL CREDIT FOR
6 HOURS OF PARTICIPATION IN EDUCATIONAL OR
7 RELATED ACTIVITIES.—

8 “(i) IN GENERAL.—Subject to clause
9 (iv), an eligible participant who partici-
10 pates in educational or related activities
11 (as determined by the State) under a pro-
12 gram established under this subsection
13 shall be given credit for the number of
14 hours of such participation to the extent
15 that an adult recipient or minor child head
16 of household would be given credit under
17 section 407(c) for being engaged in the
18 same number of hours of work activities
19 described in paragraph (1), (2), (3), (4),
20 (5), (6), (7), (8), or (12) of section 407(d).

21 “(ii) RELATED ACTIVITIES.—For pur-
22 poses of clause (i), related activities shall
23 include—

1 “(I) work activities described in
2 paragraph (1), (2), (3), (4), (5), (6),
3 (7), (8), or (12) of section 407(d);

4 “(II) work study, practicums, in-
5 ternships, clinical placements, labora-
6 tory or field work, or such other ac-
7 tivities as will enhance the eligible
8 participant’s employability in the par-
9 ticipant’s field of study, as determined
10 by the State; or

11 “(III) subject to clause (iii),
12 study time.

13 “(iii) LIMITATION ON INCLUSION OF
14 STUDY TIME.—For purposes of deter-
15 mining hours per week of participation by
16 an eligible participant under a program es-
17 tablished under this subsection, a State
18 may not count study time of less than 1
19 hour for every hour of class time or more
20 than 2 hours for every hour of class time.

21 “(iv) TOTAL NUMBER OF HOURS LIM-
22 ITED TO BEING COUNTED AS 1 FAMILY.—
23 In no event may hours per week of partici-
24 pation by an eligible participant under a
25 program established under this subsection

1 be counted as more than 1 family for pur-
2 poses of determining monthly participation
3 rates under section 407(b)(1)(B)(i).

4 “(C) FULL CREDIT FOR BEING ENGAGED
5 IN DIRECT WORK ACTIVITIES FOR CERTAIN
6 HOURS PER WEEK.—

7 “(i) IN GENERAL.—A family that in-
8 cludes an eligible participant who, in addi-
9 tion to complying with the full-time edu-
10 cational participation requirements of the
11 degree or vocational educational training
12 program they are enrolled in, participates
13 in an activity described in subclause (I),
14 (II), or (III) of subparagraph (B)(ii) for
15 not less than the number of hours required
16 per week under clause (ii) shall be counted
17 as 1 family.

18 “(ii) REQUIRED HOURS PER WEEK.—
19 For purposes of clause (i), subject to
20 clause (iii), the number of hours per week
21 are—

22 “(I) 6 hours per week during the
23 first 12-month period that an eligible
24 participant participates in a program
25 established under this subsection;

1 “(II) 8 hours per week during
2 the second 12-month period of such
3 participation;

4 “(II) 10 hours per week during
5 the third 12-month period of such
6 participation; and

7 “(II) 12 hours per week during
8 the fourth or any other succeeding 12-
9 month period of such participation.

10 “(iii) MODIFICATION OF REQUIRE-
11 MENTS FOR GOOD CAUSE.—A State may
12 modify the number of hours per week re-
13 quired under clause (ii) for good cause.
14 For purposes of the preceding sentence,
15 good cause includes the case of an eligible
16 participant with 1 or more significant bar-
17 riers to normal participation, as deter-
18 mined by the State, such as the need to
19 care for a family member with special
20 needs.”.

21 (2) CONFORMING AMENDMENT.—Section
22 407(d)(8) (42 U.S.C. 607(d)(8)) is amended by in-
23 serting “other than an individual participating in a
24 program established under section 404(l)” after “in-
25 dividual”.

1 **SEC. 218. REPEAL OF FEDERAL LOAN FOR STATE WELFARE**
2 **PROGRAMS.**

3 (a) REPEAL.—Section 406 (42 U.S.C. 606) is re-
4 pealed.

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 409 (42 U.S.C. 609), as amended
7 by section 216(d)(2), is amended—

8 (A) in subsection (a), by striking para-
9 graph (6);

10 (B) in subsection (b)(2), by striking
11 “(6),”; and

12 (C) in subsection (c)(4), by striking “(6),”.

13 (2) Section 412 (42 U.S.C. 612) is amended by
14 striking subsection (f) and redesignating subsections
15 (g) through (i) as subsections (f) through (h), re-
16 spectively.

17 (3) Section 1108(a)(2) (42 U.S.C. 1308(a)(2))
18 is amended by striking “406,”.

19 **SEC. 219. WORK PARTICIPATION REQUIREMENTS.**

20 (a) ELIMINATION OF SEPARATE WORK PARTICIPA-
21 TION RATE FOR 2-PARENT FAMILIES BEGINNING WITH
22 FISCAL YEAR 2003.—

23 (1) IN GENERAL.—Section 407 (42 U.S.C. 607)
24 is amended—

25 (A) in subsection (a)—

1 (i) in the heading, by striking “PAR-
2 TICIPATION RATE REQUIREMENTS” and all
3 that follows through “A State” and insert-
4 ing “PARTICIPATION RATE REQUIRE-
5 MENTS.—A State”; and

6 (ii) by striking paragraph (2);

7 (B) in subsection (b)—

8 (i) by striking paragraph (2);

9 (ii) in paragraph (4), by striking
10 “paragraphs (1)(B) and (2)(B)” and in-
11 sserting “determining monthly participation
12 rates under paragraph (1)(B)”; and

13 (iii) in paragraph (5), by striking
14 “rates” and inserting “rate”; and

15 (C) in subsection (c)—

16 (i) in paragraph (1)—

17 (I) by striking “GENERAL
18 RULES.—” and all that follows
19 through “For purposes” in subpara-
20 graph (A) and inserting “GENERAL
21 RULE.—For purposes”; and

22 (II) by striking subparagraph
23 (B); and

24 (ii) in paragraph (2)(D)—

1 (I) by striking “paragraphs
2 (1)(B)(i) and (2)(B) of subsection
3 (b)” and inserting “subsection
4 (b)(1)(B)(i)”; and
5 (II) by striking “and in 2-parent
6 families, respectively,”.

7 (2) EFFECTIVE DATE.—The amendments made
8 by paragraph (1) shall take effect as if enacted on
9 October 1, 2002.

10 (b) MINIMUM PARTICIPATION RATES.—Section
11 407(a) (42 U.S.C. 607(a)), as amended by subsection
12 (a)(1)(A), is amended to read as follows:

13 “(a) PARTICIPATION RATE REQUIREMENTS.—

14 “(1) IN GENERAL.—A State to which a grant
15 is made under section 403 for a fiscal year shall
16 achieve a minimum participation rate with respect to
17 all families receiving assistance under the State pro-
18 gram funded under this part that is equal to not less
19 than—

20 “(A) 50 percent for fiscal year 2006;

21 “(B) 55 percent for fiscal year 2007;

22 “(C) 60 percent for fiscal year 2008;

23 “(D) 65 percent for fiscal year 2009; and

24 “(E) 70 percent for fiscal year 2010 and
25 each succeeding fiscal year.”.

1 (c) LIMITATION ON REDUCTION OF PARTICIPATION
2 RATE THROUGH APPLICATION OF CREDITS.—Section
3 407(a) (42 U.S.C. 607(b)), as amended by subsection (b),
4 is amended by adding at the end the following:

5 “(2) LIMITATION ON REDUCTION OF PARTICI-
6 PATION RATE THROUGH APPLICATION OF CRED-
7 ITS.—Notwithstanding any other provision of this
8 part, the net effect of any percentage reduction in
9 the minimum participation rate otherwise required
10 under this section with respect to families receiving
11 assistance under the State program funded under
12 this part as a result of the application of any em-
13 ployment credit, caseload reduction credit, or other
14 credit against such rate for a fiscal year, shall not
15 exceed—

16 “(A) 40 percentage points, in the case of
17 fiscal year 2006;

18 “(B) 35 percentage points, in the case of
19 fiscal year 2007;

20 “(C) 30 percentage points, in the case of
21 fiscal year 2008;

22 “(D) 25 percentage points, in the case of
23 fiscal year 2009; or

24 “(E) 20 percentage points, in the case of
25 fiscal year 2010 or any fiscal year thereafter.”.

1 (d) REPLACEMENT OF CASELOAD REDUCTION CRED-
2 IT WITH EMPLOYMENT CREDIT.—

3 (1) EMPLOYMENT CREDIT TO REWARD STATES
4 IN WHICH FAMILIES LEAVE WELFARE FOR WORK;
5 ADDITIONAL CREDIT FOR FAMILIES WITH HIGHER
6 EARNINGS.—

7 (A) IN GENERAL.—Section 407(b) (42
8 U.S.C. 607(b)), as amended by subsection
9 (a)(1)(B)(i), is amended by inserting after
10 paragraph (1) the following:

11 “(2) EMPLOYMENT CREDIT.—

12 “(A) IN GENERAL.—Subject to subsection
13 (a)(2), the Secretary shall, by regulation, re-
14 duce the minimum participation rate otherwise
15 applicable to a State under this subsection for
16 a fiscal year by the number of percentage
17 points in the employment credit for the State
18 for the fiscal year, as determined by the Sec-
19 retary—

20 “(i) using information in the National
21 Directory of New Hires;

22 “(ii) with respect to a recipient of as-
23 sistance or former recipient of assistance
24 under the State program funded under this
25 part who is placed with an employer whose

1 hiring information is not reported to the
2 National Directory of New Hires, using
3 quarterly wage information submitted by
4 the State to the Secretary not later than
5 such date as the Secretary shall prescribe
6 in regulations; or

7 “(iii) with respect to families de-
8 scribed in subclause (II) or (III) of sub-
9 paragraph (B)(ii), using such other data as
10 the Secretary may require in order to de-
11 termine the employment credit for a State
12 under this paragraph.

13 “(B) CALCULATION OF CREDIT.—

14 “(i) IN GENERAL.—The employment
15 credit for a State for a fiscal year is an
16 amount equal to the sum of the amounts
17 determined under clause (ii), divided by
18 the amount determined under clause (iii).

19 “(ii) NUMERATOR.—For purposes of
20 clause (i), the amounts determined under
21 this clause are the following:

22 “(I) Twice the quarterly average
23 unduplicated number of families that
24 include an adult or minor child head
25 of household recipient of assistance

1 under the State program funded
2 under this part, that ceased to receive
3 such assistance for at least 2 consecu-
4 tive months following the date of the
5 case closure for the family during the
6 applicable period (as defined in clause
7 (v)), that did not receive assistance
8 under a separate State-funded pro-
9 gram during such 2-month period,
10 and that were employed during the
11 calendar quarter immediately suc-
12 ceeding the quarter in which the as-
13 sistance under the State program
14 funded under this part ceased.

15 “(II) At the option of the State,
16 twice the quarterly average number of
17 families that received a nonrecurring
18 short-term benefit under the State
19 program funded under this part dur-
20 ing the applicable period (as so de-
21 fined), that were employed during the
22 calendar quarter immediately suc-
23 ceeding the quarter in which the non-
24 recurring short-term benefit was so
25 received, and that earned at least

1 \$1,000 during the applicable period
2 (as so defined).

3 “(III) At the option of the State,
4 twice the quarterly average number of
5 families that includes an adult who is
6 receiving substantial child care or
7 transportation assistance (as defined
8 by the Secretary, in consultation with
9 directors of State programs funded
10 under this part, which definition shall
11 specify for each type of assistance a
12 threshold which is a dollar value or a
13 length of time over which the assist-
14 ance is received, and which takes ac-
15 count of large one-time transition pay-
16 ments)) during the applicable period
17 (as so defined).

18 “(iii) DENOMINATOR.—For purposes
19 of clause (i), the amount determined under
20 this clause is the amount equal to the sum
21 of the following:

22 “(I) The average monthly num-
23 ber of families that include an adult
24 or minor child head of household who
25 received assistance under the State

1 program funded under this part dur-
2 ing the applicable period (as defined
3 under clause (v)).

4 “(II) If the State elected the op-
5 tion under clause (ii)(II), twice the
6 quarterly average number of families
7 that received a nonrecurring short-
8 term benefit under the State program
9 funded under this part during the ap-
10 plicable period (as so defined).

11 “(III) If the State elected the op-
12 tion under clause (ii)(III), twice the
13 quarterly average number of families
14 that includes an adult who is receiving
15 substantial child care or transpor-
16 tation assistance during the applicable
17 period (as so defined).

18 “(iv) SPECIAL RULE FOR FORMER RE-
19 CIPIENTS WITH HIGHER EARNINGS.—In
20 calculating the employment credit for a
21 State for a fiscal year, in the case of a
22 family that includes an adult or a minor
23 child head of household that is to be in-
24 cluded in the amount determined under
25 clause (ii)(I) and that, with respect to the

1 quarter in which the family’s earnings was
2 examined during the applicable period,
3 earned at least 33 percent of the average
4 quarterly earnings in the State (deter-
5 mined on the basis of State unemployment
6 data), the family shall be considered to be
7 1.5 families.

8 “(v) DEFINITION OF APPLICABLE PE-
9 RIOD.—For purposes of this paragraph,
10 the term ‘applicable period’ means, with
11 respect to a fiscal year, the most recent 4
12 quarters for which data are available to the
13 Secretary providing information on the
14 work status of—

15 “(I) individuals in the quarter
16 after the individuals ceased receiving
17 assistance under the State program
18 funded under this part;

19 “(II) at State option, individuals
20 in the quarter after the individuals re-
21 ceived a short-term, nonrecurring ben-
22 efit; and

23 “(III) at State option, individuals
24 in the quarter after the individuals

1 ceased receiving substantial child care
2 or transportation assistance.

3 “(C) NOTIFICATION TO STATE.—Not later
4 than August 30 of each fiscal year, the Sec-
5 retary shall—

6 “(i) determine, on the basis of the ap-
7 plicable period, the amount of the employ-
8 ment credit that will be used in deter-
9 mining the minimum participation rate for
10 a State under subsection (a) for the imme-
11 diately succeeding fiscal year; and

12 “(ii) notify each State conducting a
13 State program funded under this part of
14 the amount of the employment credit for
15 such program for the succeeding fiscal
16 year.”.

17 (B) AUTHORITY OF SECRETARY TO USE
18 INFORMATION IN NATIONAL DIRECTORY OF
19 NEW HIRES.—Section 453(i) (42 U.S.C. 653(i))
20 is amended by adding at the end the following:

21 “(5) CALCULATION OF EMPLOYMENT CREDIT
22 FOR PURPOSES OF DETERMINING STATE WORK PAR-
23 TICIPATION RATES UNDER TANF.—The Secretary
24 may use the information in the National Directory

1 of New Hires for purposes of calculating State em-
2 ployment credits pursuant to section 407(b)(2).”.

3 (2) ELIMINATION OF CASELOAD REDUCTION
4 CREDIT.—Section 407(b) (42 U.S.C. 607(b)) is
5 amended by striking paragraph (3) and redesign-
6 ating paragraphs (4) and (5) as paragraphs (3)
7 and (4), respectively.

8 (3) EFFECTIVE DATES.—

9 (A) IN GENERAL.—Except as provided in
10 subparagraphs (B) and (C), the amendments
11 made by this subsection shall take effect on Oc-
12 tober 1, 2007.

13 (B) STATE OPTION TO PHASE-IN REPLACE-
14 MENT OF CASELOAD REDUCTION CREDIT WITH
15 EMPLOYMENT CREDIT AND DELAY APPLICA-
16 BILITY OF OTHER PROVISIONS.—A State may
17 elect to have the amendments made by this sub-
18 section not apply to the State program funded
19 under part A of title IV of the Social Security
20 Act until October 1, 2008, and if the State
21 makes the election, then, in determining the
22 participation rate of the State for purposes of
23 section 407 of the Social Security Act for fiscal
24 year 2008, the State shall be credited with $\frac{1}{2}$
25 of the reduction in the rate that would other-

1 wise result from applying section 407(b)(2) of
 2 the Social Security Act (as added by paragraph
 3 (1)(A)) to the State for fiscal year 2008 and 1/2
 4 of the reduction in the rate that would other-
 5 wise result from applying section 407(b)(3) of
 6 the Social Security Act (as in effect with re-
 7 spect to fiscal year 2005) to the State for fiscal
 8 year 2008.

9 (C) AUTHORITY TO USE INFORMATION IN
 10 THE NATIONAL DIRECTORY OF NEW HIRES.—
 11 The amendment made by paragraph (1)(B)
 12 shall take effect on October 1, 2005.

13 (e) STATE OPTIONS FOR PARTICIPATION REQUIRE-
 14 MENT EXEMPTIONS.—Section 407(b)(4) (42 U.S.C.
 15 607(b)(4)), as amended by subsection (a)(1)(B)(iii) and
 16 redesignated by subsection (d)(2), is amended to read as
 17 follows:

18 “(4) STATE OPTIONS FOR PARTICIPATION RE-
 19 QUIREMENT EXEMPTIONS.—At the option of a State,
 20 a State may, on a case-by-case basis—

21 “(A) not include a family in the determina-
 22 tion of the monthly participation rate for the
 23 State in the first month for which the family
 24 receives assistance from the State program

1 funded under this part on the basis of the most
 2 recent application for such assistance; or

3 “(B) not require a family in which the
 4 youngest child has not attained 12 months of
 5 age to engage in work, and may disregard that
 6 family in determining the minimum participa-
 7 tion rate under subsection (a) for the State for
 8 not more than 12 months.”.

9 (f) DETERMINATION OF COUNTABLE HOURS EN-
 10 GAGED IN WORK.—

11 (1) IN GENERAL.—Section 407(c) (42 U.S.C.
 12 607(c)) is amended to read as follows:

13 “(c) DETERMINATION OF COUNTABLE HOURS EN-
 14 GAGED IN WORK.—

15 “(1) SINGLE PARENT OR RELATIVE WITH A
 16 CHILD OVER AGE 6.—

17 “(A) MINIMUM AVERAGE NUMBER OF
 18 HOURS PER WEEK.—Subject to the succeeding
 19 paragraphs of this subsection, a family in which
 20 an adult recipient or minor child head of house-
 21 hold in the family is participating in work ac-
 22 tivities described in subsection (d) shall be
 23 treated as engaged in work for purposes of de-
 24 termining monthly participation rates under
 25 subsection (b)(1)(B)(i) as follows:

1 “(i) In the case of a family in which
2 the total number of hours in which any
3 adult recipient or minor child head of
4 household in the family is participating in
5 such work activities for an average of at
6 least 20, but less than 24, hours per week
7 in a month, as 0.675 of a family.

8 “(ii) In the case of a family in which
9 the total number of hours in which any
10 adult recipient or minor child head of
11 household in the family is participating in
12 such work activities for an average of at
13 least 24, but less than 30, hours per week
14 in a month, as 0.75 of a family.

15 “(iii) In the case of a family in which
16 the total number of hours in which any
17 adult recipient or minor child head of
18 household in the family is participating in
19 such work activities for an average of at
20 least 30, but less than 34, hours per week
21 in a month, as 0.875 of a family.

22 “(iv) In the case of a family in which
23 the total number of hours in which any
24 adult recipient or minor child head of
25 household in the family is participating in

1 such work activities for an average of at
2 least 34, but less than 35, hours per week
3 in a month, as 1 family.

4 “(v) In the case of a family in which
5 the total number of hours in which any
6 adult recipient or minor child head of
7 household in the family is participating in
8 such work activities for an average of at
9 least 35, but less than 38, hours per week
10 in a month, as 1.05 families.

11 “(vi) In the case of a family in which
12 the total number of hours in which any
13 adult recipient or minor child head of
14 household in the family is participating in
15 such work activities for an average of at
16 least 38 hours per week in a month, as
17 1.08 families.

18 “(B) DIRECT WORK ACTIVITIES REQUIRED
19 FOR AN AVERAGE OF 24 HOURS PER WEEK.—
20 Except as provided in subparagraph (C)(i), a
21 State may not count any hours of participation
22 in work activities specified in paragraph (9),
23 (10), or (11) of subsection (d) of any adult re-
24 cipient or minor child head of household in a
25 family before the total number of hours of par-

1 participation by any adult recipient or minor child
 2 head of household in the family in work activi-
 3 ties described in paragraph (1), (2), (3), (4),
 4 (5), (6), (7), (8), or (12) of subsection (d) for
 5 the family for the month averages at least 24
 6 hours per week.

7 “(C) STATE FLEXIBILITY TO COUNT PAR-
 8 TICIPATION IN CERTAIN ACTIVITIES.—

9 “(i) QUALIFIED ACTIVITIES FOR 3-
 10 MONTHS IN ANY 24-MONTH PERIOD.—

11 “(I) 24-HOURS PER WEEK RE-
 12 QUIRED.—Subject to subclauses (III)
 13 and (IV), for purposes of determining
 14 hours under subparagraph (A), a
 15 State may count the total number of
 16 hours any adult recipient or minor
 17 child head of household in a family
 18 engages in qualified activities de-
 19 scribed in subclause (II) as a work ac-
 20 tivity described in subsection (d),
 21 without regard to whether the recipi-
 22 ent has satisfied the requirement of
 23 subparagraph (B), but only if—

24 “(aa) the total number of
 25 hours of participation in such

1 qualified activities for the family
2 for the month average at least 24
3 hours per week; and

4 “(bb) engaging in such
5 qualified activities is a require-
6 ment of the family self-suffi-
7 ciency plan.

8 “(II) QUALIFIED ACTIVITIES DE-
9 SCRIBED.—For purposes of subclause
10 (I), qualified activities described in
11 this subclause are any of the fol-
12 lowing:

13 “(aa) Postsecondary edu-
14 cation.

15 “(bb) Adult literacy pro-
16 grams or activities.

17 “(cc) Substance abuse coun-
18 seling or treatment.

19 “(dd) Programs or activities
20 designed to remove barriers to
21 work, as defined by the State.

22 “(ee) Work activities author-
23 ized under any waiver for any
24 State that was continued under
25 section 415 before the date of en-

1 actment of the Personal Respon-
2 sibility and Individual Develop-
3 ment for Everyone Act.

4 “(III) LIMITATION.—Except as
5 provided in clause (ii), subclause (I)
6 shall not apply to a family for more
7 than 3 months in any period of 24
8 consecutive months.

9 “(IV) CERTAIN ACTIVITIES.—
10 The Secretary may allow a State to
11 count the total hours of participation
12 in qualified activities described in sub-
13 clause (II) for an adult recipient or
14 minor child head of household without
15 regard to the minimum 24 hour aver-
16 age per week of participation require-
17 ment under subclause (I) if the State
18 has demonstrated conclusively that
19 such activity is part of a substantial
20 and supervised program whose effec-
21 tiveness in moving families to self-suf-
22 ficiency is superior to any alternative
23 activity and the effectiveness of the
24 program in moving families to self-
25 sufficiency would be substantially im-

1 paired if participating individuals par-
2 ticipated in additional, concurrent
3 qualified activities that enabled the in-
4 dividuals to achieve an average of at
5 least 24 hours per week of participa-
6 tion.

7 “(ii) ADDITIONAL 3-MONTH PERIOD
8 PERMITTED FOR CERTAIN ACTIVITIES.—

9 “(I) SELF-SUFFICIENCY PLAN
10 REQUIREMENT COMBINED WITH MIN-
11 IMUM NUMBER OF HOURS.—A State
12 may extend the 3-month period under
13 clause (i) for an additional 3 months
14 in the same period of 24 consecutive
15 months in the case of an adult recipi-
16 ent or minor child head of household
17 who is receiving qualified rehabilita-
18 tive services described in subclause
19 (II) if—

20 “(aa) the total number of
21 hours that the adult recipient or
22 minor child head of household
23 engages in such qualified reha-
24 bilitative services and, subject to
25 subclause (III), a work activity

1 described in paragraph (1), (2),
2 (3), (4), (5), (6), (7), (8), or (12)
3 of subsection (d) for the month
4 average at least 24 hours per
5 week; and

6 “(bb) engaging in such
7 qualified rehabilitative services is
8 a requirement of the family self-
9 sufficiency plan.

10 “(II) QUALIFIED REHABILITA-
11 TIVE SERVICES DESCRIBED.—For
12 purposes of subclause (I), qualified re-
13 habilitative services described in this
14 subclause are any of the following:

15 “(aa) Adult literacy pro-
16 grams or activities.

17 “(bb) Participation in a pro-
18 gram designed to increase pro-
19 ficiency in the English language.

20 “(cc) In the case of an adult
21 recipient or minor child head of
22 household who has been certified
23 by a qualified medical, mental
24 health, or social services profes-
25 sional (as defined by the State)

1 as having a physical or mental
2 disability, substance abuse prob-
3 lem, or other problem that re-
4 quires a rehabilitative service,
5 substance abuse treatment, or
6 mental health treatment, the
7 service or treatment determined
8 necessary by the professional.

9 “(III) NONAPPLICATION OF LIM-
10 TATIONS ON JOB SEARCH AND VOCA-
11 TIONAL EDUCATIONAL TRAINING.—An
12 adult recipient or minor child head of
13 household who is receiving qualified
14 rehabilitative services described in
15 subclause (II) may engage in a work
16 activity described in paragraph (6) or
17 (8) of subsection (d) for purposes of
18 satisfying the minimum 24 hour aver-
19 age per week of participation require-
20 ment under subclause (I)(aa) without
21 regard to any limit that otherwise ap-
22 plies to the activity (including the 30
23 percent limitation on participation in
24 vocational educational training under
25 paragraph (6)(C)).

1 “(iii) HOURS IN EXCESS OF AN AVER-
2 AGE OF 24 WORK ACTIVITY HOURS PER
3 WEEK.—If the total number of hours that
4 any adult recipient or minor child head of
5 household in a family has participated in a
6 work activity described in paragraph (1),
7 (2), (3), (4), (5), (6), (7), (8), or (12) of
8 subsection (d) averages at least 24 hours
9 per week in a month, a State, for purposes
10 of determining hours under subparagraph
11 (A), may count any hours an adult recipi-
12 ent or minor child head of household in the
13 family engages in—

14 “(I) any work activity described
15 in subsection (d), without regard to
16 any limit that otherwise applies to the
17 activity (including the 30 percent limi-
18 tation on participation in vocational
19 educational training under paragraph
20 (6)(C)); and

21 “(II) any qualified activity de-
22 scribed in clause (i)(II), as a work ac-
23 tivity described in subsection (d).

24 “(2) SINGLE PARENT OR RELATIVE WITH A
25 CHILD UNDER AGE 6.—

1 “(A) IN GENERAL.—A family in which an
2 adult recipient or minor child head of household
3 in the family is the only parent or caretaker rel-
4 ative in the family of a child who has not at-
5 tained 6 years of age and who is participating
6 in work activities described in subsection (d)
7 shall be treated as engaged in work for pur-
8 poses of determining monthly participation
9 rates under subsection (b)(1)(B)(i) as follows:

10 “(i) In the case of such a family in
11 which the total number of hours in which
12 the adult recipient or minor child head of
13 household in the family is participating in
14 such work activities for an average of at
15 least 20, but less than 24, hours per week
16 in a month, as 0.675 of a family.

17 “(ii) In the case of such a family in
18 which the total number of hours in which
19 the adult recipient or minor child head of
20 household in the family is participating in
21 such work activities for an average of at
22 least 24, but less than 35, hours per week
23 in a month, as 1 family.

24 “(iii) In the case of such a family in
25 which the total number of hours in which

1 the adult recipient or minor child head of
2 household in the family is participating in
3 such work activities for an average of at
4 least 35, but less than 38, hours per week
5 in a month, as 1.05 families.

6 “(iv) In the case of such a family in
7 which the total number of hours in which
8 the adult recipient or minor child head of
9 household in the family is participating in
10 such work activities for an average of at
11 least 38 hours per week in a month, as
12 1.08 families.

13 “(B) APPLICATION OF RULES REGARDING
14 DIRECT WORK ACTIVITIES AND STATE FLEXI-
15 BILITY TO COUNT PARTICIPATION IN CERTAIN
16 ACTIVITIES.—Subparagraphs (B) and (C) of
17 paragraph (1) apply to a family described in
18 subparagraph (A) in the same manner as such
19 subparagraphs apply to a family described in
20 paragraph (1)(A).

21 “(3) 2-PARENT FAMILIES.—

22 “(A) IN GENERAL.—Subject to paragraph
23 (6)(A), a 2-parent family in which an adult re-
24 cipient or minor child head of household in the
25 family is participating in work activities de-

1 scribed in subsection (d) shall be treated as en-
2 gaged in work for purposes of determining
3 monthly participation rates under subsection
4 (b)(1)(B)(i) as follows:

5 “(i) In the case of such a family in
6 which the total number of hours in which
7 any adult recipient or minor child head of
8 household in the family is participating in
9 such work activities for an average of at
10 least 26, but less than 30, hours per week
11 in a month, as 0.675 of a family.

12 “(ii) In the case of such a family in
13 which the total number of hours in which
14 any adult recipient or minor child head of
15 household in the family is participating in
16 such work activities for an average of at
17 least 30, but less than 35, hours per week
18 in a month, as 0.75 of a family.

19 “(iii) In the case of such a family in
20 which the total number of hours in which
21 any adult recipient or minor child head of
22 household in the family is participating in
23 such work activities for an average of at
24 least 35, but less than 39, hours per week
25 in a month, as 0.875 of a family.

1 “(iv) In the case of such a family in
2 which the total number of hours in which
3 any adult recipient or minor child head of
4 household in the family is participating in
5 such work activities for an average of at
6 least 39, but less than 40, hours per week
7 in a month, as 1 family.

8 “(v) In the case of such a family in
9 which the total number of hours in which
10 any adult recipient or minor child head of
11 household in the family is participating in
12 such work activities for an average of at
13 least 40, but less than 43, hours per week
14 in a month, as 1.05 families.

15 “(vi) In the case of such a family in
16 which the total number of hours in which
17 any adult recipient or minor child head of
18 household in the family is participating in
19 such work activities for an average of at
20 least 43 hours per week in a month, as
21 1.08 families.

22 “(B) APPLICATION OF RULES REGARDING
23 DIRECT WORK ACTIVITIES AND STATE FLEXI-
24 BILITY TO COUNT PARTICIPATION IN CERTAIN
25 ACTIVITIES.—Subparagraphs (B) and (C) of

1 paragraph (1) apply to a 2-parent family de-
2 scribed in subparagraph (A) in the same man-
3 ner as such subparagraphs apply to a family
4 described in paragraph (1)(A), except that sub-
5 paragraph (B) of paragraph (1) shall be applied
6 to a such a 2-parent family by substituting ‘34’
7 for ‘24’ each place it appears.

8 “(4) 2-PARENT FAMILIES THAT RECEIVE FED-
9 ERALLY FUNDED CHILD CARE.—

10 “(A) IN GENERAL.—Subject to paragraph
11 (6)(A), if a 2-parent family receives federally
12 funded child care assistance, an adult recipient
13 or minor child head of household in the family
14 participating in work activities described in sub-
15 section (d) shall be treated as engaged in work
16 for purposes of determining monthly participa-
17 tion rates under subsection (b)(1)(B)(i) as fol-
18 lows:

19 “(i) In the case of such a family in
20 which the total number of hours in which
21 any adult recipient or minor child head of
22 household in the family is participating in
23 such work activities for an average of at
24 least 40, but less than 45, hours per week
25 in a month, as 0.675 of a family.

1 “(ii) In the case of such a family in
2 which the total number of hours in which
3 any adult recipient or minor child head of
4 household in the family is participating in
5 such work activities for an average of at
6 least 45, but less than 51, hours per week
7 in a month, as 0.75 of a family.

8 “(iii) In the case of such a family in
9 which the total number of hours in which
10 any adult recipient or minor child head of
11 household in the family is participating in
12 such work activities for an average of at
13 least 51, but less than 55, hours per week
14 in a month, as 0.875 of a family.

15 “(iv) In the case of such a family in
16 which the total number of hours in which
17 any adult recipient or minor child head of
18 household in the family is participating in
19 such work activities for an average of at
20 least 55, but less than 56, hours per week
21 in a month, as 1 family.

22 “(v) In the case of such a family in
23 which the total number of hours in which
24 any adult recipient or minor child head of
25 household in the family is participating in

1 such work activities for an average of at
2 least 56, but less than 59, hours per week
3 in a month, as 1.05 families.

4 “(vi) In the case of such a family in
5 which the total number of hours in which
6 any adult recipient or minor child head of
7 household in the family is participating in
8 such work activities for an average of at
9 least 59 hours per week in a month, as
10 1.08 families.

11 “(B) APPLICATION OF RULES REGARDING
12 DIRECT WORK ACTIVITIES AND STATE FLEXI-
13 BILITY TO COUNT PARTICIPATION IN CERTAIN
14 ACTIVITIES.—Subparagraphs (B) and (C) of
15 paragraph (1) apply to a 2-parent family de-
16 scribed in subparagraph (A) in the same man-
17 ner as such subparagraphs apply to a family
18 described in paragraph (1)(A), except that sub-
19 paragraph (B) of paragraph (1) shall be applied
20 to a such a 2-parent family by substituting ‘50’
21 for ‘24’ each place it appears.

22 “(5) CALCULATION OF HOURS PER WEEK.—
23 The number of hours per week that a family is en-
24 gaged in work is the quotient of—

1 “(A) the total number of hours per month
2 that the family is engaged in work; divided by

3 “(B) 4.

4 “(6) SPECIAL RULES.—

5 “(A) FAMILY WITH A DISABLED PARENT
6 NOT TREATED AS A 2-PARENT FAMILY.—A fam-
7 ily that includes a disabled parent shall not be
8 considered a 2-parent family for purposes of
9 paragraph (3) or (4).

10 “(B) NUMBER OF WEEKS FOR WHICH JOB
11 SEARCH COUNTS AS WORK.—An individual shall
12 not be considered to be engaged in work for a
13 month by virtue of participation in an activity
14 described in subsection (d)(6) of a State pro-
15 gram funded under this part, after the indi-
16 vidual has participated in such an activity for
17 6 weeks (or, if the unemployment rate of the
18 State is at least 50 percent greater than the
19 unemployment rate of the United States, or the
20 State meets the criteria of subclause (I), (II),
21 or (III) of section 403(b)(3)(A)(iii) or satisfies
22 the applicable duration requirement of section
23 403(b)(3)(B)), 12 weeks).

24 “(C) SINGLE TEEN HEAD OF HOUSEHOLD
25 OR MARRIED TEEN WHO MAINTAINS SATISFAC-

1 TORY SCHOOL ATTENDANCE DEEMED TO COUNT
2 AS 1 FAMILY.—For purposes of determining
3 hours under the preceding paragraphs of this
4 subsection, with respect to a month, a State
5 shall count a recipient who is married or a head
6 of household and who has not attained 20 years
7 of age as 1 family if the recipient—

8 “(i) maintains satisfactory attendance
9 at secondary school or the equivalent dur-
10 ing the month; or

11 “(ii) participates in education directly
12 related to employment for an average of at
13 least 20 hours per week during the month.

14 “(D) LIMITATION ON NUMBER OF PER-
15 SONS WHO MAY BE TREATED AS ENGAGED IN
16 WORK BY REASON OF PARTICIPATION IN EDU-
17 CATIONAL ACTIVITIES.—Except as provided in
18 paragraph (1)(C)(ii)(I), for purposes of sub-
19 section (b)(1)(B)(i), not more than 30 percent
20 of the number of individuals in all families in
21 a State who are treated as engaged in work for
22 a month may consist of individuals who are—

23 “(i) determined (without regard to in-
24 dividuals participating in a program estab-
25 lished under section 404(l)) to be engaged

1 in work for the month by reason of partici-
2 pation in vocational educational training
3 (but only with respect to such training that
4 does not exceed 12 months with respect to
5 any individual); or

6 “(ii) deemed to be engaged in work
7 for the month by reason of subparagraph
8 (C) of this paragraph.

9 “(E) STATE OPTION TO DEEM SINGLE
10 PARENT CARING FOR A CHILD OR ADULT DE-
11 PENDENT FOR CARE WITH A PHYSICAL OR
12 MENTAL IMPAIRMENT TO BE MEETING ALL OR
13 PART OF A FAMILY’S WORK PARTICIPATION RE-
14 QUIREMENTS FOR A MONTH.—

15 “(i) IN GENERAL.—A State may
16 count the number of hours per week that
17 an adult recipient or minor child head of
18 household who is the only parent or care-
19 taker relative for a child or adult depend-
20 ent for care with a physical or mental im-
21 pairment engages in providing substantial
22 ongoing care for such child or adult de-
23 pendent for care if the State determines
24 that—

1 “(I) the child or adult dependent
2 for care has been verified through a
3 medically acceptable clinical or diag-
4 nostic technique as having a signifi-
5 cant physical or mental impairment or
6 combination of impairments that re-
7 quire substantial ongoing care;

8 “(II) the adult recipient or minor
9 child head of household providing
10 such care is the most appropriate
11 means, as determined by the State, by
12 which such care can be provided to
13 the child or adult dependent for care;

14 “(III) for each month in which
15 this subparagraph applies to the adult
16 recipient or minor child head of
17 household, the adult recipient or
18 minor child head of household is in
19 compliance with the requirements of
20 the family’s self-sufficiency plan; and

21 “(IV) the recipient is unable to
22 participate fully in work activities,
23 after consideration of whether there
24 are supports accessible and available

1 to the family for the care of the child
2 or adult dependent for care.

3 “(ii) TOTAL NUMBER OF HOURS LIM-
4 ITED TO BEING COUNTED AS 1 FAMILY.—
5 In no event may a family that includes a
6 recipient to which clause (i) applies be
7 counted as more than 1 family for pur-
8 poses of determining monthly participation
9 rates under subsection (b)(1)(B)(i).

10 “(iii) STATE REQUIREMENTS.—In the
11 case of a recipient to which clause (i) ap-
12 plies, the State shall—

13 “(I) conduct regular, periodic
14 evaluations of the family of the adult
15 recipient or minor child head of
16 household; and

17 “(II) include as part of the fam-
18 ily’s self-sufficiency plan, regular up-
19 dates on what special needs of the
20 child or the adult dependent for care,
21 including substantial ongoing care,
22 could be accommodated either by indi-
23 viduals other than the adult recipient
24 or minor child head of household out-
25 side of the home.

1 “(iv) RULE OF CONSTRUCTION.—
2 Nothing in this subparagraph shall be con-
3 strued as prohibiting a State from includ-
4 ing in a recipient’s self-sufficiency plan a
5 requirement to engage in work activities
6 described in subsection (d).

7 “(F) OPTIONAL MODIFICATION OF WORK
8 REQUIREMENTS FOR RECIPIENTS RESIDING IN
9 AREAS OF INDIAN COUNTRY OR AN ALASKAN
10 NATIVE VILLAGE WITH HIGH JOBLESSNESS.—If
11 a State has included in the State plan a de-
12 scription of the State’s policies in areas of In-
13 dian country or an Alaskan Native village de-
14 scribed in section 408(a)(7)(D), the State may
15 define the activities that the State will treat as
16 being work activities described in subsection (d)
17 that a recipient who resides in such an area and
18 who is participating in such activities in accord-
19 ance with a self-sufficiency plan under section
20 408(b) may engage in for purposes of satisfying
21 work requirements under the State program
22 and for purposes of determining monthly par-
23 ticipation rates under subsection (b)(1)(B)(i).”.

24 (2) CONFORMING AMENDMENT RELATING TO
25 AUTHORITY TO DEEM SINGLE PARENT OF A CHILD

1 OR ADULT DEPENDENT FOR CARE WITH A PHYSICAL
 2 OR MENTAL IMPAIRMENT DEEMED TO BE MEETING
 3 ALL OR PART OF A FAMILY'S WORK PARTICIPATION
 4 REQUIREMENTS FOR A MONTH.—Section
 5 402(a)(1)(B) (42 U.S.C. 602(a)(1)(B)), as amended
 6 by section 211(a)(1)(B), is amended by adding at
 7 the end the following:

8 “(vi) The document shall set forth the
 9 criteria for applying section 407(c)(6)(E)
 10 to an adult recipient or minor child head
 11 of household who is the only parent or
 12 caretaker relative for a child or adult de-
 13 pendent for care.”.

14 **SEC. 220. UNIVERSAL ENGAGEMENT AND FAMILY SELF-**
 15 **SUFFICIENCY PLAN REQUIREMENTS; OTHER**
 16 **PROHIBITIONS AND REQUIREMENTS.**

17 (a) UNIVERSAL ENGAGEMENT AND FAMILY SELF-
 18 SUFFICIENCY PLAN REQUIREMENTS.—

19 (1) MODIFICATION OF STATE PLAN REQUIRE-
 20 MENTS.—Section 402(a)(1)(A) (42 U.S.C.
 21 602(a)(1)(A)) is amended by striking clauses (ii)
 22 and (iii) and inserting the following:

23 “(ii) Require a parent or caretaker re-
 24 ceiving assistance under the program to
 25 engage in work or alternative self-suffi-

1 ciency activities (as defined by the State),
2 consistent with section 407(e)(2).

3 “(iii) Require families receiving assist-
4 ance under the program to engage in ac-
5 tivities in accordance with family self-suffi-
6 ciency plans developed pursuant to section
7 408(b).”.

8 (2) ESTABLISHMENT OF FAMILY SELF-SUFFI-
9 CIENCY PLANS.—

10 (A) IN GENERAL.—Section 408(b) (42
11 U.S.C. 608(b)) is amended to read as follows:

12 “(b) FAMILY SELF-SUFFICIENCY PLANS.—

13 “(1) IN GENERAL.—A State to which a grant
14 is made under section 403 shall—

15 “(A) make an initial screening and assess-
16 ment, in the manner deemed appropriate by the
17 State, of the skills, prior work experience, edu-
18 cation obtained, work readiness, barriers to
19 work, and employability of each adult or minor
20 child head of household recipient of assistance
21 in the family who—

22 “(i) has attained age 18; or

23 “(ii) has not completed high school or
24 obtained a certificate of high school equiva-

1 lency and is not attending secondary
2 school;

3 “(B) assess, in the manner deemed appro-
4 priate by the State, the work support and other
5 assistance and family support services for which
6 each family receiving assistance is eligible; and

7 “(C) assess, in the manner deemed appro-
8 priate by the State, the well-being of the chil-
9 dren in the family, and, where appropriate, ac-
10 tivities or resources to improve the well-being of
11 the children.

12 “(2) CONTENTS OF PLANS.—The State shall, in
13 the manner deemed appropriate by the State—

14 “(A) establish for each family that includes
15 an individual described in paragraph (1)(A), in
16 consultation as the State deems appropriate
17 with the individual, a self-sufficiency plan
18 that—

19 “(i) specifies activities described in
20 the State plan submitted pursuant to sec-
21 tion 402, including work activities de-
22 scribed in paragraph (1), (2), (3), (4), (5),
23 (6), (7), (8), or (12) of section 407(d), as
24 appropriate;

1 “(ii) is designed to assist the family in
2 achieving their maximum degree of self-
3 sufficiency, and

4 “(iii) provides for the ongoing partici-
5 pation of the individual in the activities
6 specified in the plan;

7 “(B) requires, at a minimum, each such
8 individual to participate in activities in accord-
9 ance with the self-sufficiency plan;

10 “(C) sets forth the appropriate supportive
11 services the State intends to provide for the
12 family;

13 “(D) establishes for the family a plan that
14 addresses the issue of child well-being and,
15 when appropriate, adolescent well-being, and
16 that may include services such as domestic vio-
17 lence counseling, mental health referrals, and
18 parenting courses; and

19 “(E) includes a section designed to assist
20 the family by informing the family, in such
21 manner as deemed appropriate by the State, of
22 the work support and other assistance for which
23 the family may be eligible including (but not
24 limited to)—

1 “(i) the food stamp program estab-
2 lished under the Food Stamp Act of 1977
3 (7 U.S.C. 2011 et seq.);

4 “(ii) the medicaid program funded
5 under title XIX;

6 “(iii) the State children’s health in-
7 surance program funded under title XXI;

8 “(iv) Federal or State funded child
9 care, including child care funded under the
10 Child Care Development Block Grant Act
11 of 1990 (42 U.S.C. 9858 et seq.) and
12 funds made available under this title or
13 title XX;

14 “(v) the earned income tax credit
15 under section 32 of the Internal Revenue
16 Code of 1986;

17 “(vi) the low-income home energy as-
18 sistance program established under the
19 Low-Income Home Energy Assistance Act
20 of 1981 (42 U.S.C. 8621 et seq.);

21 “(vii) the special supplemental nutri-
22 tion program for women, infants, and chil-
23 dren established under section 17 of the
24 Child Nutrition Act of 1966 (42 U.S.C.
25 1786);

1 “(viii) programs conducted under the
2 Workforce Investment Act of 1998 (29
3 U.S.C. 2801 et seq.); and

4 “(ix) low-income housing assistance
5 programs.

6 “(3) REVIEW.—

7 “(A) REGULAR REVIEW.—A State to which
8 a grant is made under section 403 shall—

9 “(i) monitor the participation of each
10 adult recipient or minor child head of
11 household in the activities specified in the
12 self-sufficiency plan, and regularly review
13 the progress of the family toward self-suffi-
14 ciency; and

15 “(ii) upon such a review, revise the
16 plan and activities required under the plan
17 as the State deems appropriate in con-
18 sultation with the family.

19 “(B) PRIOR TO THE IMPOSITION OF A
20 SANCTION.—Prior to imposing a sanction
21 against an adult recipient, minor child head of
22 household, or a family for failure to comply
23 with a requirement of the self-sufficiency plan
24 or the State program funded under this part,

1 the State shall, to the extent determined appro-
2 priate by the State—

3 “(i) review the self-sufficiency plan;

4 and

5 “(ii) make a good faith effort (as de-
6 fined by the State) to consult with the
7 family.

8 “(4) STATE DISCRETION.—A State shall have
9 sole discretion, consistent with section 407, to define
10 and design activities for families for purposes of this
11 subsection, to develop methods for monitoring and
12 reviewing progress pursuant to this subsection, and
13 to make modifications to the plan as the State
14 deems appropriate to assist the individual in increas-
15 ing their degree of self-sufficiency.

16 “(5) APPLICATION TO PARTIALLY-SANCTIONED
17 FAMILIES.—The requirements of this subsection
18 shall apply in the case of a family that includes an
19 adult or minor child head of household recipient of
20 assistance who is subject to a partial sanction.

21 “(6) TIMING.—The State shall initiate screen-
22 ing and assessment and the establishment of a fam-
23 ily self-sufficiency plan in accordance with the re-
24 quirements of this subsection—

1 “(A) in the case of a family that, as of the
2 date of enactment of the Personal Responsi-
3 bility and Individual Development for Everyone
4 Act, is not receiving assistance from the State
5 program funded under this part, not later than
6 the later of—

7 “(i) 1 year after such date of enact-
8 ment; or

9 “(ii) 60 days after the family first re-
10 ceives assistance on the basis of the most
11 recent application for assistance; and

12 “(B) in the case of a family that, as of
13 such date, is receiving assistance under the
14 State program funded under this part, not later
15 than 1 year after such date of enactment.

16 “(7) RULE OF INTERPRETATION.—Nothing in
17 this subsection shall preclude a State from—

18 “(A) requiring participation in work and
19 any other activities the State deems appropriate
20 for helping families achieve self-sufficiency and
21 improving child well-being; or

22 “(B) using job search or other appropriate
23 job readiness or work activities to assess the
24 employability of individuals and to determine
25 appropriate future engagement activities.”.

1 (B) PENALTY FOR FAILURE TO COMPLY
2 WITH FAMILY SELF-SUFFICIENCY PLAN RE-
3 QUIREMENTS.—

4 (i) IN GENERAL.—Section 409(a)(3)
5 (42 U.S.C. 609(a)(3)) is amended—

6 (I) in the paragraph heading, by
7 inserting “OR COMPLY WITH FAMILY
8 SELF-SUFFICIENCY PLAN REQUIRE-
9 MENTS” after “RATES”;

10 (II) in subparagraph (A), by in-
11 sserting “or 408(b)” after “407(a)”;
12 and

13 (III) by striking subparagraph
14 (C) and inserting the following:

15 “(C) PENALTY BASED ON SEVERITY OF
16 FAILURE.—

17 “(i) FAILURE TO SATISFY MINIMUM
18 PARTICIPATION RATE.—If, with respect to
19 fiscal year 2007 or any fiscal year there-
20 after, the Secretary finds that a State has
21 failed or is failing to substantially comply
22 with the requirements of section 407(a) for
23 that fiscal year, the Secretary shall impose
24 reductions under subparagraph (A) with
25 respect to the immediately succeeding fis-

1 cal year based on the degree of substantial
2 noncompliance. In assessing the degree of
3 substantial noncompliance under section
4 407(a) for a fiscal year, the Secretary shall
5 take into account factors such as—

6 “(I) the degree to which the
7 State missed the minimum participa-
8 tion rate for that fiscal year;

9 “(II) the change in the number
10 of individuals who are engaged in
11 work in the State since the prior fiscal
12 year; and

13 “(III) the number of consecutive
14 fiscal years in which the State failed
15 to reach the minimum participation
16 rate.

17 “(ii) FAILURE TO COMPLY WITH
18 SELF-SUFFICIENCY PLAN REQUIRE-
19 MENTS.—If, with respect to fiscal year
20 2007 or any fiscal year thereafter, the Sec-
21 retary finds that a State has failed or is
22 failing to substantially comply with the re-
23 quirements of section 408(b) for that fiscal
24 year, the Secretary shall impose reductions
25 under subparagraph (A) with respect to

1 the immediately succeeding fiscal year
2 based on the degree of substantial non-
3 compliance. In assessing the degree of sub-
4 stantial noncompliance under section
5 408(b), the Secretary shall take into ac-
6 count factors such as—

7 “(I) the number or percentage of
8 families for which a self-sufficiency
9 plan is not established in a timely
10 fashion for that fiscal year;

11 “(II) the duration of the delays
12 in establishing a self-sufficiency plan
13 during that fiscal year;

14 “(III) whether the failures are
15 isolated and nonrecurring; and

16 “(IV) the existence of systems
17 designed to ensure that self-suffi-
18 ciency plans are established for all
19 families in a timely fashion and that
20 families’ progress under such plans is
21 monitored.

22 “(iii) AUTHORITY TO REDUCE THE
23 PENALTY.—The Secretary may reduce the
24 penalty that would otherwise apply under
25 this paragraph if the substantial non-

1 compliance is due to circumstances that
2 caused the State to meet the criteria of
3 subclause (I), (II), or (III) of section
4 403(b)(3)(A)(iii) or to satisfy the applica-
5 ble duration requirement of section
6 403(b)(3)(B) during the fiscal year, or if
7 the noncompliance is due to extraordinary
8 circumstances such as a natural disaster or
9 regional recession. The Secretary shall pro-
10 vide a written report to Congress to justify
11 any waiver or penalty reduction due to
12 such extraordinary circumstances.”.

13 (ii) EFFECTIVE DATE.—The amend-
14 ments made by this subparagraph take ef-
15 fect on October 1, 2006.

16 (3) GAO EVALUATION AND REPORT.—Not later
17 than September 30, 2007, the Comptroller General
18 of the United States shall submit a report to the
19 Committee on Ways and Means of the House of
20 Representatives and the Committee on Finance of
21 the Senate evaluating the implementation of the uni-
22 versal engagement provisions under the temporary
23 assistance to needy families program under part A
24 of title IV of the Social Security Act (42 U.S.C. 601

1 et seq.), as added by the amendments made by this
 2 subsection.

3 (4) RULES OF CONSTRUCTION.—Nothing in
 4 this subsection or the amendments made by this
 5 subsection shall be construed—

6 (A) as establishing a private right or cause
 7 of action against a State for failure to comply
 8 with the requirements imposed under this sub-
 9 section or the amendments made by this sub-
 10 section; or

11 (B) as limiting claims that may be avail-
 12 able under other Federal or State laws.

13 (b) TRANSITIONAL COMPLIANCE FOR TEEN PAR-
 14 ENTS.—

15 (1) IN GENERAL.—Section 408(a)(5) (42
 16 U.S.C. 608(a)(5)) is amended—

17 (A) in subparagraph (A)(i), by striking
 18 “subparagraph (B)” and inserting “subpara-
 19 graphs (B) and (C)”; and

20 (B) by adding at the end the following:

21 “(C) AUTHORITY TO PROVIDE TEMPORARY
 22 ASSISTANCE.—A State may use any part of a
 23 grant made under section 403 to provide assist-
 24 ance to an individual described in clause (ii) of
 25 subparagraph (A) who would otherwise be pro-

1 hibited from receiving such assistance under
2 clause (i) of that subparagraph, subparagraph
3 (B), or section 408(a)(4) for not more than a
4 single 60-day period in order to assist the indi-
5 vidual in meeting the requirement of clause (i)
6 of subparagraph (A), subparagraph (B), or sec-
7 tion 408(a)(4) for receipt of such assistance.”.

8 (2) INCLUSION OF TRANSITIONAL LIVING
9 YOUTH PROJECTS AS A FORM OF ADULT-SUPER-
10 VISED SETTING.—Clause (i) of section 408(a)(5)(A)
11 (42 U.S.C. 608(a)(5)(A)(i)), as amended by para-
12 graph (1), is amended—

13 (A) by striking “do not reside in a place
14 of” and inserting “do not reside in a—

15 “(I) place of”;

16 (B) by striking the period and inserting “;
17 or”; and

18 (C) by adding at the end the following:

19 “(II) transitional living youth
20 project funded under a grant made
21 under section 321 of the Runaway
22 and Homeless Youth Act (42 U.S.C.
23 5714–1).”.

1 **SEC. 221. PENALTIES.**

2 Section 409(a)(7) (42 U.S.C. 609(a)(7)) is amend-
3 ed—

4 (1) in subparagraph (A) by striking “or 2006”
5 and inserting “2006, 2007, 2008, 2009, 2010, or
6 2011”; and

7 (2) in subparagraph (B)(ii)—

8 (A) by inserting “preceding” before “fiscal
9 year”; and

10 (B) by striking “for fiscal years 1997
11 through 2005,”.

12 **SEC. 222. DATA COLLECTION AND REPORTING.**

13 (a) CONTENTS OF REPORT.—Section 411(a)(1)(A)
14 (42 U.S.C. 611(a)(1)(A)) is amended—

15 (1) in the matter preceding clause (i), by insert-
16 ing “and on families receiving assistance under
17 State programs funded with other qualified State ex-
18 penditures (as defined in section 409(a)(7)(B)(i))”
19 before the colon;

20 (2) in clause (vii), by inserting “and minor par-
21 ent” after “of each adult”;

22 (3) in clause (viii), by striking “and educational
23 level”;

24 (4) in clause (ix), by striking “, and if the lat-
25 ter 2, the amount received”;

26 (5) in clause (x)—

1 (A) by striking “each type of”; and

2 (B) by inserting before the period “and, if
3 applicable, the reason for receipt of the assist-
4 ance for a total of more than 60 months”;

5 (6) in clause (xi), by striking subclauses (I)
6 through (VII) and inserting the following:

7 “(I) Subsidized private sector
8 employment.

9 “(II) Unsubsidized employment.

10 “(III) Public sector employment,
11 supervised work experience, or super-
12 vised community service.

13 “(IV) On-the-job training.

14 “(V) Job search and placement.

15 “(VI) Training.

16 “(VII) Education.

17 “(VIII) Other activities directed
18 at the purposes of this part, as speci-
19 fied in the State plan submitted pur-
20 suant to section 402.”;

21 (7) in clause (xii), by inserting “and progress
22 toward universal engagement” after “participation
23 rates”;

24 (8) in clause (xiii), by striking “type and” be-
25 fore “amount of assistance”;

1 (9) in clause (xvi), by striking subclause (II)
2 and redesignating subclauses (III) through (V) as
3 subclauses (II) through (IV), respectively; and

4 (10) by adding at the end the following:

5 “(xviii) The date the family first re-
6 ceived assistance from the State program
7 on the basis of the most recent application
8 for such assistance.

9 “(xix) Whether a self-sufficiency plan
10 is established for the family in accordance
11 with section 408(b).

12 “(xx) With respect to any child in the
13 family, the marital status of the parents at
14 the birth of the child, and if the parents
15 were not then married, whether the pater-
16 nity of the child has been established.”

17 (b) USE OF SAMPLES.—Section 411(a)(1)(B) (42
18 U.S.C. 611(a)(1)(B)) is amended—

19 (1) in clause (i)—

20 (A) by striking “a sample” and inserting
21 “samples”; and

22 (B) by inserting before the period “, except
23 that the Secretary may designate core data ele-
24 ments that must be reported on all families”;

25 and

1 (2) in clause (ii), by striking “funded under this
2 part” and inserting “described in subparagraph
3 (A)”.

4 (c) REPORT ON FAMILIES THAT BECOME INELI-
5 GIBLE TO RECEIVE ASSISTANCE.—Section 411(a) (42
6 U.S.C. 611(a)) is amended—

7 (1) by striking paragraph (5);

8 (2) by redesignating paragraph (6) as para-
9 graph (5); and

10 (3) by inserting after paragraph (5) (as so re-
11 designated) the following:

12 “(6) REPORT ON FAMILIES THAT BECOME IN-
13 ELIGIBLE TO RECEIVE ASSISTANCE.—The report re-
14 quired by paragraph (1) for a fiscal quarter shall in-
15 clude for each month in the quarter the number of
16 families and total number of individuals that, during
17 the month, became ineligible to receive assistance
18 under the State program funded under this part
19 (broken down by the number of families that become
20 so ineligible due to earnings, changes in family com-
21 position that result in increased earnings, sanctions,
22 time limits, or other specified reasons).”.

23 (d) REGULATIONS.—Section 411(a)(7) (42 U.S.C.
24 611(a)(7)) is amended—

1 (1) by inserting “and to collect the necessary
2 data” before “with respect to which reports”;

3 (2) by striking “subsection” and inserting “sec-
4 tion”; and

5 (3) by striking “in defining the data elements”
6 and all that follows and inserting “, the National
7 Governors’ Association, the American Public Human
8 Services Association, the National Conference of
9 State Legislatures, and others in defining the data
10 elements.”.

11 (e) ADDITIONAL REPORTS BY STATES.—Section 411
12 (42 U.S.C. 611) is amended—

13 (1) by redesignating subsection (b) as sub-
14 section (e); and

15 (2) by inserting after subsection (a) the fol-
16 lowing:

17 “(b) ANNUAL REPORTS ON PROGRAM CHARACTERIS-
18 TICS.—Not later than 90 days after the end of fiscal year
19 2006 and each succeeding fiscal year, each eligible State
20 shall submit to the Secretary a report on the characteris-
21 ties of the State program funded under this part and other
22 State programs funded with qualified State expenditures
23 (as defined in section 409(a)(7)(B)(i)). The report shall
24 include, with respect to each such program, the program
25 name, a description of program activities, the program

1 purpose, the program eligibility criteria, the sources of
2 program funding, the number of program beneficiaries,
3 sanction policies, and any program work requirements.

4 “(c) MONTHLY REPORTS ON CASELOAD.—Not later
5 than 3 months after the end of each calendar month that
6 begins 1 year or more after the date of enactment of this
7 subsection, each eligible State shall submit to the Sec-
8 retary a report on the number of families and total num-
9 ber of individuals receiving assistance in the calendar
10 month under the State program funded under this part
11 and under other State programs funded with qualified
12 State expenditures (as defined in section 409(a)(7)(B)(i)).

13 “(d) ANNUAL REPORT ON PERFORMANCE IMPROVE-
14 MENT.—Beginning with fiscal year 2007, not later than
15 January 1 of each fiscal year, each eligible State shall sub-
16 mit to the Secretary a report on achievement and improve-
17 ment during the preceding fiscal year under the perform-
18 ance goals and measures under the State program funded
19 under this part with respect to each of the matters de-
20 scribed in section 402(a)(1)(A)(v).”.

21 (f) ANNUAL REPORTS TO CONGRESS BY THE SEC-
22 RETARY.—Section 411(e) (42 U.S.C. 611(e)), as so reded-
23 icated by subsection (e) of this section, is amended—

24 (1) in the matter preceding paragraph (1), by
25 striking “and each fiscal year thereafter” and insert-

1 ing “and not later than July 1 of each fiscal year
2 thereafter”;

3 (2) in paragraph (2), by striking “families ap-
4 plying for assistance,” and by striking the last
5 comma; and

6 (3) in paragraph (3), by inserting “and other
7 programs funded with qualified State expenditures
8 (as defined in section 409(a)(7)(B)(i))” before the
9 semicolon.

10 **SEC. 223. DIRECT FUNDING AND ADMINISTRATION BY IN-**
11 **DIAN TRIBES.**

12 (a) **FUNDING FOR TRIBAL TANF PROGRAMS.—**

13 (1) **REAUTHORIZATION OF TRIBAL FAMILY AS-**
14 **SISTANCE GRANTS.—**Section 412(a)(1)(A) (42
15 U.S.C. 612(a)(1)(A)) is amended by striking “1997,
16 1998, 1999, 2000, 2001, 2002, and 2003” and in-
17 serting “2006 through 2010”.

18 (2) **GRANTS FOR INDIAN TRIBES THAT RE-**
19 **CEIVED JOBS FUNDS.—**Section 412(a)(2)(A) (42
20 U.S.C. 612(a)(2)(A)) is amended by striking “1997,
21 1998, 1999, 2000, 2001, 2002, and 2003” and in-
22 serting “2006 through 2010”.

23 (b) **TRIBAL TANF IMPROVEMENT FUND.—**Section
24 412(a) (42 U.S.C. 612(a)) is amended by adding at the
25 end the following:

1 “(4) TRIBAL TANF IMPROVEMENT FUND.—

2 “(A) ESTABLISHMENT.—The Secretary
3 shall establish a fund for purposes of carrying
4 out any of the following activities:

5 “(i) Providing technical assistance to
6 Indian tribes considering applying to carry
7 out, or that are carrying out, a tribal fam-
8 ily assistance plan under this section in
9 order to help such tribes establish and op-
10 erate strong and effective tribal family as-
11 sistance plans under this section that will
12 allow families receiving assistance under
13 such plans achieve the highest measure of
14 self-sufficiency.

15 “(ii) Awarding competitive grants di-
16 rectly to Indian tribes carrying out a tribal
17 family assistance plan under this section
18 for purposes of conducting programs and
19 activities that would substantially improve
20 the operation and effectiveness of such
21 plans and the ability of such tribes to
22 achieve the purposes of the program under
23 this part as described in section 401(a).

24 “(iii) Awarding competitive grants di-
25 rectly to Indian tribes carrying out a tribal

1 family assistance plan under this section to
 2 support tribal economic development activi-
 3 ties that would significantly assist families
 4 receiving assistance under the State pro-
 5 gram funded under this part or a tribal
 6 family assistance plan obtain employment
 7 and achieve self-sufficiency.

8 “(iv) Conducting, directly or through
 9 grants, contracts, or interagency agree-
 10 ments, research and development to im-
 11 prove knowledge about tribal family assist-
 12 ance programs conducted under this sec-
 13 tion and challenges faced by such pro-
 14 grams in order to improve the effectiveness
 15 of such programs.

16 “(B) AUTHORIZATION OF APPROPRIA-
 17 TIONS.—There are authorized to be appro-
 18 priated to the Secretary to carry out this para-
 19 graph, \$100,000,000 for each of fiscal years
 20 2006 through 2010.”.

21 **SEC. 224. RESEARCH, EVALUATIONS, AND NATIONAL STUD-**

22 **IES.**

23 (a) **SECRETARY’S FUND FOR RESEARCH, DEM-**
 24 **ONSTRATIONS, AND TECHNICAL ASSISTANCE.**—Section

1 413 (42 U.S.C. 613), as amended by section 211(d), is
2 further amended by adding at the end the following:

3 “(l) FUNDING FOR RESEARCH, DEMONSTRATIONS,
4 AND TECHNICAL ASSISTANCE.—

5 “(1) APPROPRIATION.—

6 “(A) IN GENERAL.—Out of any money in
7 the Treasury of the United States not otherwise
8 appropriated, there are appropriated
9 \$100,000,000 for each of fiscal years 2006
10 through 2010, which shall remain available to
11 the Secretary until expended.

12 “(B) USE OF FUNDS.—

13 “(i) IN GENERAL.—Funds appro-
14 priated under subparagraph (A) shall be
15 used for the purpose of—

16 “(I) conducting or supporting re-
17 search and demonstration projects by
18 public or private entities; or

19 “(II) providing technical assist-
20 ance in connection with a purpose of
21 the program funded under this part,
22 as described in section 401(a), to
23 States, Indian tribal organizations,
24 sub-State entities, and such other en-
25 tities as the Secretary may specify.

1 “(ii) REQUIREMENT.—Not less than
2 80 percent of the funds appropriated under
3 subparagraph (A) for a fiscal year shall be
4 expended for the purpose of conducting or
5 supporting research and demonstration
6 projects, or for providing technical assist-
7 ance, in connection with activities de-
8 scribed in section 403(a)(2)(B). Funds ap-
9 propriated under subparagraph (A) and ex-
10 pended in accordance with this clause shall
11 be in addition to any other funds made
12 available under this part for activities de-
13 scribed in section 403(a)(2)(B).

14 “(2) SECRETARY’S AUTHORITY.—The Secretary
15 may conduct activities authorized by this subsection
16 directly or through grants, contracts, or interagency
17 agreements with public or private entities.

18 “(3) REQUIREMENT FOR USE OF FUNDS.—The
19 Secretary shall not pay any funds appropriated
20 under paragraph (1)(A) to an entity for the purpose
21 of conducting or supporting research and demonstra-
22 tion projects involving activities described in section
23 403(a)(2)(B) unless the entity complies with the re-
24 quirements of section 403(a)(2)(E).”.

1 (b) FUNDING OF STUDIES AND DEMONSTRATIONS.—
2 Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended in
3 the matter preceding subparagraph (A) by striking “1997
4 through 2002” and inserting “2006 through 2010”.

5 (c) PROGRAM COORDINATION DEMONSTRATION
6 PROJECTS.—

7 (1) PURPOSE.—The purpose of this subsection
8 is to establish a program of demonstration projects
9 in a State or portion of a State to coordinate assist-
10 ance provided under qualified programs for the pur-
11 pose of supporting working individuals and families,
12 helping families escape welfare dependency, pro-
13 moting child well-being, or helping build stronger
14 families, using innovative approaches to strengthen
15 service systems and provide more coordinated and
16 effective service delivery.

17 (2) DEFINITIONS.—In this subsection:

18 (A) QUALIFIED PROGRAM.—The term
19 “qualified program” means—

20 (i) a program under part A of title IV
21 of the Social Security Act (42 U.S.C. 601
22 et seq.);

23 (ii) the program under title XX of the
24 Social Security Act (42 U.S.C. 1397 et
25 seq.); and

1 (iii) child care assistance funded
2 under section 418 of the Social Security
3 Act (42 U.S.C. 618).

4 (B) SECRETARY.—The term “Secretary”
5 means the Secretary of Health and Human
6 Services.

7 (3) APPLICATION REQUIREMENTS.—The head
8 of a State entity or of a sub-State entity admin-
9 istering 2 or more qualified programs proposed to be
10 included in a demonstration project under this sub-
11 section shall (or, if the project is proposed to include
12 qualified programs administered by 2 or more such
13 entities, the heads of the administering entities
14 (each of whom shall be considered an applicant for
15 purposes of this subsection) shall jointly) submit to
16 the Secretary an application that contains the fol-
17 lowing:

18 (A) PROGRAMS INCLUDED.—A statement
19 identifying each qualified program to be in-
20 cluded in the project, and describing how the
21 purposes of each such program will be achieved
22 by the project.

23 (B) POPULATION SERVED.—A statement
24 identifying the population to be served by the

1 project and specifying the eligibility criteria to
2 be used.

3 (C) DESCRIPTION AND JUSTIFICATION.—A
4 detailed description of the project, including—

5 (i) a description of how the project is
6 expected to improve or enhance achieve-
7 ment of the purposes of the programs to
8 be included in the project, from the stand-
9 point of quality, of cost-effectiveness, or of
10 both; and

11 (ii) a description of the performance
12 objectives for the project, including any
13 proposed modifications to the performance
14 measures and reporting requirements used
15 in the programs.

16 (D) WAIVERS REQUESTED.—A description
17 of the statutory and regulatory requirements
18 with respect to which a waiver is requested in
19 order to carry out the project, and a justifica-
20 tion of the need for each such waiver.

21 (E) COST NEUTRALITY.—Such information
22 and assurances as necessary to establish to the
23 satisfaction of the Secretary, in consultation
24 with the Director of the Office of Management
25 and Budget, that the proposed project is rea-

1 sonably expected to meet the applicable cost
2 neutrality requirements of paragraph (4)(E).

3 (F) EVALUATION AND REPORTS.—An as-
4 surance that the applicant will—

5 (i) obtain an evaluation by an inde-
6 pendent contractor of the effectiveness of
7 the project using an evaluation design that,
8 to the maximum extent feasible, includes
9 random assignment of clients (or entities
10 serving such clients) to service delivery and
11 control groups; and

12 (ii) make interim and final reports to
13 the Secretary, at such times and in such
14 manner as the Secretary may require.

15 (G) OTHER INFORMATION AND ASSUR-
16 ANCES.—Such other information and assur-
17 ances as the Secretary may require.

18 (4) APPROVAL OF APPLICATIONS.—

19 (A) IN GENERAL.—The Secretary with re-
20 spect to a qualified program that is identified
21 in an application submitted pursuant to sub-
22 section (c) may approve the application and, ex-
23 cept as provided in subparagraph (B), waive
24 any requirement applicable to the program, to
25 the extent consistent with this subsection and

1 necessary and appropriate for the conduct of
2 the demonstration project proposed in the appli-
3 cation, if the Secretary determines that the
4 project—

5 (i) has a reasonable likelihood of
6 achieving the objectives of the programs to
7 be included in the project;

8 (ii) may reasonably be expected to
9 meet the applicable cost neutrality require-
10 ments of subparagraph (E), as determined
11 by the Director of the Office of Manage-
12 ment and Budget;

13 (iii) includes the coordination of 2 or
14 more qualified programs; and

15 (iv) provides for an independent eval-
16 uation that includes random assignment to
17 the maximum extent feasible, as described
18 in paragraph (3)(F), and which the Sec-
19 retary determines to be appropriate for as-
20 sessing the effectiveness of the project.

21 (B) PROVISIONS EXCLUDED FROM WAIVER
22 AUTHORITY.—A waiver shall not be granted
23 under subparagraph (A)—

24 (i) with respect to any provision of
25 law relating to—

- 1 (I) civil rights or prohibition of
2 discrimination;
- 3 (II) purposes or goals of any pro-
4 gram;
- 5 (III) maintenance of effort re-
6 quirements;
- 7 (IV) health or safety;
- 8 (V) labor standards under the
9 Fair Labor Standards Act of 1938; or
- 10 (VI) environmental protection;
- 11 (ii) in the case of child care assistance
12 funded under section 418 of the Social Se-
13 curity Act (42 U.S.C. 618), with respect to
14 the requirement under the first sentence of
15 subsection (b)(1) of that section that funds
16 received by a State under that section shall
17 only be used to provide child care assist-
18 ance;
- 19 (iii) with respect to any requirement
20 that a State pass through to a sub-State
21 entity part or all of an amount paid to the
22 State;
- 23 (iv) if the waiver would waive any
24 funding restriction or limitation provided
25 in an appropriations Act, or would have

1 the effect of transferring appropriated
2 funds from 1 appropriations account to an-
3 other; or

4 (v) except as otherwise provided by
5 statute, if the waiver would waive any
6 funding restriction applicable to a program
7 authorized under an Act which is not an
8 appropriations Act (but not including pro-
9 gram requirements such as application
10 procedures, performance standards, report-
11 ing requirements, or eligibility standards),
12 or would have the effect of transferring
13 funds from a program for which there is
14 direct spending (as defined in section
15 250(e)(8) of the Balanced Budget and
16 Emergency Deficit Control Act of 1985) to
17 another program.

18 (C) 10 STATE LIMITATION.—The Director
19 of the Office of Management and Budget shall
20 establish a procedure for ensuring that not
21 more than 10 States (including any portion of
22 a State) conduct a demonstration project under
23 this subsection.

24 (D) AGREEMENT OF SECRETARY RE-
25 QUIRED.—

1 (i) IN GENERAL.—An applicant may
2 not conduct a demonstration project under
3 this subsection unless the Secretary, with
4 respect to each qualified program proposed
5 to be included in the project, has approved
6 the application to conduct the project.

7 (ii) AGREEMENT WITH RESPECT TO
8 FUNDING AND IMPLEMENTATION.—Before
9 approving an application to conduct a dem-
10 onstration project under this subsection,
11 the Secretary shall have in place an agree-
12 ment with the applicant with respect to the
13 payment of funds and responsibilities re-
14 quired of the Secretary with respect to the
15 project.

16 (E) COST-NEUTRALITY REQUIREMENT.—

17 (i) GENERAL RULE.—Notwithstanding
18 any other provision of law (except as pro-
19 vided in clause (ii)), the total of the
20 amounts that may be paid by the Federal
21 Government for a fiscal year with respect
22 to the programs in the State in which an
23 entity conducting a demonstration project
24 under this subsection is located that are
25 affected by the project shall not exceed the

1 estimated total amount that the Federal
2 Government would have paid for the fiscal
3 year with respect to the programs if the
4 project had not been conducted, as deter-
5 mined by the Director of the Office of
6 Management and Budget.

7 (ii) SPECIAL RULE.—If an applicant
8 submits to the Director of the Office of
9 Management and Budget a request to
10 apply the rules of this clause to the pro-
11 grams in the State in which the applicant
12 is located that are affected by a dem-
13 onstration project proposed in an applica-
14 tion submitted by the applicant pursuant
15 to this section, during such period of not
16 more than 5 consecutive fiscal years in
17 which the project is in effect, and the Di-
18 rector determines, on the basis of sup-
19 porting information provided by the appli-
20 cant, to grant the request, then, notwith-
21 standing any other provision of law, the
22 total of the amounts that may be paid by
23 the Federal Government for the period
24 with respect to the programs shall not ex-
25 ceed the estimated total amount that the

1 Federal Government would have paid for
2 the period with respect to the programs if
3 the project had not been conducted.

4 (F) 90-DAY APPROVAL DEADLINE.—

5 (i) IN GENERAL.—If the Secretary re-
6 ceives an application to conduct a dem-
7 onstration project under this subsection
8 and does not disapprove the application
9 within 90 days after the receipt, then, sub-
10 ject to the 10 State limitation under para-
11 graph (3)—

12 (I) the Secretary is deemed to
13 have approved the application for such
14 period as is requested in the applica-
15 tion, except to the extent inconsistent
16 with paragraph (5); and

17 (II) any waiver requested in the
18 application which applies to a quali-
19 fied program that is identified in the
20 application and is administered by the
21 Secretary is deemed to be granted, ex-
22 cept to the extent inconsistent with
23 subparagraph (B) or (E) of this para-
24 graph.

1 (ii) DEADLINE EXTENDED IF ADDI-
2 TIONAL INFORMATION IS SOUGHT.—The
3 90-day period referred to in clause (i) shall
4 not include any period that begins with the
5 date the Secretary requests the applicant
6 to provide additional information with re-
7 spect to the application and ends with the
8 date the additional information is provided.

9 (5) DURATION OF PROJECTS.—A demonstration
10 project under this subsection may be approved for a
11 term of not more than 5 years.

12 (6) REPORTS TO CONGRESS.—

13 (A) REPORT ON DISPOSITION OF APPLICA-
14 TIONS.—Within 90 days after the date the Sec-
15 retary receives an application submitted pursu-
16 ant to this subsection, the Secretary shall sub-
17 mit to the Committee on Finance of the Senate
18 and the Committee on Ways and Means of the
19 House of Representatives notice of the receipt,
20 a description of the decision of the Secretary
21 with respect to the application, and the reasons
22 for approving or disapproving the application.

23 (B) REPORTS ON PROJECTS.—The Sec-
24 retary shall provide annually to Congress a re-

1 port concerning demonstration projects ap-
2 proved under this subsection, including—

3 (i) the projects approved for each ap-
4 plicant;

5 (ii) the number of waivers granted
6 under this subsection, and the specific
7 statutory provisions waived;

8 (iii) how well each project for which a
9 waiver is granted is improving or enhanc-
10 ing program achievement from the stand-
11 point of quality, cost-effectiveness, or both;

12 (iv) how well each project for which a
13 waiver is granted is meeting the perform-
14 ance objectives specified in paragraph
15 (3)(C)(ii);

16 (v) how each project for which a waiv-
17 er is granted is conforming with the cost-
18 neutrality requirements of paragraph
19 (4)(E); and

20 (vi) to the extent the Secretary deems
21 appropriate, recommendations for modi-
22 fication of programs based on outcomes of
23 the projects.

1 **SEC. 225. STUDY BY THE CENSUS BUREAU.**

2 (a) IN GENERAL.—Section 414(a) (42 U.S.C.
3 614(a)) is amended to read as follows:

4 “(a) IN GENERAL.—The Bureau of the Census shall
5 implement or enhance a longitudinal survey of program
6 participation, developed in consultation with the Secretary
7 and made available to interested parties, to allow for the
8 assessment of the outcomes of continued welfare reform
9 on the economic and child well-being of low-income fami-
10 lies with children, including those who received assistance
11 or services from a State program funded under this part,
12 and, to the extent possible, shall provide State representa-
13 tive samples. The content of the survey should include
14 such information as may be necessary to examine the
15 issues of out-of-wedlock childbearing, marriage, welfare
16 dependency and compliance with work requirements, the
17 beginning and ending of spells of assistance, work, earn-
18 ings and employment stability, and the well-being of chil-
19 dren.”.

20 (b) REPORTS ON THE WELL-BEING OF CHILDREN
21 AND FAMILIES.—Section 414 (42 U.S.C. 614), as amend-
22 ed by subsection (a), is amended—

23 (1) by redesignating subsection (b) as sub-
24 section (c); and

25 (2) by inserting after subsection (a) the fol-
26 lowing:

1 “(b) REPORTS ON THE WELL-BEING OF CHILDREN
2 AND FAMILIES.—

3 “(1) IN GENERAL.—Not later than 24 months
4 after the date of enactment of the Personal Respon-
5 sibility and Individual Development for Everyone
6 Act, the Secretary of Commerce shall prepare and
7 submit to the Committee on Ways and Means of the
8 House of Representatives and the Committee on Fi-
9 nance of the Senate a report on the well-being of
10 children and families using data collected under sub-
11 section (a).

12 “(2) SECOND REPORT.—Not later than 60
13 months after such date of enactment, the Secretary
14 of Commerce shall submit a second report to the
15 Committee on Ways and Means of the House of
16 Representatives and the Committee on Finance of
17 the Senate on the well-being of children and families
18 using data collected under subsection (a).

19 “(3) INCLUSION OF COMPARABLE MEASURES.—
20 Where comparable measures for data collected under
21 subsection (a) exist in surveys previously adminis-
22 tered by the Bureau of the Census, appropriate com-
23 parisons shall be made and included in each report
24 required under this subsection on the well-being of

1 children and families to assess changes in such
2 measures.”.

3 (c) APPROPRIATION.—Section 414(c) (42 U.S.C.
4 614(c)), as redesignated by subsection (b)(1), is amended
5 by striking “1996,” and all that follows through the period
6 and inserting “2006 through 2010 for payment to the Bu-
7 reau of the Census to carry out this section. Funds appro-
8 priated under this subsection for a fiscal year shall remain
9 available through fiscal year 2010 to carry out this sec-
10 tion.”.

11 **SEC. 226. FUNDING FOR CHILD CARE.**

12 (a) INCREASE IN MANDATORY FUNDING.—Section
13 418(a)(3) (42 U.S.C. 618(a)(3)) is amended—

14 (1) by striking “and” at the end of subpara-
15 graph (E);

16 (2) by striking the period at the end of sub-
17 paragraph (F) and inserting “; and”; and

18 (3) by adding at the end the following:

19 “(G) \$2,917,000,000 for each of fiscal
20 years 2006 through 2010.”.

21 (b) INCLUSION OF COMMONWEALTH OF PUERTO
22 RICO IN RESERVATION OF CHILD CARE FUNDS.—

23 (1) IN GENERAL.—Section 418(a)(4) (42
24 U.S.C. 618(a)(4)) is amended—

1 (A) in the paragraph heading, by striking
 2 “INDIAN TRIBES” and inserting “AMOUNTS RE-
 3 SERVED”;

4 (B) by striking “The Secretary” and in-
 5 serting the following:

6 “(A) INDIAN TRIBES.—The Secretary”;
 7 and

8 (C) by adding at the end the following:

9 “(B) PUERTO RICO.—The Secretary shall
 10 reserve \$10,000,000 of the amount appro-
 11 priated under paragraph (3) for each fiscal year
 12 for payments to the Commonwealth of Puerto
 13 Rico for each such fiscal year for the purpose
 14 of providing child care assistance.”.

15 (2) CONFORMING AMENDMENT.—Section
 16 1108(a)(2) (42 U.S.C. 1308(a)(2)), as amended by
 17 section 218(b)(3), is amended by striking “or
 18 413(f)” and inserting “413(f), or 418(a)(4)(B)”.

19 **SEC. 227. DEFINITIONS.**

20 (a) IN GENERAL.—Section 419 (42 U.S.C. 619) is
 21 amended by adding at the end the following:

22 “(6) ASSISTANCE.—

23 “(A) IN GENERAL.—The term ‘assistance’
 24 means payment, by cash, voucher, or other
 25 means, to or for an individual or family for the

1 purpose of meeting a subsistence need of the in-
2 dividual or family (including food, clothing,
3 shelter, and related items, but not including
4 costs of transportation or child care).

5 “(B) EXCEPTION.—The term ‘assistance’
6 does not include a payment described in sub-
7 paragraph (A) to or for an individual or family
8 on a short-term, nonrecurring basis (as defined
9 by the State in accordance with regulations pre-
10 scribed by the Secretary).”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 404(a)(1) (42 U.S.C. 604(a)(1)) is
13 amended by striking “assistance” and inserting
14 “aid”.

15 (2) Section 404(f) (42 U.S.C. 604(f)) is amend-
16 ed by striking “assistance” and inserting “benefits
17 or services”.

18 (3) Section 408(a)(5)(B)(i) (42 U.S.C.
19 608(a)(5)(B)(i)) is amended in the heading by strik-
20 ing “ASSISTANCE” and inserting “AID”.

21 (4) Section 413(d)(2) (42 U.S.C. 613(d)(2)) is
22 amended by striking “assistance” and inserting
23 “aid”.

24 (5) Section 5(g)(2)(D) of the Food Stamp Act
25 of 1977 (7 U.S.C. 2014(g)(2)(D)) is amended—

1 (A) by striking “If the vehicle allowance”
2 and inserting the following:

3 “(i) IN GENERAL.—If the vehicle al-
4 lowance”; and

5 (B) by adding at the end the following:

6 “(ii) DEFINITION OF ASSISTANCE.—
7 In clause (i), the term ‘assistance’ shall
8 have the meaning given such term in sec-
9 tion 260.31 of title 45 of the Code of Fed-
10 eral Regulations, as in effect on June 1,
11 2002.”.

12 **SEC. 228. RESPONSIBLE FATHERHOOD PROGRAM.**

13 (a) RESPONSIBLE FATHERHOOD PROGRAM.—

14 (1) FINDINGS.—Congress makes the following
15 findings:

16 (A) Nearly 24,000,000 children in the
17 United States, or 34 percent of all such chil-
18 dren, live apart from their biological father.

19 (B) Sixty percent of couples who divorce
20 have at least 1 child.

21 (C) The number of children living with
22 only a mother increased from just over
23 5,000,000 in 1960 to 17,000,000 in 1999, and
24 between 1981 and 1991 the percentage of chil-

1 dren living with only 1 parent increased from
2 19 percent to 25 percent.

3 (D) Forty percent of children who live in
4 households without a father have not seen their
5 father in at least 1 year and 50 percent of such
6 children have never visited their father's home.

7 (E) The most important factor in a child's
8 upbringing is whether the child is brought up in
9 a loving, healthy, supportive environment.

10 (F) Children who live without contact with
11 their biological father are, in comparison to
12 children who have such contact—

13 (i) 5 times more likely to live in pov-
14 erty;

15 (ii) more likely to bring weapons and
16 drugs into the classroom;

17 (iii) twice as likely to commit crime;

18 (iv) twice as likely to drop out of
19 school;

20 (v) more likely to commit suicide;

21 (vi) more than twice as likely to abuse
22 alcohol or drugs; and

23 (vii) more likely to become pregnant
24 as teenagers.

1 (G) Violent criminals are overwhelmingly
2 males who grew up without fathers.

3 (H) Between 20 and 30 percent of families
4 in poverty are headed by women who have suf-
5 fered domestic violence during the past year,
6 and between 40 and 60 percent of women with
7 children receiving welfare were abused some-
8 time during their life.

9 (I) Responsible fatherhood includes active
10 participation in financial support and child
11 care, as well as the formation and maintenance
12 of a positive, healthy, and nonviolent relation-
13 ship between father and child and a cooperative
14 relationship between parents.

15 (J) States should be encouraged to imple-
16 ment programs that provide support for respon-
17 sible fatherhood, promote marriage, and in-
18 crease the incidence of marriage, and should
19 not be restricted from implementing such pro-
20 grams.

21 (K) Fatherhood programs should promote
22 and provide support services for—

23 (i) loving and healthy relationships be-
24 tween parents and children; and

25 (ii) cooperative parenting.

1 (L) There is a social need to reconnect
2 children and fathers.

3 (M) The promotion of responsible father-
4 hood and encouragement of healthy 2-parent
5 married families should not—

6 (i) denigrate the standing or par-
7 enting efforts of single mothers or other
8 caregivers;

9 (ii) lessen the protection of children
10 from abusive parents; or

11 (iii) compromise the safety or health
12 of the custodial parent;

13 but should increase the chance that children
14 will have 2 caring parents to help them grow up
15 healthy and secure.

16 (N) The promotion of responsible father-
17 hood must always recognize and promote the
18 values of nonviolence.

19 (O) For the future of the United States
20 and the future of our children, Congress,
21 States, and local communities should assist par-
22 ents to become more actively involved in their
23 children's lives.

24 (P) Child support is an important means
25 by which a parent can take financial responsi-

1 bility for a child and emotional support is an
2 important means by which a parent can take
3 social responsibility for a child.

4 (2) FATHERHOOD PROGRAM.—Title I of the
5 Personal Responsibility and Work Opportunity Rec-
6 onciliation Act of 1996 (Public Law 104–193) is
7 amended by adding at the end the following:

8 **“SEC. 117. FATHERHOOD PROGRAM.**

9 “(a) IN GENERAL.—Title IV (42 U.S.C. 601–679b)
10 is amended by inserting after part B the following:

11 **“PART C—RESPONSIBLE FATHERHOOD**
12 **PROGRAM**

13 **“SEC. 441. RESPONSIBLE FATHERHOOD GRANTS.**

14 “(a) GRANTS TO STATES TO CONDUCT DEM-
15 ONSTRATION PROGRAMS.—

16 “(1) AUTHORITY TO AWARD GRANTS.—

17 “(A) IN GENERAL.—The Secretary shall
18 award grants to up to 10 eligible States to con-
19 duct demonstration programs to carry out the
20 purposes described in paragraph (2).

21 “(B) ELIGIBLE STATE.—For purposes of
22 this subsection, an eligible State is a State that
23 submits to the Secretary the following:

24 “(i) APPLICATION.—An application
25 for a grant under this subsection, at such

1 time, in such manner, and containing such
2 information as the Secretary may require.

3 “(ii) STATE PLAN.—A State plan
4 that includes the following:

5 “(I) PROJECT DESCRIPTION.—A
6 description of the programs or activi-
7 ties the State will fund under the
8 grant, including a good faith estimate
9 of the number and characteristics of
10 clients to be served under such
11 projects and how the State intends to
12 achieve at least 2 of the purposes de-
13 scribed in paragraph (2).

14 “(II) COORDINATION EF-
15 FORTS.—A description of how the
16 State will coordinate and cooperate
17 with State and local entities respon-
18 sible for carrying out other programs
19 that relate to the purposes intended to
20 be achieved under the demonstration
21 program, including as appropriate, en-
22 tities responsible for carrying out jobs
23 programs and programs serving chil-
24 dren and families.

1 “(III) RECORDS, REPORTS, AND
2 AUDITS.—An agreement to maintain
3 such records, submit such reports,
4 and cooperate with such reviews and
5 audits as the Secretary finds nec-
6 essary for purposes of oversight of the
7 demonstration program.

8 “(iii) CERTIFICATIONS.—The fol-
9 lowing certifications from the chief execu-
10 tive officer of the State:

11 “(I) A certification that the
12 State will use funds provided under
13 the grant to promote at least 2 of the
14 purposes described in paragraph (2).

15 “(II) A certification that the
16 State will return any unused funds to
17 the Secretary in accordance with the
18 reconciliation process under para-
19 graph (5).

20 “(III) A certification that the
21 funds provided under the grant will be
22 used for programs and activities that
23 target low-income participants and
24 that not less than 50 percent of the

1 participants in each program or activ-
2 ity funded under the grant shall be—

3 “(aa) parents of a child
4 who is, or within the past 24
5 months has been, a recipient of
6 assistance or services under a
7 State program funded under part
8 A, D, or E of this title, title XIX,
9 or the Food Stamp Act of 1977;
10 or

11 “(bb) parents, including an
12 expectant parent or a married
13 parent, whose income (after ad-
14 justment for court-ordered child
15 support paid or received) does
16 not exceed 150 percent of the
17 poverty line.

18 “(IV) A certification that the
19 State has or will comply with the re-
20 quirements of paragraph (4).

21 “(V) A certification that funds
22 provided to a State under this sub-
23 section shall not be used to supple-
24 ment or supplant other Federal,
25 State, or local funds that are used to

1 support programs or activities that
2 are related to the purposes described
3 in paragraph (2).

4 ““(C) PREFERENCES AND FACTORS OF
5 CONSIDERATION.—In awarding grants under
6 this subsection, the Secretary shall take into
7 consideration the following:

8 ““(i) DIVERSITY OF ENTITIES USED
9 TO CONDUCT PROGRAMS AND ACTIVI-
10 TIES.—The Secretary shall, to the extent
11 practicable, achieve a balance among the
12 eligible States awarded grants under this
13 subsection with respect to the size, urban
14 or rural location, and employment of dif-
15 fering or unique methods of the entities
16 that the eligible States intend to use to
17 conduct the programs and activities funded
18 under the grants.

19 ““(ii) PRIORITY FOR CERTAIN
20 STATES.—The Secretary shall give priority
21 to awarding grants to eligible States that
22 have—

23 ““(I) demonstrated progress in
24 achieving at least 1 of the purposes

1 described in paragraph (2) through
2 previous State initiatives; or

3 “(II) demonstrated need with
4 respect to reducing the incidence of
5 out-of-wedlock births or absent fa-
6 thers in the State.

7 “(2) PURPOSES.—The purposes described in
8 this paragraph are the following:

9 “(A) PROMOTING RESPONSIBLE FATHER-
10 HOOD THROUGH MARRIAGE PROMOTION.—To
11 promote marriage or sustain marriage through
12 activities such as counseling, mentoring, dis-
13 seminating information about the benefits of
14 marriage and 2-parent involvement for children,
15 enhancing relationship skills, education regard-
16 ing how to control aggressive behavior, dissemi-
17 nating information on the causes of domestic vi-
18 olence and child abuse, marriage preparation
19 programs, premarital counseling, marital inven-
20 tories, skills-based marriage education, financial
21 planning seminars, including improving a fam-
22 ily’s ability to effectively manage family busi-
23 ness affairs by means such as education, coun-
24 seling, or mentoring on matters related to fam-
25 ily finances, including household management,

1 budgeting, banking, and handling of financial
2 transactions and home maintenance, and di-
3 vorce education and reduction programs, includ-
4 ing mediation and counseling.

5 ““(B) PROMOTING RESPONSIBLE FATHER-
6 HOOD THROUGH PARENTING PROMOTION.—To
7 promote responsible parenting through activities
8 such as counseling, mentoring, and mediation,
9 disseminating information about good parenting
10 practices, skills-based parenting education, en-
11 couraging child support payments, and other
12 methods.

13 ““(C) PROMOTING RESPONSIBLE FATHER-
14 HOOD THROUGH FOSTERING ECONOMIC STA-
15 BILITY OF FATHERS.—To foster economic sta-
16 bility by helping fathers improve their economic
17 status by providing activities such as work first
18 services, job search, job training, subsidized em-
19 ployment, job retention, job enhancement, and
20 encouraging education, including career-advanc-
21 ing education, dissemination of employment ma-
22 terials, coordination with existing employment
23 services such as welfare-to-work programs, re-
24 ferrals to local employment training initiatives,
25 and other methods.

1 “(3) RESTRICTION ON USE OF FUNDS.—No
2 funds provided under this subsection may be used
3 for costs attributable to court proceedings regarding
4 matters of child visitation or custody, or for legisla-
5 tive advocacy.

6 “(4) REQUIREMENTS FOR RECEIPT OF
7 FUNDS.—A State may not be awarded a grant under
8 this section unless the State, as a condition of re-
9 ceiving funds under such a grant—

10 “(A) consults with experts in domestic vi-
11 olence or with relevant community domestic vio-
12 lence coalitions in developing such programs or
13 activities; and

14 “(B) describes in the application for a
15 grant under this section—

16 “(i) how the programs or activities
17 proposed to be conducted will address, as
18 appropriate, issues of domestic violence;
19 and

20 “(ii) what the State will do, to the
21 extent relevant, to ensure that participa-
22 tion in such programs or activities is vol-
23 untary, and to inform potential partici-
24 pants that their involvement is voluntary.

25 “(5) RECONCILIATION PROCESS.—

1 “(A) 3-YEAR AVAILABILITY OF AMOUNTS
2 ALLOTTED.—Each eligible State that receives a
3 grant under this subsection for a fiscal year
4 shall return to the Secretary any unused por-
5 tion of the grant for such fiscal year not later
6 than the last day of the second succeeding fiscal
7 year, together with any earnings on such un-
8 used portion.

9 “(B) PROCEDURE FOR REDISTRIBU-
10 TION.—The Secretary shall establish an appro-
11 priate procedure for redistributing to eligible
12 States that have expended the entire amount of
13 a grant made under this subsection for a fiscal
14 year any amount that is returned to the Sec-
15 retary by eligible States under subparagraph
16 (A).

17 “(6) AMOUNT OF GRANTS.—

18 “(A) IN GENERAL.—Subject to subpara-
19 graph (B), the amount of each grant awarded
20 under this subsection shall be an amount suffi-
21 cient to implement the State plan submitted
22 under paragraph (1)(B)(ii).

23 “(B) MINIMUM AMOUNTS.—No eligible
24 State shall—

1 “(i) in the case of the District of Co-
2 lumbia or a State other than the Common-
3 wealth of Puerto Rico, the United States
4 Virgin Islands, Guam, American Samoa,
5 and the Commonwealth of the Northern
6 Mariana Islands, receive a grant for a fis-
7 cal year in an amount that is less than
8 \$1,000,000; and

9 “(ii) in the case of the Common-
10 wealth of Puerto Rico, the United States
11 Virgin Islands, Guam, American Samoa,
12 and the Commonwealth of the Northern
13 Mariana Islands, receive a grant for a fis-
14 cal year in an amount that is less than
15 \$500,000.

16 “(7) DEFINITION OF STATE.—In this sub-
17 section the term ‘State’ means each of the 50
18 States, the District of Columbia, the Commonwealth
19 of Puerto Rico, the United States Virgin Islands,
20 Guam, American Samoa, and the Commonwealth of
21 the Northern Mariana Islands.

22 “(8) AUTHORIZATION OF APPROPRIATIONS.—
23 There is authorized to be appropriated \$20,000,000
24 for each of fiscal years 2006 through 2010 for pur-

1 poses of making grants to eligible States under this
2 subsection.

3 ““(b) GRANTS TO ELIGIBLE ENTITIES TO CONDUCT
4 DEMONSTRATION PROGRAMS.—

5 ““(1) AUTHORITY TO AWARD GRANTS.—

6 ““(A) IN GENERAL.—The Secretary shall
7 award grants to eligible entities to conduct
8 demonstration programs to carry out the pur-
9 poses described in subsection (a)(2).

10 ““(B) ELIGIBLE ENTITY.—For purposes of
11 this subsection, an eligible entity is a local gov-
12 ernment, local public agency, community-based
13 or nonprofit organization, or private entity, in-
14 cluding any charitable or faith-based organiza-
15 tion, or an Indian tribe (as defined in section
16 419(4)), that submits to the Secretary the fol-
17 lowing:

18 ““(i) APPLICATION.—An application
19 for a grant under this subsection, at such
20 time, in such manner, and containing such
21 information as the Secretary may require.

22 ““(ii) PROJECT DESCRIPTION.—A de-
23 scription of the programs or activities the
24 entity intends to carry out with funds pro-
25 vided under the grant, including a good

1 faith estimate of the number and charac-
2 teristics of clients to be served under such
3 programs or activities and how the entity
4 intends to achieve at least 2 of the pur-
5 poses described in subsection (a)(2).

6 ““(iii) COORDINATION EFFORTS.—A
7 description of how the entity will coordi-
8 nate and cooperate with State and local
9 entities responsible for carrying out other
10 programs that relate to the purposes in-
11 tended to be achieved under the dem-
12 onstration program, including as appro-
13 priate, entities responsible for carrying out
14 jobs programs and programs serving chil-
15 dren and families.

16 ““(iv) RECORDS, REPORTS, AND AU-
17 DITS.—An agreement to maintain such
18 records, submit such reports, and cooper-
19 ate with such reviews and audits as the
20 Secretary finds necessary for purposes of
21 oversight of the demonstration program.

22 ““(v) CERTIFICATIONS.—The fol-
23 lowing certifications:

24 ““(I) A certification that the en-
25 tity will use funds provided under the

1 grant to promote at least 2 of the
2 purposes described in subsection
3 (a)(2).

4 “(II) A certification that the en-
5 tity will return any unused funds to
6 the Secretary in accordance with the
7 reconciliation process under para-
8 graph (3).

9 “(III) A certification that the
10 funds provided under the grant will be
11 used for programs and activities that
12 target low-income participants and
13 that not less than 50 percent of the
14 participants in each program or activ-
15 ity funded under the grant shall be—

16 “(aa) parents of a child
17 who is, or within the past 24
18 months has been, a recipient of
19 assistance or services under a
20 State program funded under part
21 A, D, or E of this title, title XIX,
22 or the Food Stamp Act of 1977;
23 or

24 “(bb) parents, including an
25 expectant parent or a married

1 parent, whose income (after ad-
2 justment for court-ordered child
3 support paid or received) does
4 not exceed 150 percent of the
5 poverty line.

6 “(IV) A certification that the
7 entity has or will comply with the re-
8 quirements of paragraph (3).

9 “(V) A certification that funds
10 provided to an entity under this sub-
11 section shall not be used to supple-
12 ment or supplant other Federal,
13 State, or local funds provided to the
14 entity that are used to support pro-
15 grams or activities that are related to
16 the purposes described in subsection
17 (a)(2).

18 “(C) PREFERENCES AND FACTORS OF
19 CONSIDERATION.—In awarding grants under
20 this subsection, the Secretary shall, to the ex-
21 tent practicable, achieve a balance among the
22 eligible entities awarded grants under this sub-
23 section with respect to the size, urban or rural
24 location, and employment of differing or unique
25 methods of the entities.

1 “(2) RESTRICTION ON USE OF FUNDS.—No
2 funds provided under this subsection may be used
3 for costs attributable to court proceedings regarding
4 matters of child visitation or custody, or for legisla-
5 tive advocacy.

6 “(3) REQUIREMENTS FOR USE OF FUNDS.—
7 The Secretary may not award a grant under this
8 subsection to an eligible entity unless the entity, as
9 a condition of receiving funds under such a grant—

10 “(A) consults with experts in domestic vi-
11 olence or with relevant community domestic vio-
12 lence coalitions in developing the programs or
13 activities to be conducted with such funds
14 awarded under the grant; and

15 “(B) describes in the application for a
16 grant under this section—

17 “(i) how the programs or activities
18 proposed to be conducted will address, as
19 appropriate, issues of domestic violence;
20 and

21 “(ii) what the entity will do, to the
22 extent relevant, to ensure that participa-
23 tion in such programs or activities is vol-
24 untary, and to inform potential partici-
25 pants that their involvement is voluntary.

1 “(4) RECONCILIATION PROCESS.—

2 “(A) 3-YEAR AVAILABILITY OF AMOUNTS
3 ALLOTTED.—Each eligible entity that receives a
4 grant under this subsection for a fiscal year
5 shall return to the Secretary any unused por-
6 tion of the grant for such fiscal year not later
7 than the last day of the second succeeding fiscal
8 year, together with any earnings on such un-
9 used portion.

10 “(B) PROCEDURE FOR REDISTRIBU-
11 TION.—The Secretary shall establish an appro-
12 priate procedure for redistributing to eligible
13 entities that have expended the entire amount
14 of a grant made under this subsection for a fis-
15 cal year any amount that is returned to the
16 Secretary by eligible entities under subpara-
17 graph (A).

18 “(5) AUTHORIZATION OF APPROPRIATIONS.—
19 There is authorized to be appropriated \$30,000,000
20 for each of fiscal years 2006 through 2010 for pur-
21 poses of making grants to eligible entities under this
22 subsection.

1 **“SEC. 442. NATIONAL CLEARINGHOUSE FOR RESPONSIBLE**
2 **FATHERHOOD PROGRAMS.**

3 “(a) MEDIA CAMPAIGN NATIONAL CLEARINGHOUSE
4 FOR RESPONSIBLE FATHERHOOD.—

5 “(1) IN GENERAL.—From any funds appro-
6 priated under subsection (c), the Secretary shall con-
7 tract with a nationally recognized, nonprofit father-
8 hood promotion organization described in subsection
9 (b) to—

10 “(A) develop, promote, and distribute to
11 interested States, local governments, public
12 agencies, and private entities a media campaign
13 that encourages the appropriate involvement of
14 parents in the life of any child, with a priority
15 for programs that specifically address the issue
16 of responsible fatherhood; and

17 “(B) develop a national clearinghouse to
18 assist States and communities in efforts to pro-
19 mote and support marriage and responsible fa-
20 therhood by collecting, evaluating, and making
21 available (through the Internet and by other
22 means) to other States information regarding
23 the media campaigns established under section
24 443.

25 “(2) COORDINATION WITH DOMESTIC VIO-
26 LENCE PROGRAMS.—The Secretary shall ensure that

1 the nationally recognized nonprofit fatherhood pro-
2 motion organization with a contract under para-
3 graph (1) coordinates the media campaign developed
4 under subparagraph (A) of such paragraph and the
5 national clearinghouse developed under subpara-
6 graph (B) of such paragraph with national, State, or
7 local domestic violence programs.

8 “(b) **NATIONALLY RECOGNIZED, NONPROFIT FA-
9 THERHOOD PROMOTION ORGANIZATION DESCRIBED.—**
10 The nationally recognized, nonprofit fatherhood promotion
11 organization described in this subsection is an organiza-
12 tion that has at least 4 years of experience in—

13 “(1) designing and disseminating a national
14 public education campaign, as evidenced by the pro-
15 duction and successful placement of television, radio,
16 and print public service announcements that pro-
17 mote the importance of responsible fatherhood, a
18 track record of service to Spanish-speaking popu-
19 lations and historically underserved or minority popu-
20 lations, the capacity to fulfill requests for informa-
21 tion and a proven history of fulfilling such requests,
22 and a mechanism through which the public can re-
23 quest additional information about the campaign;
24 and

1 “(2) providing consultation and training to
2 community-based organizations interested in imple-
3 menting fatherhood outreach, support, or skill devel-
4 opment programs with an emphasis on promoting
5 married fatherhood as the ideal.

6 “(c) AUTHORIZATION OF APPROPRIATIONS.—There
7 is authorized to be appropriated \$5,000,000 for each of
8 fiscal years 2006 through 2010 to carry out this section.

9 **“SEC. 443. BLOCK GRANTS TO STATES TO ENCOURAGE**
10 **MEDIA CAMPAIGNS.**

11 “(a) DEFINITIONS.—In this section:

12 “(1) BROADCAST ADVERTISEMENT.—The term
13 ‘broadcast advertisement’ means a communication
14 intended to be aired by a television or radio broad-
15 cast station, including a communication intended to
16 be transmitted through a cable channel.

17 “(2) CHILD AT RISK.—The term ‘child at risk’
18 means each young child whose family income does
19 not exceed the poverty line.

20 “(3) POVERTY LINE.—The term ‘poverty line’
21 has the meaning given such term in section 673(2)
22 of the Community Services Block Grant Act (42
23 U.S.C. 9902(2)), including any revision required by
24 such section, that is applicable to a family of the
25 size involved.

1 “(4) PRINTED OR OTHER ADVERTISEMENT.—

2 The term ‘printed or other advertisement’ includes
3 any communication intended to be distributed
4 through a newspaper, magazine, outdoor advertising
5 facility, mailing, or any other type of general public
6 advertising, but does not include any broadcast ad-
7 vertisement.

8 “(5) STATE.—The term ‘State’ means each of
9 the 50 States, the District of Columbia, the Com-
10 monwealth of Puerto Rico, the United States Virgin
11 Islands, Guam, American Samoa, and the Common-
12 wealth of the Northern Mariana Islands.

13 “(6) YOUNG CHILD.—The term ‘young child’
14 means an individual under age 5.

15 “(b) STATE CERTIFICATIONS.—Not later than Octo-
16 ber 1 of each of fiscal year for which a State desires to
17 receive an allotment under this section, the chief executive
18 officer of the State shall submit to the Secretary a certifi-
19 cation that the State shall—

20 “(1) use such funds to promote the formation
21 and maintenance of healthy 2-parent married fami-
22 lies, strengthen fragile families, and promote respon-
23 sible fatherhood through media campaigns conducted
24 in accordance with the requirements of subsection
25 (d);

1 “(2) return any unused funds to the Secretary
2 in accordance with the reconciliation process under
3 subsection (e); and

4 “(3) comply with the reporting requirements
5 under subsection (f).

6 “(c) PAYMENTS TO STATES.—For each of fiscal
7 years 2006 through 2010, the Secretary shall pay to each
8 State that submits a certification under subsection (b),
9 from any funds appropriated under subsection (i), for the
10 fiscal year an amount equal to the amount of the allotment
11 determined for the fiscal year under subsection (g).

12 “(d) ESTABLISHMENT OF MEDIA CAMPAIGNS.—
13 Each State receiving an allotment under this section for
14 a fiscal year shall use the allotment to conduct media cam-
15 paigns as follows:

16 “(1) CONDUCT OF MEDIA CAMPAIGNS.—

17 “(A) RADIO AND TELEVISION MEDIA CAM-
18 PAIGNS.—

19 “(i) PRODUCTION OF BROADCAST
20 ADVERTISEMENTS.—At the option of the
21 State, to produce broadcast advertisements
22 that promote the formation and mainte-
23 nance of healthy 2-parent married families,
24 strengthen fragile families, and promote
25 responsible fatherhood.

1 “(ii) AIRTIME CHALLENGE PRO-
2 GRAM.—At the option of the State, to es-
3 tablish an airtime challenge program under
4 which the State may spend amounts allot-
5 ted under this section to purchase time
6 from a broadcast station to air a broadcast
7 advertisement produced under clause (i),
8 but only if the State obtains an amount of
9 time of the same class and during a com-
10 parable period to air the advertisement
11 using non-Federal contributions.

12 “(B) OTHER MEDIA CAMPAIGNS.—At the
13 option of the State, to conduct a media cam-
14 paign that consists of the production and dis-
15 tribution of printed or other advertisements
16 that promote the formation and maintenance of
17 healthy 2-parent married families, strengthen
18 fragile families, and promote responsible father-
19 hood.

20 “(2) ADMINISTRATION OF MEDIA CAM-
21 PAIGNS.—A State may administer media campaigns
22 funded under this section directly or through grants,
23 contracts, or cooperative agreements with public
24 agencies, local governments, or private entities, in-
25 cluding charitable and faith-based organizations.

1 “(3) CONSULTATION WITH DOMESTIC VIO-
2 LENCE ASSISTANCE CENTERS.—In developing broad-
3 cast and printed advertisements to be used in the
4 media campaigns conducted under paragraph (1),
5 the State or other entity administering the campaign
6 shall consult with representatives of State and local
7 domestic violence centers.

8 “(4) NON-FEDERAL CONTRIBUTIONS.—In this
9 section, the term ‘non-Federal contributions’ in-
10 cludes contributions by the State and by public and
11 private entities. Such contributions may be in cash
12 or in kind. Such term does not include any amounts
13 provided by the Federal Government, or services as-
14 sisted or subsidized to any significant extent by the
15 Federal Government, or any amount expended by a
16 State before October 1, 2005.

17 “(e) RECONCILIATION PROCESS.—

18 “(1) 3-YEAR AVAILABILITY OF AMOUNTS AL-
19 LOTTED.—Each State that receives an allotment
20 under this section shall return to the Secretary any
21 unused portion of the amount allotted to a State for
22 a fiscal year not later than the last day of the sec-
23 ond succeeding fiscal year together with any earn-
24 ings on such unused portion.

1 “(2) PROCEDURE FOR REDISTRIBUTION OF
2 UNUSED ALLOTMENTS.—The Secretary shall estab-
3 lish an appropriate procedure for redistributing to
4 States that have expended the entire amount allotted
5 under this section any amount that is—

6 “(A) returned to the Secretary by States
7 under paragraph (1); or

8 “(B) not allotted to a State under this
9 section because the State did not submit a cer-
10 tification under subsection (b) by October 1 of
11 a fiscal year.

12 “(f) REPORTING REQUIREMENTS.—

13 “(1) MONITORING AND EVALUATION.—Each
14 State receiving an allotment under this section for a
15 fiscal year shall monitor and evaluate the media
16 campaigns conducted using funds made available
17 under this section in such manner as the Secretary,
18 in consultation with the States, determines appro-
19 priate.

20 “(2) ANNUAL REPORTS.—Not less frequently
21 than annually, each State receiving an allotment
22 under this section for a fiscal year shall submit to
23 the Secretary reports on the media campaigns con-
24 ducted using funds made available under this section

1 at such time, in such manner, and containing such
2 information as the Secretary may require.

3 ““(g) AMOUNT OF ALLOTMENTS.—

4 ““(1) IN GENERAL.—Except as provided in
5 paragraph (2), of the amount appropriated for the
6 purpose of making allotments under this section for
7 a fiscal year, the Secretary shall allot to each State
8 that submits a certification under subsection (b) for
9 the fiscal year an amount equal to the sum of—

10 ““(A) the amount that bears the same
11 ratio to 50 percent of such funds as the number
12 of young children in the State (as determined
13 by the Secretary based on the most current reli-
14 able data available) bears to the number of
15 such children in all States; and

16 ““(B) the amount that bears the same
17 ratio to 50 percent of such funds as the number
18 of children at risk in the State (as determined
19 by the Secretary based on the most current reli-
20 able data available) bears to the number of
21 such children in all States.

22 ““(2) MINIMUM ALLOTMENTS.—No allotment
23 for a fiscal year under this section shall be less
24 than—

1 “(A) in the case of the District of Colum-
2 bia or a State other than the Commonwealth of
3 Puerto Rico, the United States Virgin Islands,
4 Guam, American Samoa, and the Common-
5 wealth of the Northern Mariana Islands, 1 per-
6 cent of the amount appropriated for the fiscal
7 year under subsection (i); and

8 “(B) in the case of the Commonwealth of
9 Puerto Rico, the United States Virgin Islands,
10 Guam, American Samoa, and the Common-
11 wealth of the Northern Mariana Islands, 0.5
12 percent of such amount.

13 “(3) PRO RATA REDUCTIONS.—The Secretary
14 shall make such pro rata reductions to the allot-
15 ments determined under this subsection as are nec-
16 essary to comply with the requirements of paragraph
17 (2).

18 “(h) EVALUATION.—

19 “(1) IN GENERAL.—The Secretary shall con-
20 duct an evaluation of the impact of the media cam-
21 paigns funded under this section.

22 “(2) REPORT.—Not later than December 31,
23 2008, the Secretary shall report to Congress the re-
24 sults of the evaluation under paragraph (1).

1 “(3) FUNDING.—Of the amount appropriated
2 under subsection (i) for fiscal year 2006, \$1,000,000
3 of such amount shall be transferred and made avail-
4 able for purposes of conducting the evaluation re-
5 quired under this subsection, and shall remain avail-
6 able until expended.

7 “(i) AUTHORIZATION OF APPROPRIATIONS.—There
8 is authorized to be appropriated \$20,000,000 for each of
9 fiscal years 2006 through 2010 for purposes of making
10 allotments to States under this section.’.

11 “(b) INAPPLICABILITY OF EFFECTIVE DATE PROVI-
12 SIONS.—Section 116 shall not apply to the amendment
13 made by subsection (a) of this section.”.

14 (b) CLERICAL AMENDMENT.—Section 2 of such Act
15 is amended in the table of contents by inserting after the
16 item relating to section 116 the following new item:

 “Sec. 117. Responsible fatherhood program.”.

17 **SEC. 229. ADDITIONAL GRANTS.**

18 (a) GRANTS TO CAPITALIZE AND DEVELOP SUSTAIN-
19 ABLE SOCIAL SERVICES.—Section 403(a) (42 U.S.C.
20 603(a)) is amended by adding at the end the following:

21 “(6) GRANTS TO CAPITALIZE AND DEVELOP
22 SUSTAINABLE SOCIAL SERVICES.—

23 “(A) AUTHORITY TO AWARD GRANTS.—
24 The Secretary may award grants to entities for
25 the purpose of capitalizing and developing the

1 role of sustainable social services that are crit-
2 ical to the success of moving recipients of as-
3 sistance under a State program funded under
4 this part to work.

5 “(B) APPLICATION.—

6 “(i) IN GENERAL.—An entity desiring
7 a grant under this paragraph shall submit
8 an application to the Secretary, at such
9 time, in such manner, and, subject to
10 clause (ii), containing such information as
11 the Secretary may require.

12 “(ii) STRATEGY FOR GENERATION OF
13 REVENUE.—An application for a grant
14 under this paragraph shall include a de-
15 scription of the capitalization strategy that
16 the entity intends to follow to develop a
17 program that generates its own source of
18 ongoing revenue while assisting recipients
19 of assistance under a State program fund-
20 ed under this part.

21 “(C) USE OF FUNDS.—

22 “(i) IN GENERAL.—Funds made avail-
23 able under a grant made under this para-
24 graph may be used for the acquisition, con-

1 struction, or renovation of facilities or
2 buildings.

3 “(ii) GENERAL RULES GOVERNING
4 USE OF FUNDS.—The rules of section 404,
5 other than subsection (b) of that section,
6 shall not apply to a grant made under this
7 paragraph.

8 “(D) EVALUATION AND REPORT.—The
9 Secretary shall, by grant, contract, or inter-
10 agency agreement, conduct an evaluation of the
11 programs developed with grants awarded under
12 this paragraph and shall submit a report to
13 Congress on the results of such evaluation.

14 “(E) AUTHORIZATION OF APPROPRIA-
15 TIONS.—Out of any money in the Treasury of
16 the United States not otherwise appropriated,
17 there is appropriated to the Secretary for the
18 purpose of carrying out this paragraph,
19 \$40,000,000 for each of fiscal years 2006
20 through 2010.”.

21 (b) GRANTS FOR LOW-INCOME CAR OWNERSHIP
22 PROGRAMS.—Section 403(a) (42 U.S.C. 603(a)), as
23 amended by subsection (a), is further amended by adding
24 at the end the following:

1 “(7) GRANTS FOR LOW-INCOME CAR OWNER-
2 SHIP PROGRAMS.—

3 “(A) PURPOSES.—The purposes of this
4 paragraph are to—

5 “(i) assist low-income families with
6 children obtain dependable, affordable
7 automobiles to improve their employment
8 opportunities and access to training; and

9 “(ii) provide incentives to States, In-
10 dian tribes, localities, and nonprofit enti-
11 ties to develop and administer programs
12 that provide assistance with automobile
13 ownership for low-income families.

14 “(B) DEFINITIONS.—In this paragraph:

15 “(i) LOCALITY.—The term ‘locality’
16 means a municipality that does not admin-
17 ister a State program funded under this
18 part.

19 “(ii) LOW-INCOME FAMILY WITH
20 CHILDREN.—The term ‘low-income family
21 with children’ means a household that is
22 eligible for benefits or services funded
23 under the State program funded under this
24 part or under a program funded with

1 qualified State expenditures (as defined in
2 section 409(a)(7)(B)(i)).

3 “(iii) NONPROFIT ENTITY.—The term
4 ‘nonprofit entity’ means a school, local
5 agency, organization, or institution owned
6 and operated by 1 or more nonprofit cor-
7 porations or associations, no part of the
8 net earnings of which inures, or may law-
9 fully inure, to the benefit of any private
10 shareholder or individual.

11 “(C) AUTHORITY TO AWARD GRANTS.—
12 The Secretary may award grants to States,
13 counties, localities, Indian tribes, and nonprofit
14 entities to promote improving access to depend-
15 able, affordable automobiles by low-income fam-
16 ilies with children.

17 “(D) GRANT APPROVAL CRITERIA.—The
18 Secretary shall establish criteria for approval of
19 an application for a grant under this paragraph
20 that include consideration of—

21 “(i) the extent to which the proposal,
22 if funded, is likely to improve access to
23 training and employment opportunities and
24 child care services by low-income families
25 with children by means of car ownership;

1 “(ii) the level of innovation in the ap-
2 plicant’s grant proposal; and

3 “(iii) any partnerships between the
4 public and private sector in the applicant’s
5 grant proposal.

6 “(E) USE OF FUNDS.—

7 “(i) IN GENERAL.—A grant awarded
8 under this paragraph shall be used to ad-
9 minister programs that assist low-income
10 families with children with dependable
11 automobile ownership, and maintenance of,
12 or insurance for, the purchased auto-
13 mobile.

14 “(ii) SUPPLEMENT NOT SUPPLANT.—
15 Funds provided to a State, Indian tribe,
16 county, or locality under a grant awarded
17 under this paragraph shall be used to sup-
18 plement and not supplant other State,
19 county, or local public funds expended for
20 car ownership programs.

21 “(iii) GENERAL RULES GOVERNING
22 USE OF FUNDS.—The rules of section 404,
23 other than subsection (b) of that section,
24 shall not apply to a grant made under this
25 paragraph.

1 “(F) APPLICATION.—Each applicant desir-
2 ing a grant under this paragraph shall submit
3 an application to the Secretary at such time, in
4 such manner, and accompanied by such infor-
5 mation as the Secretary may reasonably re-
6 quire.

7 “(G) REVERSION OF FUNDS.—Any funds
8 not expended by a grantee within 3 years after
9 the date the grant is awarded under this para-
10 graph shall be available for redistribution
11 among other grantees in such manner and
12 amount as the Secretary may determine, unless
13 the Secretary extends by regulation the time pe-
14 riod to expend such funds.

15 “(H) LIMITATION ON ADMINISTRATIVE
16 COSTS OF THE SECRETARY.—Not more than an
17 amount equal to 5 percent of the funds appro-
18 priated to make grants under this paragraph
19 for a fiscal year shall be expended for adminis-
20 trative costs of the Secretary in carrying out
21 this paragraph.

22 “(I) EVALUATION.—The Secretary shall,
23 by grant, contract, or interagency agreement,
24 conduct an evaluation of the programs adminis-

1 tered with grants awarded under this para-
2 graph.

3 “(J) AUTHORIZATION OF APPROPRIA-
4 TIONS.—There is authorized to be appropriated
5 to the Secretary to make grants under this
6 paragraph, \$25,000,000 for each of fiscal years
7 2006 through 2010.”.

8 **SEC. 230. TECHNICAL CORRECTIONS.**

9 (a) Section 409(c)(2) (42 U.S.C. 609(c)(2)) is
10 amended by inserting a comma after “appropriate”.

11 (b) Section 411(a)(1)(A)(ii)(III) (42 U.S.C.
12 611(a)(1)(A)(ii)(III)) is amended by striking the last close
13 parenthesis.

14 (c) Section 413(j)(2)(A) (42 U.S.C. 613(j)(2)(A)) is
15 amended by striking “section” and inserting “sections”.

16 (d)(1) Section 413 (42 U.S.C. 613) is amended by
17 striking subsection (g) and redesignating subsections (h)
18 through (j) and subsections (k) and (l) (as added by sec-
19 tions 211(d) and 224(a) of this Act, respectively) as sub-
20 sections (g) through (k), respectively.

21 (2) Each of the following provisions is amended by
22 striking “413(j)” and inserting “413(i)”:

23 (A) Section 403(a)(5)(A)(ii)(III) (42 U.S.C.
24 603(a)(5)(A)(ii)(III)).

1 (B) Section 403(a)(5)(F) (42 U.S.C.
2 603(a)(5)(F)).

3 (C) Section 403(a)(5)(G)(ii) (42 U.S.C.
4 603(a)(5)(G)(ii)).

5 (D) Section 412(a)(3)(B)(iv) (42 U.S.C.
6 612(a)(3)(B)(iv)).

7 **Subtitle B—Abstinence Education**

8 **SEC. 241. EXTENSION OF ABSTINENCE EDUCATION PRO-** 9 **GRAM.**

10 (a) EXTENSION OF APPROPRIATIONS.—Section
11 510(d) (42 U.S.C. 710(d)) is amended by striking “2003”
12 and inserting “2010”.

13 (b) ALLOTMENT OF FUNDS.—Section 510(a) (42
14 U.S.C. 710(a)) is amended—

15 (1) in the matter preceding paragraph (1), by
16 striking “an application for the fiscal year under
17 section 505(a)” and inserting “, for the fiscal year,
18 an application under section 505(a), and an applica-
19 tion under this section (in such form and meeting
20 such terms and conditions as determined appropriate
21 by the Secretary),”; and

22 (2) in paragraph (2), to read as follows:

23 “(2) the percentage described in section
24 502(c)(1)(B)(ii) that would be determined for the
25 State under section 502(c) if such determination

1 took into consideration only those States that trans-
2 mitted both such applications for such fiscal year.”.

3 (c) REALLOTMENT OF FUNDS.—Section 510 (42
4 U.S.C. 710(a)) is amended by adding at the end the fol-
5 lowing:

6 “(e)(1) With respect to allotments under subsection
7 (a) for fiscal year 2006 and subsequent fiscal years, the
8 amount of any allotment to a State for a fiscal year that
9 the Secretary determines will not be required to carry out
10 a program under this section during such fiscal year or
11 the succeeding fiscal year shall be available for reallocation
12 from time to time during such fiscal years on such dates
13 as the Secretary may fix, to other States that the Sec-
14 retary determines—

15 “(A) require amounts in excess of amounts pre-
16 viously allotted under subsection (a) to carry out a
17 program under this section; and

18 “(B) will use such excess amounts during such
19 fiscal years.

20 “(2) Reallocations under paragraph (1) shall be made
21 on the basis of such States’ applications under this sec-
22 tion, after taking into consideration the population of low-
23 income children in each such State as compared with the
24 population of low-income children in all such States with

1 respect to which a determination under paragraph (1) has
2 been made by the Secretary.

3 “(3) Any amount reallocated under paragraph (1) to
4 a State is deemed to be part of its allotment under sub-
5 section (a).”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall be effective with respect to the program
8 under section 510 for fiscal year 2006 and succeeding fis-
9 cal years.

10 **Subtitle C—Child Support**

11 **SEC. 251. DISTRIBUTION OF CHILD SUPPORT COLLECTED** 12 **BY STATES ON BEHALF OF CHILDREN RE-** 13 **CEIVING CERTAIN WELFARE BENEFITS.**

14 (a) MODIFICATION OF RULE REQUIRING ASSIGN-
15 MENT OF SUPPORT RIGHTS AS A CONDITION OF RECEIV-
16 ING TANF.—Section 408(a)(3) (42 U.S.C. 608(a)(3)) is
17 amended to read as follows:

18 “(3) NO ASSISTANCE FOR FAMILIES NOT AS-
19 SIGNING CERTAIN SUPPORT RIGHTS TO THE
20 STATE.—A State to which a grant is made under
21 section 403 shall require, as a condition of paying
22 assistance to a family under the State program
23 funded under this part, that a member of the family
24 assign to the State any right the family member
25 may have (on behalf of the family member or of any

1 other person for whom the family member has ap-
 2 plied for or is receiving such assistance) to support
 3 from any other person, not exceeding the total
 4 amount of assistance so paid to the family, which ac-
 5 crues during the period that the family receives as-
 6 sistance under the program.”.

7 (b) INCREASING CHILD SUPPORT PAYMENTS TO
 8 FAMILIES AND SIMPLIFYING CHILD SUPPORT DISTRIBUTION
 9 RULES.—

10 (1) DISTRIBUTION RULES.—

11 (A) IN GENERAL.—Section 457(a) (42
 12 U.S.C. 657(a)) is amended to read as follows:

13 “(a) IN GENERAL.—Subject to subsections (d) and
 14 (e), the amounts collected on behalf of a family as support
 15 by a State pursuant to a plan approved under this part
 16 shall be distributed as follows:

17 “(1) FAMILIES RECEIVING ASSISTANCE.—In the
 18 case of a family receiving assistance from the State,
 19 the State shall—

20 “(A) pay to the Federal Government the
 21 Federal share of the amount collected, subject
 22 to paragraph (3)(A);

23 “(B) retain, or pay to the family, the State
 24 share of the amount collected, subject to para-
 25 graph (3)(B); and

1 “(C) pay to the family any remaining
2 amount.

3 “(2) FAMILIES THAT FORMERLY RECEIVED AS-
4 SISTANCE.—In the case of a family that formerly re-
5 ceived assistance from the State:

6 “(A) CURRENT SUPPORT.—To the extent
7 that the amount collected does not exceed the
8 current support amount, the State shall pay the
9 amount to the family.

10 “(B) ARREARAGES.—Except as otherwise
11 provided in an election made under section
12 454(34), to the extent that the amount col-
13 lected exceeds the current support amount, the
14 State—

15 “(i) shall first pay to the family the
16 excess amount, to the extent necessary to
17 satisfy support arrearages not assigned
18 pursuant to section 408(a)(3);

19 “(ii) if the amount collected exceeds
20 the amount required to be paid to the fam-
21 ily under clause (i), shall—

22 “(I) pay to the Federal Govern-
23 ment the Federal share of the excess
24 amount described in this clause, sub-
25 ject to paragraph (3)(A); and

1 “(II) retain, or pay to the family,
2 the State share of the excess amount
3 described in this clause, subject to
4 paragraph (3)(B); and

5 “(iii) shall pay to the family any re-
6 maining amount.

7 “(3) LIMITATIONS.—

8 “(A) FEDERAL REIMBURSEMENTS.—The
9 total of the amounts paid by the State to the
10 Federal Government under paragraphs (1) and
11 (2) of this subsection with respect to a family
12 shall not exceed the Federal share of the
13 amount assigned with respect to the family pur-
14 suant to section 408(a)(3).

15 “(B) STATE REIMBURSEMENTS.—The
16 total of the amounts retained by the State
17 under paragraphs (1) and (2) of this subsection
18 with respect to a family shall not exceed the
19 State share of the amount assigned with respect
20 to the family pursuant to section 408(a)(3).

21 “(4) FAMILIES THAT NEVER RECEIVED ASSIST-
22 ANCE.—In the case of any other family, the State
23 shall pay the amount collected to the family.

24 “(5) FAMILIES UNDER CERTAIN AGREE-
25 MENTS.—Notwithstanding paragraphs (1) through

1 (3), in the case of an amount collected for a family
2 in accordance with a cooperative agreement under
3 section 454(33), the State shall distribute the
4 amount collected pursuant to the terms of the agree-
5 ment.

6 “(6) STATE FINANCING OPTIONS.—To the ex-
7 tent that the State’s share of the amount payable to
8 a family pursuant to paragraph (2)(B) of this sub-
9 section exceeds the amount that the State estimates
10 (under procedures approved by the Secretary) would
11 have been payable to the family pursuant to former
12 section 457(a)(2)(B) (as in effect for the State im-
13 mediately before the date this subsection first ap-
14 plies to the State) if such former section had re-
15 mained in effect, the State may elect to have the
16 payment considered a qualified State expenditure for
17 purposes of section 409(a)(7).

18 “(7) STATE OPTION TO PASS THROUGH ADDI-
19 TIONAL SUPPORT WITH FEDERAL FINANCIAL PAR-
20 TICIPATION.—

21 “(A) FAMILIES THAT FORMERLY RE-
22 CEIVED ASSISTANCE.—Notwithstanding para-
23 graph (2), a State shall not be required to pay
24 to the Federal Government the Federal share of
25 an amount collected on behalf of a family that

1 formerly received assistance from the State to
2 the extent that the State pays the amount to
3 the family.

4 “(B) FAMILIES THAT CURRENTLY RE-
5 CEIVE ASSISTANCE.—

6 “(i) IN GENERAL.—Notwithstanding
7 paragraph (1), in the case of a family that
8 receives assistance from the State, a State
9 shall not be required to pay to the Federal
10 Government the Federal share of the ex-
11 cepted portion (as defined in clause (ii)) of
12 any amount collected on behalf of such
13 family during a month to the extent that—

14 “(I) the State pays the excepted
15 portion to the family; and

16 “(II) the excepted portion is dis-
17 regarded in determining the amount
18 and type of assistance provided to the
19 family under such program.

20 “(ii) EXCEPTED PORTION DEFINED.—

21 For purposes of this subparagraph, the
22 term ‘excepted portion’ means that portion
23 of the amount collected on behalf of a fam-
24 ily during a month that does not exceed
25 \$400 per month, or in the case of a family

1 that includes 2 or more children, that does
 2 not exceed an amount established by the
 3 State that is not more than \$600 per
 4 month.

5 “(8) STATES WITH DEMONSTRATION WAIV-
 6 ERS.—Notwithstanding the preceding paragraphs, in
 7 the case of a State that, on the date of enactment
 8 of this paragraph, has had in effect since October 1,
 9 1997, a waiver under section 1115 permitting pass-
 10 through payments of child support collections—

11 “(A) the State may continue to distribute
 12 such payments to families without regard to the
 13 expiration date of such waiver; and

14 “(B) the requirement under paragraph (1)
 15 to pay to the Federal Government the Federal
 16 share of the amount collected on behalf of a
 17 family shall not apply to the extent that—

18 “(i) the State distributes such amount
 19 to the family; and

20 “(ii) such amount is disregarded in
 21 determining the amount and type of assist-
 22 ance paid to the family.”.

23 (B) STATE PLAN TO INCLUDE ELECTION
 24 AS TO WHICH RULES TO APPLY IN DISTRIB-
 25 UTING CHILD SUPPORT ARREARAGES COL-

1 LECTED ON BEHALF OF FAMILIES FORMERLY
2 RECEIVING ASSISTANCE.—Section 454 (42
3 U.S.C. 654) is amended—

4 (i) by striking “and” at the end of
5 paragraph (32);

6 (ii) by striking the period at the end
7 of paragraph (33) and inserting “; and”;
8 and

9 (iii) by inserting after paragraph (33)
10 the following:

11 “(34) include an election by the State to apply
12 section 457(a)(2)(B) of this Act or former section
13 457(a)(2)(B) of this Act (as in effect for the State
14 immediately before the date this paragraph first ap-
15 plies to the State) to the distribution of the amounts
16 which are the subject of such sections and, for so
17 long as the State elects to so apply such former sec-
18 tion, the amendments made by section ____ 51(d)(1)
19 of the Personal Responsibility and Individual Devel-
20 opment for Everyone Act shall not apply with re-
21 spect to the State, notwithstanding section
22 ____ 51(e) of that Act.”.

23 (C) APPROVAL OF ESTIMATION PROCE-
24 DURES.—Not later than the date that is 6
25 months after the date of enactment of this Act,

1 the Secretary of Health and Human Services,
 2 in consultation with the States (as defined for
 3 purposes of part D of title IV of the Social Se-
 4 curity Act (42 U.S.C. 651 et seq.)), shall estab-
 5 lish the procedures to be used to make the esti-
 6 mate described in section 457(a)(6) of such Act
 7 (42 U.S.C. 657(a)(6)).

8 (2) CURRENT SUPPORT AMOUNT DEFINED.—

9 Section 457(c) (42 U.S.C. 657(c)) is amended by
 10 adding at the end the following:

11 “(5) CURRENT SUPPORT AMOUNT.—The term
 12 ‘current support amount’ means, with respect to
 13 amounts collected as support on behalf of a family,
 14 the amount designated as the monthly support obli-
 15 gation of the noncustodial parent in the order re-
 16 quiring the support.”.

17 (c) STATE OPTION TO DISCONTINUE OLDER SUP-

18 PORT ASSIGNMENTS.—Section 457(b) (42 U.S.C. 657(b))

19 is amended to read as follows:

20 “(b) CONTINUATION OF ASSIGNMENTS.—

21 “(1) STATE OPTION TO DISCONTINUE PRE-1997
 22 SUPPORT ASSIGNMENTS.—

23 “(A) IN GENERAL.—Any rights to support
 24 obligations assigned to a State as a condition of
 25 receiving assistance from the State under part

1 A and in effect on September 30, 1997 (or such
2 earlier date on or after August 22, 1996, as the
3 State may choose), may remain assigned after
4 such date.

5 “(B) DISTRIBUTION OF AMOUNTS AFTER
6 ASSIGNMENT DISCONTINUATION.—If a State
7 chooses to discontinue the assignment of a sup-
8 port obligation described in subparagraph (A),
9 the State may treat amounts collected pursuant
10 to such assignment as if such amounts had
11 never been assigned and may distribute such
12 amounts to the family in accordance with sub-
13 section (a)(4).

14 “(2) STATE OPTION TO DISCONTINUE POST-1997
15 ASSIGNMENTS.—

16 “(A) IN GENERAL.—Any rights to support
17 obligations accruing before the date on which a
18 family first receives assistance under part A
19 that are assigned to a State under that part
20 and in effect before the implementation date of
21 this section may remain assigned after such
22 date.

23 “(B) DISTRIBUTION OF AMOUNTS AFTER
24 ASSIGNMENT DISCONTINUATION.—If a State
25 chooses to discontinue the assignment of a sup-

1 port obligation described in subparagraph (A),
2 the State may treat amounts collected pursuant
3 to such assignment as if such amounts had
4 never been assigned and may distribute such
5 amounts to the family in accordance with sub-
6 section (a)(4).”.

7 (d) CONFORMING AMENDMENTS.—

8 (1) Section 409(a)(7)(B)(i) (42 U.S.C.
9 609(a)(7)(B)(i)), as amended by section 213(c), is
10 amended—

11 (A) in subclause (I)(aa), by striking
12 “457(a)(1)(B)” and inserting “457(a)(1)”; and
13 (B) by adding at the end the following:

14 “(VI) PORTIONS OF CERTAIN
15 CHILD SUPPORT PAYMENTS COL-
16 LECTED ON BEHALF OF AND DISTRIB-
17 UTED TO FAMILIES NO LONGER RE-
18 CEIVING ASSISTANCE.—Any amount
19 paid by a State pursuant to clause (i)
20 or (ii) of section 457(a)(2)(B), but
21 only to the extent that the State prop-
22 erly elects under section 457(a)(6) to
23 have the payment considered a quali-
24 fied State expenditure.”.

1 (2) Section 6402(c) of the Internal Revenue
2 Code of 1986 (relating to offset of past-due support
3 against overpayments) is amended—

4 (A) in the first sentence, by striking “the
5 Social Security Act.” and inserting “of such
6 Act.”; and

7 (B) by striking the third sentence and in-
8 serting the following: “The Secretary shall
9 apply a reduction under this subsection first to
10 an amount certified by the State as past due
11 support under section 464 of the Social Secu-
12 rity Act before any other reductions allowed by
13 law.”.

14 (e) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendments made by
16 this section shall take effect on October 1, 2009,
17 and shall apply to payments under parts A and D
18 of title IV of the Social Security Act for calendar
19 quarters beginning on or after such date, and with-
20 out regard to whether regulations to implement such
21 amendments (in the case of State programs operated
22 under such part D) are promulgated by such date.

23 (2) STATE OPTION TO ACCELERATE EFFECTIVE
24 DATE.—In addition, a State may elect to have the
25 amendments made by this section apply to the State

1 and to amounts collected by the State (and such
2 payments under parts A and D), on and after such
3 date as the State may select that is after the date
4 of enactment of this Act and before October 1,
5 2009.

6 **SEC. 252. MANDATORY REVIEW AND ADJUSTMENT OF**
7 **CHILD SUPPORT ORDERS FOR FAMILIES RE-**
8 **CEIVING TANF.**

9 (a) IN GENERAL.—Section 466(a)(10)(A)(i) (42
10 U.S.C. 666(a)(10)(A)(i)) is amended—

11 (1) by striking “parent, or,” and inserting
12 “parent or”; and

13 (2) by striking “upon the request of the State
14 agency under the State plan or of either parent,”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 subsection (a) shall take effect on October 1, 2007.

17 **SEC. 253. REPORT ON UNDISTRIBUTED CHILD SUPPORT**
18 **PAYMENTS.**

19 Not later than 6 months after the date of enactment
20 of this Act, the Secretary of Health and Human Services
21 shall submit to the Committee on Ways and Means of the
22 House of Representatives and the Committee on Finance
23 of the Senate a report on the procedures that the States
24 use generally to locate custodial parents for whom child
25 support has been collected but not yet distributed. The

1 report shall include an estimate of the total amount of
2 undistributed child support and the average length of time
3 it takes undistributed child support to be distributed. To
4 the extent the Secretary deems appropriate, the Secretary
5 shall include in the report recommendations as to whether
6 additional procedures should be established at the Federal
7 or State level to expedite the payment of undistributed
8 child support.

9 **SEC. 254. USE OF NEW HIRE INFORMATION TO ASSIST IN**
10 **ADMINISTRATION OF UNEMPLOYMENT COM-**
11 **PENSATION PROGRAMS.**

12 (a) IN GENERAL.—Section 453(j) (42 U.S.C. 653(j))
13 is amended by adding at the end the following:

14 “(7) INFORMATION COMPARISONS AND DISCLO-
15 SURE TO ASSIST IN ADMINISTRATION OF UNEMPLOY-
16 MENT COMPENSATION PROGRAMS.—

17 “(A) IN GENERAL.—If, for purposes of ad-
18 ministering an unemployment compensation
19 program under Federal or State law, a State
20 agency responsible for the administration of
21 such program transmits to the Secretary the
22 name and social security account number of an
23 individual, the Secretary shall disclose to the
24 State agency information on the individual and
25 the individual’s employer that is maintained in

1 the National Directory of New Hires, subject to
2 the succeeding provisions of this paragraph.

3 “(B) CONDITION ON DISCLOSURE BY THE
4 SECRETARY.—The Secretary shall make a dis-
5 closure under subparagraph (A) only to the ex-
6 tent that the Secretary determines that the dis-
7 closure would not interfere with the effective
8 operation of the program under this part.

9 “(C) USE AND DISCLOSURE OF INFORMA-
10 TION BY STATE AGENCIES.—

11 “(i) IN GENERAL.—A State agency
12 may not use or disclose information pro-
13 vided under this paragraph except for pur-
14 poses of administering a program referred
15 to in subparagraph (A).

16 “(ii) INFORMATION SECURITY.—A
17 State agency to which information is pro-
18 vided under this paragraph shall have in
19 effect data security and control policies
20 that the Secretary finds adequate to en-
21 sure the security of information obtained
22 under this paragraph and to ensure that
23 access to such information is restricted to
24 authorized persons for purposes of author-
25 ized uses and disclosures.

1 “(iii) PENALTY FOR MISUSE OF IN-
2 FORMATION.—An officer or employee of a
3 State agency who fails to comply with this
4 subparagraph shall be subject to the sanc-
5 tions under subsection (l)(2) to the same
6 extent as if such officer or employee was
7 an officer or employee of the United
8 States.

9 “(D) PROCEDURAL REQUIREMENTS.—A
10 State agency requesting information under this
11 paragraph shall adhere to uniform procedures
12 established by the Secretary governing informa-
13 tion requests and data matching under this
14 paragraph.

15 “(E) REIMBURSEMENT OF COSTS.—A
16 State agency shall reimburse the Secretary, in
17 accordance with subsection (k)(3), for the costs
18 incurred by the Secretary in furnishing the in-
19 formation requested under this paragraph.”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 subsection (a) shall take effect on October 1, 2006.

1 **SEC. 255. DECREASE IN AMOUNT OF CHILD SUPPORT AR-**
2 **REARAGE TRIGGERING PASSPORT DENIAL.**

3 (a) IN GENERAL.—Section 452(k)(1) (42 U.S.C.
4 652(k)(1)) is amended by striking “\$5,000” and inserting
5 “\$2,500”.

6 (b) CONFORMING AMENDMENT.—Section 454(31)
7 (42 U.S.C. 654(31)) is amended by striking “\$5,000” and
8 inserting “\$2,500”.

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall take effect on October 1, 2006.

11 **SEC. 256. USE OF TAX REFUND INTERCEPT PROGRAM TO**
12 **COLLECT PAST-DUE CHILD SUPPORT ON BE-**
13 **HALF OF CHILDREN WHO ARE NOT MINORS.**

14 (a) IN GENERAL.—Section 464 (42 U.S.C. 664) is
15 amended—

16 (1) in subsection (a)(2)(A), by striking “(as
17 that term is defined for purposes of this paragraph
18 under subsection (c))”; and

19 (2) in subsection (c)—

20 (A) in paragraph (1)—

21 (i) by striking “(1) Except as pro-
22 vided in paragraph (2), as used in” and in-
23 serting “In”; and

24 (ii) by inserting “(whether or not a
25 minor)” after “a child” each place it ap-
26 pears; and

1 (B) by striking paragraphs (2) and (3).

2 (b) EFFECTIVE DATE.—The amendments made by
3 subsection (a) shall take effect on October 1, 2007.

4 **SEC. 257. GARNISHMENT OF COMPENSATION PAID TO VET-**
5 **ERANS FOR SERVICE-CONNECTED DISABIL-**
6 **ITIES IN ORDER TO ENFORCE OBLIGATIONS.**

7 (a) IN GENERAL.—Section 459(h)(1)(A)(ii)(V) (42
8 U.S.C. 659(h)(1)(A)(ii)(V)) is amended by striking all
9 that follows “Armed Forces” and inserting “, except that
10 such compensation shall not be subject to withholding pur-
11 suant to this section for payment of alimony unless the
12 former member to whom it is payable is in receipt of re-
13 tired or retainer pay and has waived a portion of such
14 pay in order to receive such compensation;”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall take effect on October 1, 2007.

17 **SEC. 258. IMPROVING FEDERAL DEBT COLLECTION PRAC-**
18 **TICES.**

19 (a) IN GENERAL.—Section 3716(h)(3) of title 31,
20 United States Code, is amended to read as follows:

21 “(3)(A) Except as provided in subparagraph (B), in
22 applying this subsection with respect to any debt owed to
23 a State, subsection (c)(3)(A) shall not apply.

24 “(B) Subparagraph (A) shall not apply with respect
25 to payments owed to an individual under title II of the

1 Social Security Act, for purposes of an offset under this
2 section of such payments against past-due support (as de-
3 fined in section 464(c) of the Social Security Act, without
4 regard to paragraphs (2) and (3) of such section 464(c))
5 that is being enforced by a State agency administering a
6 program under part D of title IV of that Act.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall take effect on October 1, 2006.

9 **SEC. 259. MAINTENANCE OF TECHNICAL ASSISTANCE**
10 **FUNDING.**

11 Section 452(j) (42 U.S.C. 652(j)) is amended by in-
12 serting “or the amount appropriated under this paragraph
13 for fiscal year 2005, whichever is greater” before “, which
14 shall be available”.

15 **SEC. 260. MAINTENANCE OF FEDERAL PARENT LOCATOR**
16 **SERVICE FUNDING.**

17 Section 453(o) (42 U.S.C. 653(o)) is amended—

18 (1) in the first sentence, by inserting “or the
19 amount appropriated under this paragraph for fiscal
20 year 2005, whichever is greater” before “, which
21 shall be available”; and

22 (2) in the second sentence, by striking “for
23 each of fiscal years 1997 through 2001”.

1 **SEC. 261. IDENTIFICATION AND SEIZURE OF ASSETS HELD**
2 **BY MULTISTATE FINANCIAL INSTITUTIONS.**

3 (a) DUTIES OF THE SECRETARY.—Section 452(l) (42
4 U.S.C. 652(l)) is amended to read as follows:

5 “(l) IDENTIFICATION AND SEIZURE OF ASSETS HELD
6 BY MULTISTATE FINANCIAL INSTITUTIONS.—

7 “(1) IN GENERAL.—The Secretary, through the
8 Federal Parent Locator Service, is authorized—

9 “(A) to assist State agencies operating
10 programs under this part and financial institu-
11 tions doing business in 2 or more States in
12 reaching agreements regarding the receipt from
13 such institutions, and the transfer to the State
14 agencies, of information that may be provided
15 pursuant to section 466(a)(17)(A)(i) or
16 469A(a);

17 “(B) to perform data matches comparing
18 information from such State agencies and fi-
19 nancial institutions entering into such Agree-
20 ments with respect to individuals owing past-
21 due support; and

22 “(C) to seize assets, held by such financial
23 institutions, of individuals identified through
24 such data matches who owe past-due support,
25 by—

1 “(i) issuing a notice of lien or levy to
2 such financial institutions requiring them
3 to encumber such assets for 30 calendar
4 days and to subsequently transfer such as-
5 sets to the Secretary (except that the Sec-
6 retary shall promptly release such lien or
7 levy within such 30-day period upon re-
8 quest of the State agencies responsible for
9 collecting past-due support from such indi-
10 viduals); and

11 “(ii) providing notice to such individ-
12 uals of the lien or levy upon their assets
13 and informing them—

14 “(I) of their procedural due proc-
15 ess rights, including the opportunity
16 to contest such lien or levy to the ap-
17 propriate State agency; and

18 “(II) in the case of jointly owned
19 assets, of the process by which other
20 owners may secure their respective
21 share of such assets, according to
22 such policies and procedures as the
23 Secretary may specify with respect to
24 seizure of such assets.

1 “(2) TRANSFER OF FUNDS TO STATES.—Assets
2 seized from individuals under paragraph (1)(C) shall
3 be promptly transferred by the Secretary to the
4 State agencies responsible for collecting past-due
5 support from such individuals for distribution pursu-
6 ant to section 457.

7 “(3) RELATIONSHIP TO STATE LAWS.—Not-
8 withstanding any provision of State law, an indi-
9 vidual receiving a notice under paragraph (1)(C)
10 shall have 21 calendar days from the date of such
11 notice to contest the lien or levy imposed under such
12 paragraph by requesting an administrative review by
13 the State agency responsible for collecting past-due
14 support from such individual.

15 “(4) TREATMENT OF DISCLOSURES.—For pur-
16 poses of section 1113(d) of the Right to Financial
17 Privacy Act of 1978, a disclosure pursuant to this
18 subsection shall be considered a disclosure pursuant
19 to a Federal statute.”.

20 (b) STATE DUTIES.—

21 (1) INDIVIDUALS WITH ASSETS SUBJECT TO
22 FEDERAL SEIZURE.—Section 454 (42 U.S.C. 654),
23 as amended by section 251(b)(1)(B)(iii), is amend-
24 ed—

1 (A) in paragraph (33), by striking “and”
2 at the end;

3 (B) in paragraph (34), by striking the pe-
4 riod and inserting “; and”; and

5 (C) by inserting after paragraph (34), the
6 following:

7 “(35) provide that the State shall—

8 “(A) upon furnishing the Secretary with
9 information under section 452(l) with respect to
10 individuals owing past-due support, provide no-
11 tice to such individuals that their assets held in
12 financial institutions shall be subject to seizure
13 to pay such past-due support, and shall—

14 “(i) instruct such individuals of the
15 steps which may be taken to contest the
16 State’s determination that past-due sup-
17 port is owed or the amount of the past-due
18 support; and

19 “(ii) include, in the case of jointly
20 owned assets, a description of the process
21 by which other owners may secure their
22 share of such assets, in accordance with
23 such policies and procedures as the Sec-
24 retary may specify with respect to seizure
25 of such assets;

1 “(B) promptly resolve cases in which such
2 individuals contest the State’s determination
3 with respect to past-due support, and provide
4 for expedited refund of any assets erroneously
5 seized and transferred to the State under such
6 section 452(l); and

7 “(C) except as otherwise specified under
8 this paragraph or by the Secretary, ensure that
9 the due process protections afforded under this
10 paragraph to individuals whose assets are sub-
11 ject to seizure under section 452(l) are gen-
12 erally consistent with, and to the extent prac-
13 ticable conform to, the due process protections
14 afforded by the State to individuals subject to
15 offset of tax refunds under section 464.”.

16 (2) REIMBURSEMENT OF FEDERAL COSTS.—
17 Section 453(k)(3) (42 U.S.C. 653(k)(3)) is amend-
18 ed—

19 (A) in the paragraph heading, by inserting
20 “AND ENFORCEMENT SERVICES” after “INFOR-
21 MATION”

22 (B) by inserting “or enforcement services”
23 after “that receives information”;

24 (C) by inserting “or section 452(l)” after
25 “pursuant to this section”; and

1 (D) by striking “in furnishing the informa-
2 tion” and inserting “in furnishing such infor-
3 mation or enforcement services”.

4 (c) CONFORMING AMENDMENTS.—

5 (1) STATE LAW REQUIREMENTS.—Section
6 466(a)(17) (42 U.S.C. 666(a)(17)) is amended—

7 (A) in subparagraph (A)—

8 (i) in clause (i), by inserting “pursu-
9 ant to section 452(l)” after “and the Fed-
10 eral Parent Locator Service”; and

11 (ii) in clause (ii), by inserting “issued
12 by the State agency or by the Secretary
13 under section 452(l)” after “in response to
14 a notice of lien or levy”; and

15 (B) in subparagraph (C)—

16 (i) in clause (i), by inserting “or to
17 the Federal Parent Locator Service” after
18 “to the State agency”; and

19 (ii) in clause (ii), by striking “issued
20 by the State agency”.

21 (2) NON LIABILITY FOR FINANCIAL INSTITU-
22 TIONS.—Section 469A(a) (42 U.S.C. 669a(a)) is
23 amended by inserting “section 452(l) or” before
24 “section 466(a)(17)(A)”.

1 **SEC. 262. INFORMATION COMPARISONS WITH INSURANCE**

2 **DATA.**

3 (a) DUTIES OF THE SECRETARY.—Section 452 (42
4 U.S.C. 652) is amended by adding at the end the fol-
5 lowing:

6 “(m) COMPARISONS WITH INSURANCE INFORMA-
7 TION.—

8 “(1) IN GENERAL.—The Secretary, through the
9 Federal Parent Locator Service, is authorized—

10 “(A) to compare information concerning
11 individuals owing past-due support with infor-
12 mation maintained by insurers (or their agents)
13 concerning insurance claims, settlements,
14 awards, and payments, and

15 “(B) to furnish information resulting from
16 such data matches to the State agencies respon-
17 sible for collecting child support from such indi-
18 viduals.

19 “(2) LIABILITY.—No insurer (including any
20 agent of an insurer) shall be liable under any Fed-
21 eral or State law to any person for any disclosure
22 provided for under this subsection, or for any other
23 action taken in good faith in accordance with the
24 provisions of this subsection.”.

25 (b) STATE REIMBURSEMENT OF FEDERAL COSTS.—
26 Section 453(k)(3) (42 U.S.C. 653(k)(3)), as amended by

1 section 262(b)(2), is amended by striking “section 452(l)”
2 and inserting “subsection (l) or (m) of section 452”.

3 **SEC. 263. TRIBAL ACCESS TO THE FEDERAL PARENT LOCA-**
4 **TOR SERVICE.**

5 Section 453(c)(1) (42 U.S.C. 653(c)(1)) is amended
6 by inserting “or Indian tribe or tribal organization” after
7 “any agent or attorney of any State”.

8 **SEC. 264. REIMBURSEMENT OF SECRETARY’S COSTS OF IN-**
9 **FORMATION COMPARISONS AND DISCLO-**
10 **SURE FOR ENFORCEMENT OF OBLIGATIONS**
11 **ON HIGHER EDUCATION ACT LOANS AND**
12 **GRANTS.**

13 Section 453(j)(6)(F) (42 U.S.C. 653(j)(6)(F)) is
14 amended by striking “additional”.

15 **SEC. 265. TECHNICAL AMENDMENT RELATING TO COOPER-**
16 **ATIVE AGREEMENTS BETWEEN STATES AND**
17 **INDIAN TRIBES.**

18 Section 454(33) (42 U.S.C. 654(33)) is amended by
19 striking “that receives funding pursuant to section 428
20 and”.

21 **SEC. 266. CLAIMS UPON LONGSHORE AND HARBOR WORK-**
22 **ERS’ COMPENSATION FOR CHILD SUPPORT.**

23 (a) IN GENERAL.—Section 17 of the Longshore and
24 Harbor Workers’ Compensation Act (33 U.S.C. 917) is
25 amended to read as follows:

1 plan approved under part D of title IV of the Social
 2 Security Act or by an individual obligee, to enforce
 3 the legal obligation of the individual to provide child
 4 support or alimony.”.

5 (b) CONFORMING AMENDMENT.—Section 16 of the
 6 Longshore and Harbor Workers’ Compensation Act (33
 7 U.S.C. 916) is amended—

8 (1) by striking “No” and inserting “Except as
 9 provided by this Act, no”; and

10 (2) by striking “, except as provided by this
 11 Act,” after “under this Act”.

12 **SEC. 267. STATE OPTION TO USE STATEWIDE AUTOMATED**
 13 **DATA PROCESSING AND INFORMATION RE-**
 14 **TRIEVAL SYSTEM FOR INTERSTATE CASES.**

15 Section 466(a)(14)(A)(iii) (42 U.S.C.
 16 666(a)(14)(A)(iii)) is amended by inserting before the
 17 semicolon the following: “(but the assisting State may es-
 18 tablish a corresponding case based on such other State’s
 19 request for assistance)”.

20 **SEC. 268. STATE LAW REQUIREMENT CONCERNING THE**
 21 **UNIFORM INTERSTATE FAMILY SUPPORT ACT**
 22 **(UIFSA).**

23 (a) IN GENERAL.—Section 466(f) (42 U.S.C. 666(f))
 24 is amended—

1 (1) by striking “and as in effect on August 22,
2 1996,”; and

3 (2) by striking “adopted as of such date” and
4 inserting “adopted as of August, 2001”.

5 (b) FULL FAITH AND CREDIT FOR CHILD SUPPORT
6 ORDERS.—Section 1738B of title 28, United States Code,
7 is amended—

8 (1) by striking subsection (d) and inserting the
9 following:

10 “(d) CONTINUING EXCLUSIVE JURISDICTION.—

11 “(1) IN GENERAL.—Subject to paragraph (2), a
12 court of a State that has made a child support order
13 consistent with this section has continuing, exclusive
14 jurisdiction to modify its order if the order is the
15 controlling order and—

16 “(A) the State is the child’s State or the
17 residence of any individual contestant; or

18 “(B) if the State is not the residence of
19 the child or an individual contestant, the con-
20 testants consent in a record or in open court
21 that the court may continue to exercise jurisdic-
22 tion to modify its order.

23 “(2) REQUIREMENT.—A court may not exercise
24 its continuing, exclusive jurisdiction to modify the
25 order if the court of another State, acting in accord-

1 ance with subsections (e) and (f), has made a modi-
2 fication of the order.”;

3 (2) in subsection (e)(2)—

4 (A) in subparagraph (A), by striking “be-
5 cause” and all that follows through the semi-
6 colon and inserting “pursuant to paragraph (1)
7 or (2) of subsection (d);” and

8 (B) in subparagraph (B), by inserting
9 “with jurisdiction over at least 1 of the indi-
10 vidual contestants or that is located in the
11 child’s State” after “another State”;

12 (3) in subsection (f)—

13 (A) in the subsection heading, by striking
14 “RECOGNITION OF” and inserting “DETER-
15 MINATION OF CONTROLLING”;

16 (B) in the matter preceding paragraph (1),
17 by striking “shall apply” and all that follows
18 through the colon and inserting “having per-
19 sonal jurisdiction over both individual contest-
20 ants shall apply the following rules and by
21 order shall determine which order controls:”

22 (C) in paragraph (1), by striking “must
23 be” and inserting “controls and must be so”;

24 (D) in paragraph (2), by striking “must be
25 recognized” and inserting “controls”;

1 (E) in paragraph (3), by striking “must be
2 recognized” each place it appears and inserting
3 “controls”;

4 (F) in paragraph (4)—

5 (i) by striking “may” and inserting
6 “shall”; and

7 (ii) by striking “must be recognized”
8 and inserting “controls”; and

9 (G) by striking paragraph (5);

10 (4) by striking subsection (g) and inserting the
11 following:

12 “(g) ENFORCEMENT OF MODIFIED ORDERS.—If a
13 child support order issued by a court of a State is modified
14 by a court of another State which properly assumed juris-
15 diction, the issuing court—

16 “(1) may enforce its order that was modified
17 only as to arrears and interest accruing before the
18 modification;

19 “(2) may provide appropriate relief for viola-
20 tions of its order which occurred before the effective
21 date of the modification; and

22 “(3) shall recognize the modifying order of the
23 other State for the purpose of enforcement.”;

24 (5) in subsection (h)—

1 (A) in paragraph (1), by striking “and
2 (3)” and inserting “, (3), and (4)”;

3 (B) in paragraph (2), by inserting “the
4 computation and payment of arrearages, and
5 the accrual of interest on the arrearages,” after
6 “obligations of support,”; and

7 (C) by adding at the end the following:

8 “(4) PROSPECTIVE APPLICATION.—After a
9 court determines which is the controlling order and
10 issues an order consolidating arrears, if any, a court
11 shall prospectively apply the law of the State issuing
12 the controlling order, including that State’s law with
13 respect to interest on arrears, current and future
14 support, and consolidated arrears.”; and

15 (6) in subsection (i), by inserting “and sub-
16 section (d)(2) does not apply” after “issuing State”.

17 **SEC. 269. GRANTS TO STATES FOR ACCESS AND VISITATION**
18 **PROGRAMS.**

19 (a) AUTHORITY TO MAKE GRANTS TO INDIAN
20 TRIBES.—Section 469B (42 U.S.C. 669b) is amended—

21 (1) in the section heading, by inserting “**AND**
22 **INDIAN TRIBES**” after “**STATES**”; and

23 (2) in subsection (a), by inserting “and Indian
24 tribes or tribal organizations” after “to enable
25 States”.

1 (b) AMOUNT OF GRANTS.—Section 469B(b) (42
2 U.S.C. 669b(b)) is amended to read as follows:

3 “(b) AMOUNT OF GRANTS.—

4 “(1) GRANTS TO STATES.—The amount of the
5 grant to be made to a State under this section for
6 a fiscal year shall be an amount equal to the lesser
7 of—

8 “(A) 90 percent of State expenditures dur-
9 ing the fiscal year for activities described in
10 subsection (a); or

11 “(B) the allotment of the State under sub-
12 section (c) for the fiscal year.

13 “(2) GRANTS TO INDIAN TRIBES.—An Indian
14 tribe or tribal organization operating a program
15 under section 455 that has operated such program
16 throughout the preceding fiscal year and has an ap-
17 plication under this section approved by the Sec-
18 retary shall receive a grant under this section for a
19 fiscal year in an amount equal to the allotment of
20 such Indian tribe or tribal organization under sub-
21 section (c)(2) for the fiscal year.”.

22 (c) ALLOTMENTS.—Section 469B(c) (42 U.S.C.
23 669b(c)) is amended to read as follows:

24 “(c) ALLOTMENTS.—

25 “(1) ALLOTMENTS TO STATES.—

1 “(A) IN GENERAL.—Subject to the sub-
2 paragraph (C), the allotment of a State for a
3 fiscal year is the amount that bears the same
4 ratio to the amount specified in subparagraph
5 (B) for such fiscal year as the number of chil-
6 dren in the State living with only 1 parent
7 bears to the total number of such children in all
8 States.

9 “(B) AMOUNT AVAILABLE FOR ALLOT-
10 MENT.—For purposes of subparagraph (A), the
11 amount specified in this subparagraph is the
12 following amount, reduced by the total allot-
13 ments to Indian tribes or tribal organizations in
14 accordance with paragraph (2):

15 “(i) \$12,000,000 for fiscal year 2006.

16 “(ii) \$14,000,000 for fiscal year 2007.

17 “(iii) \$16,000,000 for fiscal year
18 2008.

19 “(iv) \$20,000,000 for fiscal year 2009
20 and each succeeding fiscal year.

21 “(C) MINIMUM STATE ALLOTMENT.—The
22 Secretary shall adjust allotments to States
23 under subparagraph (A) as necessary to ensure
24 that no State is allotted less than—

25 “(i) \$120,000 for fiscal year 2006;

1 “(ii) \$140,000 for fiscal year 2007;

2 “(iii) \$160,000 for fiscal year 2008;

3 and

4 “(iv) \$180,000 for fiscal year 2009

5 and each succeeding fiscal year.

6 “(2) ALLOTMENTS TO INDIAN TRIBES.—

7 “(A) IN GENERAL.—Subject to subpara-
8 graph (C), the allotment of an Indian tribe or
9 tribal organization described in subsection
10 (b)(2) for a fiscal year is an amount that bears
11 the same ratio to the amount specified in sub-
12 paragraph (B) for such fiscal year as the num-
13 ber of children in the Indian tribe or tribal or-
14 ganization living with only 1 parent bears to the
15 total number of such children in all Indian
16 tribes and tribal organizations eligible to receive
17 grants under this section for such year.

18 “(B) AMOUNT AVAILABLE FOR ALLOT-
19 MENT.—For purposes of subparagraph (A), the
20 amount available under this subparagraph is an
21 amount, deducted from the amount specified in
22 paragraph (1)(B), not to exceed—

23 “(i) \$250,000 for fiscal year 2006;

24 “(ii) \$600,000 for fiscal year 2007;

1 “(iii) \$800,000 for fiscal year 2008;

2 and

3 “(iv) \$1,670,000 for fiscal year 2009

4 and each succeeding year.

5 “(C) MINIMUM AND MAXIMUM TRIBAL AL-

6 LOTMENT.—The Secretary shall adjust allot-

7 ments to Indian tribes and tribal organizations

8 under subparagraph (A) as necessary to ensure

9 that no Indian tribe or tribal organization is al-

10 lotted, for a fiscal year, an amount which is less

11 than \$10,000 or more than the minimum State

12 allotment for such fiscal year.”.

13 (d) ADMINISTRATION.—Section 469B(e) (42 U.S.C.

14 669b(e)) is amended to read as follows:

15 “(e) ADMINISTRATION.—

16 “(1) GRANTS TO STATES.—Each State to which

17 a grant is made under this section—

18 “(A) may administer State programs fund-

19 ed with the grant, directly or through grants to

20 or contracts with courts, local public agencies,

21 or nonprofit private entities; and

22 “(B) shall not be required to operate such

23 programs on a statewide basis.

24 “(2) GRANTS TO STATES OR INDIAN TRIBES.—

25 Each State or Indian tribe or tribal organization to

1 which a grant is made under this section shall mon-
2 itor, evaluate, and report on such programs in ac-
3 cordance with regulations prescribed by the Sec-
4 retary.”.

5 **SEC. 270. TIMING OF CORRECTIVE ACTION YEAR FOR**
6 **STATE NONCOMPLIANCE WITH CHILD SUP-**
7 **PORT ENFORCEMENT PROGRAM REQUIRE-**
8 **MENTS.**

9 (a) IN GENERAL.—Section 409(a)(8) (42 U.S.C.
10 609(a)(8)) is amended—

11 (1) in subparagraph (A)—

12 (A) in the matter preceding clause (i)(I),
13 by striking “in a fiscal year” and inserting “for
14 a fiscal year”; and

15 (B) in clause (ii)—

16 (i) in the matter preceding subclause
17 (I), by striking “that, with respect to the
18 succeeding fiscal year—” and inserting
19 “that, with respect to the period described
20 in subparagraph (D)”; and

21 (ii) in the matter following subclause
22 (II), by striking “the end of such suc-
23 ceeding fiscal year” and inserting “the end
24 of the period described in subparagraph
25 (D)”; and

1 (2) by adding at the end the following:

2 “(D) PERIOD DESCRIBED.—Subject to
3 subparagraph (E), for purposes of this para-
4 graph, the period described in this subpara-
5 graph is the period that begins with the date on
6 which the Secretary makes a finding described
7 in subparagraph (A)(i) with respect to State
8 performance in a fiscal year and ends on Sep-
9 tember 30 of the fiscal year following the fiscal
10 year in which the Secretary makes such a find-
11 ing.

12 “(E) NO PENALTY IF STATE CORRECTS
13 NONCOMPLIANCE IN FINDING YEAR.—The Sec-
14 retary shall not take a reduction described in
15 subparagraph (A) with respect to a noncompli-
16 ance described in clause (i) of that subpara-
17 graph if the Secretary determines that the
18 State has corrected the noncompliance in the
19 fiscal year in which the Secretary makes the
20 finding of the noncompliance.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 subsection (a) shall be effective with respect to determina-
23 tions of State compliance for fiscal year 2002 and suc-
24 ceeding fiscal years.

1 (c) SPECIAL RULE FOR FISCAL YEAR 2001.—Not-
 2 withstanding any other provision of law, the Secretary
 3 shall not take against amounts otherwise payable to a
 4 State, a reduction described in section 409(a)(8)(A) of the
 5 Social Security Act (42 U.S.C. 609(a)(8)(A)) with respect
 6 to a noncompliance described in such section occurring in
 7 fiscal year 2001 if the Secretary determines that the State
 8 has corrected such noncompliance in fiscal year 2002 or
 9 2003.

10 **Subtitle D—Child Welfare**

11 **SEC. 275. EXTENSION OF AUTHORITY TO APPROVE DEM-** 12 **ONSTRATION PROJECTS.**

13 Section 1130(a)(2) (42 U.S.C. 1320a–9(a)(2)) is
 14 amended by striking “2003” and inserting “2010”.

15 **SEC. 276. REMOVAL OF COMMONWEALTH OF PUERTO RICO** 16 **FOSTER CARE FUNDS FROM LIMITATION ON** 17 **PAYMENTS.**

18 Section 1108(a)(2) (42 U.S.C. 1308(a)(2)), as
 19 amended by section 226(b)(2), is amended—

20 (1) by striking “Paragraph (1)” and inserting
 21 the following:

22 “(A) IN GENERAL.—Paragraph (1)”;

23 (2) in subparagraph (A) (as added by para-
 24 graph (1)), by striking “or 418(a)(4)(B)” and in-
 25 serting “418(a)(4)(B), or, subject to clause (ii) of

1 subparagraph (B), payments to Puerto Rico de-
2 scribed in clause (i) of that subparagraph” before
3 the period; and

4 (3) by adding at the end the following:

5 “(B) CERTAIN PAYMENTS TO PUERTO
6 RICO.—

7 “(i) PAYMENTS DESCRIBED.—For
8 purposes of subparagraph (A), payments
9 described in this subparagraph are pay-
10 ments made to Puerto Rico under part E
11 of title IV with respect to the portion of
12 foster care payments made to Puerto Rico
13 for fiscal year 2007 or any fiscal year
14 thereafter that exceed the total amount of
15 such payments for fiscal year 2004.

16 “(ii) LIMITATION.—The total amount
17 of payments to Puerto Rico described in
18 clause (i) that are disregarded under sub-
19 paragraph (A) may not exceed \$6,250,000
20 for each of fiscal years 2007 through
21 2010.”.

22 **SEC. 277. TECHNICAL CORRECTION.**

23 Section 1130(b)(1) (42 U.S.C. 1320a–9(b)(1)) is
24 amended by striking “422(b)(9)” and inserting
25 “422(b)(10)”.

1 **Subtitle E—Supplemental Security**
2 **Income**

3 **SEC. 281. REVIEW OF STATE AGENCY BLINDNESS AND DIS-**
4 **ABILITY DETERMINATIONS.**

5 Section 1633 (42 U.S.C. 1383b) is amended by add-
6 ing at the end the following:

7 “(e)(1) The Commissioner of Social Security shall re-
8 view determinations, made by State agencies pursuant to
9 subsection (a) in connection with applications for benefits
10 under this title on the basis of blindness or disability, that
11 individuals who have attained 18 years of age are blind
12 or disabled. Any review by the Commissioner of Social Se-
13 curity of a State agency determination under this para-
14 graph shall be made before any action is taken to imple-
15 ment the determination.

16 “(2)(A) In carrying out paragraph (1), the Commis-
17 sioner of Social Security shall review—

18 “(i) with respect to fiscal year 2006, at least 25
19 percent of all determinations referred to in para-
20 graph (1) that are made in such fiscal year; and

21 “(ii) with respect to fiscal years after fiscal year
22 2006, at least 50 percent of all such determinations
23 that are made in each such fiscal year.

24 “(B) In conducting reviews pursuant to subpara-
25 graph (A), the Commissioner of Social Security shall, to

1 the extent feasible, select for review those determinations
 2 which the Commissioner of Social Security identifies as
 3 being the most likely to be incorrect.”.

4 **Subtitle F—Transitional Medical** 5 **Assistance**

6 **SEC. 285. EXTENSION AND SIMPLIFICATION OF THE TRAN-** 7 **SITIONAL MEDICAL ASSISTANCE PROGRAM** 8 **(TMA).**

9 (a) OPTION OF CONTINUOUS ELIGIBILITY FOR 12
 10 MONTHS; OPTION OF CONTINUING COVERAGE FOR UP TO
 11 AN ADDITIONAL YEAR.—

12 (1) OPTION OF CONTINUOUS ELIGIBILITY FOR
 13 12 MONTHS BY MAKING REPORTING REQUIREMENTS
 14 OPTIONAL.—Section 1925(b) (42 U.S.C. 1396r–
 15 6(b)) is amended—

16 (A) in paragraph (1), by inserting “, at the
 17 option of a State,” after “and which”;

18 (B) in paragraph (2)(A), by inserting
 19 “Subject to subparagraph (C):” after “(A) NO-
 20 TICES.—”;

21 (C) in paragraph (2)(B), by inserting
 22 “Subject to subparagraph (C):” after “(B) RE-
 23 PORTING REQUIREMENTS.—”;

24 (D) by adding at the end the following:

1 “(C) STATE OPTION TO WAIVE NOTICE
 2 AND REPORTING REQUIREMENTS.—A State
 3 may waive some or all of the reporting require-
 4 ments under clauses (i) and (ii) of subpara-
 5 graph (B). Insofar as it waives such a reporting
 6 requirement, the State need not provide for a
 7 notice under subparagraph (A) relating to such
 8 requirement.”; and

9 (E) in paragraph (3)(A)(iii), by inserting
 10 “the State has not waived under paragraph
 11 (2)(C) the reporting requirement with respect
 12 to such month under paragraph (2)(B) and if”
 13 after “6-month period if”.

14 (2) STATE OPTION TO EXTEND ELIGIBILITY
 15 FOR LOW-INCOME INDIVIDUALS FOR UP TO 12 ADDI-
 16 TIONAL MONTHS.—Section 1925 (42 U.S.C. 1396r-
 17 6) is further amended—

18 (A) by redesignating subsections (c)
 19 through (f) as subsections (d) through (g), re-
 20 spectively; and

21 (B) by inserting after subsection (b) the
 22 following:

23 “(c) STATE OPTION OF UP TO 12 MONTHS OF ADDI-
 24 TIONAL ELIGIBILITY.—

1 “(1) IN GENERAL.—Notwithstanding any other
2 provision of this title, each State plan approved
3 under this title may provide, at the option of the
4 State, that the State shall offer to each family which
5 received assistance during the entire 6-month period
6 under subsection (b) and which meets the applicable
7 requirement of paragraph (2), in the last month of
8 the period the option of extending coverage under
9 this subsection for the succeeding period not to ex-
10 ceed 12 months.

11 “(2) INCOME RESTRICTION.—The option under
12 paragraph (1) shall not be made available to a fam-
13 ily for a succeeding period unless the State deter-
14 mines that the family’s average gross monthly earn-
15 ings (less such costs for such child care as is nec-
16 essary for the employment of the caretaker relative)
17 as of the end of the 6-month period under sub-
18 section (b) does not exceed 185 percent of the offi-
19 cial poverty line (as defined by the Office of Man-
20 agement and Budget, and revised annually in ac-
21 cordance with section 673(2) of the Omnibus Budget
22 Reconciliation Act of 1981) applicable to a family of
23 the size involved.

24 “(3) APPLICATION OF EXTENSION RULES.—
25 The provisions of paragraphs (2), (3), (4), and (5)

1 of subsection (b) shall apply to the extension pro-
2 vided under this subsection in the same manner as
3 they apply to the extension provided under sub-
4 section (b)(1), except that for purposes of this sub-
5 section—

6 “(A) any reference to a 6-month period
7 under subsection (b)(1) is deemed a reference
8 to the extension period provided under para-
9 graph (1) and any deadlines for any notices or
10 reporting and the premium payment periods
11 shall be modified to correspond to the appro-
12 priate calendar quarters of coverage provided
13 under this subsection; and

14 “(B) any reference to a provision of sub-
15 section (a) or (b) is deemed a reference to the
16 corresponding provision of subsection (b) or of
17 this subsection, respectively.”

18 (b) STATE OPTION TO WAIVE RECEIPT OF MED-
19 ICAID FOR 3 OF PREVIOUS 6 MONTHS TO QUALIFY FOR
20 TMA.—Section 1925(a)(1) (42 U.S.C. 1396r-6(a)(1)) is
21 amended by adding at the end the following: “A State
22 may, at its option, also apply the previous sentence in the
23 case of a family that was receiving such aid for fewer than
24 3 months, or that had applied for and was eligible for such

1 aid for fewer than 3 months, during the 6 immediately
2 preceding months described in such sentence.”.

3 (c) EXTENSION OF SUNSET FOR TMA.—

4 (1) IN GENERAL.—Subsection (g) of section
5 1925 (42 U.S.C. 1396r–6), as so redesignated under
6 subsection (a)(2)(A), is further redesignated as sub-
7 section (i) and is amended by striking “2003” and
8 inserting “2010”.

9 (2) CONFORMING AMENDMENT.—Section
10 1902(e)(1)(B) (42 U.S.C. 1396a(e)(1)(B)), as so
11 amended, is amended by striking “September 30,
12 2003” and inserting “the last date (if any) on which
13 section 1925 applies under subsection (i) of that sec-
14 tion”.

15 (d) CMS REPORT ON ENROLLMENT AND PARTICIPA-
16 TION RATES UNDER TMA.—Section 1925 (42 U.S.C.
17 1396r–6), as amended by subsections (a)(2)(A) and
18 (c)(1), is amended by inserting after subsection (f) the fol-
19 lowing:

20 “(g) ADDITIONAL PROVISIONS.—

21 “(1) COLLECTION AND REPORTING OF PARTICI-
22 PATION INFORMATION.—Each State shall—

23 “(A) collect and submit to the Secretary,
24 in a format specified by the Secretary, informa-
25 tion on average monthly enrollment and average

1 monthly participation rates for adults and chil-
2 dren under this section; and

3 “(B) make such information publicly avail-
4 able.

5 Such information shall be submitted under subpara-
6 graph (A) at the same time and frequency in which
7 other enrollment information under this title is sub-
8 mitted to the Secretary. Using such information, the
9 Secretary shall submit to Congress annual reports
10 concerning such rates.”.

11 (e) COORDINATION OF WORK.—Section 1925(g) (42
12 U.S.C. 1396r–6(g)), as added by subsection (d), is amend-
13 ed by adding at the end the following:

14 “(2) COORDINATION WITH ADMINISTRATION
15 FOR CHILDREN AND FAMILIES.—The Administrator
16 of the Centers for Medicare & Medicaid Services, in
17 carrying out this section, shall work with the Assist-
18 ant Secretary for the Administration for Children
19 and Families to develop guidance or other technical
20 assistance for States regarding best practices in
21 guaranteeing access to transitional medical assist-
22 ance under this section.”.

23 (f) ELIMINATION OF TMA REQUIREMENT FOR
24 STATES THAT EXTEND COVERAGE TO CHILDREN AND
25 PARENTS THROUGH 185 PERCENT OF POVERTY.—

1 (1) IN GENERAL.—Section 1925 (42 U.S.C.
2 1396r–6) is amended by inserting after subsection
3 (g), as added by subsection (d), the following:

4 “(h) PROVISIONS OPTIONAL FOR STATES THAT EX-
5 TEND COVERAGE TO CHILDREN AND PARENTS THROUGH
6 185 PERCENT OF POVERTY.—A State may meet (but is
7 not required to meet) the requirements of subsections (a)
8 and (b) if it provides for medical assistance under section
9 1931 to families (including both children and caretaker
10 relatives) the average gross monthly earning of which (less
11 such costs for such child care as is necessary for the em-
12 ployment of a caretaker relative) is at or below a level that
13 is at least 185 percent of the official poverty line (as de-
14 fined by the Office of Management and Budget, and re-
15 vised annually in accordance with section 673(2) of the
16 Omnibus Budget Reconciliation Act of 1981) applicable
17 to a family of the size involved.”.

18 (2) CONFORMING AMENDMENTS.—Section 1925
19 (42 U.S.C. 1396r–6) is amended, in subsections
20 (a)(1) and (b)(1), by inserting “, but subject to sub-
21 section (h),” after “Notwithstanding any other pro-
22 vision of this title,” each place it appears.

23 (g) REQUIREMENT OF NOTICE FOR ALL FAMILIES
24 LOSING TANF.—Subsection (a)(2) of section 1925 (42

1 U.S.C. 1396r-6) is amended by adding at the end the fol-
2 lowing flush sentences:

3 “Each State shall provide, to families whose aid
4 under part A or E of title IV has terminated but
5 whose eligibility for medical assistance under this
6 title continues, written notice of their ongoing eligi-
7 bility for such medical assistance. If a State makes
8 a determination that any member of a family whose
9 aid under part A or E of title IV is being terminated
10 is also no longer eligible for medical assistance under
11 this title, the notice of such determination shall be
12 supplemented by a 1-page notification form describ-
13 ing the different ways in which individuals and fami-
14 lies may qualify for such medical assistance and ex-
15 plaining that individuals and families do not have to
16 be receiving aid under part A or E of title IV in
17 order to qualify for such medical assistance. Such
18 notice shall further be supplemented by information
19 on how to apply for child health assistance under the
20 State children’s health insurance program under
21 title XXI and how to apply for medical assistance
22 under this title.”.

23 (h) EXTENDING USE OF OUTSTATIONED WORKERS
24 TO ACCEPT APPLICATIONS FOR TRANSITIONAL MEDICAL
25 ASSISTANCE.—Section 1902(a)(55) (42 U.S.C.

1 1396a(a)(55)) is amended by inserting “and under section
2 1931” after “(a)(10)(A)(ii)(IX)”.

3 (i) EFFECTIVE DATES.—

4 (1) IN GENERAL.—Except as provided in this
5 subsection, the amendments made by this section
6 shall apply to calendar quarters beginning on or
7 after October 1, 2005, without regard to whether or
8 not final regulations to carry out such amendments
9 have been promulgated by such date.

10 (2) NOTICE.—The amendment made by sub-
11 section (g) shall take effect 6 months after the date
12 of enactment of this Act.

13 (3) DELAY PERMITTED FOR STATE PLAN
14 AMENDMENT.—In the case of a State plan for med-
15 ical assistance under title XIX of the Social Security
16 Act which the Secretary of Health and Human Serv-
17 ices determines requires State legislation (other than
18 legislation appropriating funds) in order for the plan
19 to meet the additional requirements imposed by the
20 amendments made by this section, the State plan
21 shall not be regarded as failing to comply with the
22 requirements of such title solely on the basis of its
23 failure to meet these additional requirements before
24 the first day of the first calendar quarter beginning
25 after the close of the first regular session of the

1 State legislature that begins after the date of enact-
2 ment of this Act. For purposes of the previous sen-
3 tence, in the case of a State that has a 2-year legis-
4 lative session, each year of such session shall be
5 deemed to be a separate regular session of the State
6 legislature.

7 **SEC. 286. PROHIBITION AGAINST COVERING CHILDLESS**
8 **ADULTS WITH SCHIP FUNDS.**

9 (a) PROHIBITION ON USE OF SCHIP FUNDS.—

10 (1) IN GENERAL.—Section 2107 (42 U.S.C.
11 1397gg) is amended by adding at the end the fol-
12 lowing:

13 “(f) LIMITATION ON WAIVER AUTHORITY.—Notwith-
14 standing subsection (e)(2)(A) and section 1115(a), the
15 Secretary may not approve a waiver, experimental, pilot,
16 or demonstration project, or an amendment to such a
17 project that has been approved as of the date of enactment
18 of this subsection, that would allow funds made available
19 under this title to be used to provide child health assist-
20 ance or other health benefits coverage to childless adults.
21 For purposes of the preceding sentence, a caretaker rel-
22 ative (as such term is defined for purposes of carrying out
23 section 1931) shall not be considered a childless adult.”.

24 (2) CONFORMING AMENDMENT.—Section
25 2105(e)(1) (42 U.S.C. 1397ee(e)(1)) is amended by

1 inserting before the period the following: “and may
2 not include coverage of childless adults. For pur-
3 poses of the preceding sentence, a caretaker relative
4 (as such term is defined for purposes of carrying out
5 section 1931) shall not be considered a childless
6 adult.”.

7 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
8 tion or the amendments made by this section shall be con-
9 strued to—

10 (1) authorize the waiver of any provision of title
11 XIX or XXI of the Social Security Act (42 U.S.C.
12 1396 et seq., 1397aa et seq.) that is not otherwise
13 authorized to be waived under such titles or under
14 title XI of such Act (42 U.S.C. 1301 et seq.) as of
15 the date of enactment of this Act; or

16 (2) imply congressional approval of any waiver,
17 experimental, pilot, or demonstration project affect-
18 ing the medicaid program under title XIX of the So-
19 cial Security Act or the State children’s health in-
20 surance program under title XXI of such Act that
21 has been approved as of such date of enactment.

22 (c) EFFECTIVE DATE.—This section and the amend-
23 ments made by this section take effect on the date of en-
24 actment of this Act and apply to proposals to conduct a
25 waiver, experimental, pilot, or demonstration project af-

1 fecting the medicaid program under title XIX of the Social
2 Security Act or the State children's health insurance pro-
3 gram under title XXI of such Act, and to any proposals
4 to amend such projects, that are approved or extended on
5 or after such date of enactment.

6 **Subtitle G—Effective Date**

7 **SEC. 291. EFFECTIVE DATE.**

8 (a) IN GENERAL.—Subject to subsection (b) and ex-
9 cept as otherwise provided, the amendments made by this
10 Act take effect on the date of enactment of this Act.

11 (b) EXCEPTION.—In the case of a State plan under
12 part A or D of title IV of the Social Security Act which
13 the Secretary determines requires State legislation in
14 order for the plan to meet the additional requirements im-
15 posed by the amendments made by this Act, the effective
16 date of the amendments imposing the additional require-
17 ments shall be 3 months after the first day of the first
18 calendar quarter beginning after the close of the first reg-
19 ular session of the State legislature that begins after the
20 date of enactment of this Act. For purposes of the pre-
21 ceding sentence, in the case of a State that has a 2-year
22 legislative session, each year of the session shall be consid-
23 ered to be a separate regular session of the State legisla-
24 ture.

1 **SEC. 292. EXTENSION THROUGH REMAINDER OF FISCAL**
2 **YEAR 2005.**

3 Except as otherwise provided in this Act and the
4 amendments made by this Act, activities authorized by
5 part A of title IV of the Social Security Act, and by sec-
6 tions 429A, 510, 1108(b), and 1925 of such Act, shall
7 continue through September 30, 2005, in the manner au-
8 thorized for fiscal year 2004, notwithstanding section
9 1902(e)(1)(A) of such Act, and out of any money in the
10 Treasury of the United States not otherwise appropriated,
11 there are hereby appropriated such sums as may be nec-
12 essary for such purpose. Grants and payments may be
13 made pursuant to this authority through the fourth quar-
14 ter of fiscal year 2005 at the level provided for such activi-
15 ties through the fourth quarter of fiscal year 2004.

16 **TITLE III—CARE ACT**

17 **SEC. 300. SHORT TITLE; ETC.**

18 (a) **SHORT TITLE.**—This title may be cited as the
19 “CARE Act of 2005”.

20 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
21 wise expressly provided, whenever in this title an amend-
22 ment or repeal is expressed in terms of an amendment
23 to, or repeal of, a section or other provision, the reference
24 shall be considered to be made to a section or other provi-
25 sion of the Internal Revenue Code of 1986.

1 **Subtitle A—Charitable Giving**
2 **Incentives**

3 **SEC. 301. DEDUCTION FOR PORTION OF CHARITABLE CON-**
4 **TRIBUTIONS TO BE ALLOWED TO INDIVID-**
5 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

6 (a) IN GENERAL.—Section 170 (relating to chari-
7 table, etc., contributions and gifts) is amended by redesi-
8 gnating subsection (o) as subsection (p) and by inserting
9 after subsection (n) the following new subsection:

10 “(o) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
11 DEDUCTIONS.—In the case of an individual who does not
12 itemize deductions for any taxable year, there shall be
13 taken into account as a direct charitable deduction under
14 section 63 an amount equal to the amount allowable under
15 subsection (a) for the taxable year for cash contributions,
16 to the extent that such contributions exceed \$250 (\$500
17 in the case of a joint return) but do not exceed \$500
18 (\$1,000 in the case of a joint return).”.

19 (b) DIRECT CHARITABLE DEDUCTION.—

20 (1) IN GENERAL.—Subsection (b) of section 63
21 (defining taxable income) is amended by striking
22 “and” at the end of paragraph (1), by striking the
23 period at the end of paragraph (2) and inserting “,
24 and”, and by adding at the end the following new
25 paragraph:

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

2 (2) DEFINITION.—Section 63 is amended by re-
3 designating subsection (g) as subsection (h) and by
4 inserting after subsection (f) the following new sub-
5 section:

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

11 (3) CONFORMING AMENDMENT.—Subsection (d)
12 of section 63 is amended by striking “and” at the
13 end of paragraph (1), by striking the period at the
14 end of paragraph (2) and inserting “, and”, and by
15 adding at the end the following new paragraph:

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

17 (c) STUDY.—

18 (1) IN GENERAL.—The Secretary of the Treas-
19 ury shall study the effect of the amendments made
20 by this section on increased charitable giving and
21 taxpayer compliance, including a comparison of tax-
22 payer compliance between taxpayers who itemize
23 their charitable contributions and taxpayers who
24 claim a direct charitable deduction.

1 (2) REPORT.—By not later than December 31,
2 2006, the Secretary of the Treasury shall report on
3 the study required under paragraph (1) to the Com-
4 mittee on Finance of the Senate and the Committee
5 on Ways and Means of the House of Representa-
6 tives.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2004, and before January 1, 2007.

10 **SEC. 302. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
11 **TIREMENT ACCOUNTS FOR CHARITABLE**
12 **PURPOSES.**

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

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

18 “(A) IN GENERAL.—No amount shall be
19 includible in gross income by reason of a quali-
20 fied charitable distribution.

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

1 “(i) which is made directly by the
2 trustee—

3 “(I) to an organization described
4 in section 170(c), or

5 “(II) to a split-interest entity,
6 and

7 “(ii) which is made on or after—

8 “(I) in the case of any distribu-
9 tion described in clause (i)(I), the
10 date that the individual for whose
11 benefit the account is maintained has
12 attained age 70½, and

13 “(II) in the case of any distribu-
14 tion described in clause (i)(II), the
15 date that such individual has attained
16 age 59½.

17 A distribution shall be treated as a qualified
18 charitable distribution only to the extent that
19 the distribution would be includible in gross in-
20 come without regard to subparagraph (A) and,
21 in the case of a distribution to a split-interest
22 entity, only if no person holds an income inter-
23 est in the amounts in the split-interest entity
24 attributable to such distribution other than one
25 or more of the following: the individual for

1 whose benefit such account is maintained, the
2 spouse of such individual, or any organization
3 described in section 170(c).

4 “(C) CONTRIBUTIONS MUST BE OTHER-
5 WISE DEDUCTIBLE.—For purposes of this para-
6 graph—

7 “(i) DIRECT CONTRIBUTIONS.—A dis-
8 tribution to an organization described in
9 section 170(c) shall be treated as a quali-
10 fied charitable distribution only if a deduc-
11 tion for the entire distribution would be al-
12 lowable under section 170 (determined
13 without regard to subsection (b) thereof
14 and this paragraph).

15 “(ii) SPLIT-INTEREST GIFTS.—A dis-
16 tribution to a split-interest entity shall be
17 treated as a qualified charitable distribu-
18 tion only if a deduction for the entire value
19 of the interest in the distribution for the
20 use of an organization described in section
21 170(c) would be allowable under section
22 170 (determined without regard to sub-
23 section (b) thereof and this paragraph).

24 “(D) APPLICATION OF SECTION 72.—Not-
25 withstanding section 72, in determining the ex-

1 tent to which a distribution is a qualified chari-
2 table distribution, the entire amount of the dis-
3 tribution shall be treated as includible in gross
4 income without regard to subparagraph (A) to
5 the extent that such amount does not exceed
6 the aggregate amount which would have been so
7 includible if all amounts were distributed from
8 all individual retirement accounts treated as 1
9 contract under paragraph (2)(A) for purposes
10 of determining the inclusion on such distribu-
11 tion under section 72. Proper adjustments shall
12 be made in applying section 72 to other dis-
13 tributions in such taxable year and subsequent
14 taxable years.

15 “(E) SPECIAL RULES FOR SPLIT-INTEREST
16 ENTITIES.—

17 “(i) CHARITABLE REMAINDER
18 TRUSTS.—Notwithstanding section 664(b),
19 distributions made from a trust described
20 in subparagraph (G)(i) shall be treated as
21 ordinary income in the hands of the bene-
22 ficiary to whom is paid the annuity de-
23 scribed in section 664(d)(1)(A) or the pay-
24 ment described in section 664(d)(2)(A).

1 “(ii) POOLED INCOME FUNDS.—No
2 amount shall be includible in the gross in-
3 come of a pooled income fund (as defined
4 in subparagraph (G)(ii)) by reason of a
5 qualified charitable distribution to such
6 fund, and all distributions from the fund
7 which are attributable to qualified chari-
8 table distributions shall be treated as ordi-
9 nary income to the beneficiary.

10 “(iii) CHARITABLE GIFT ANNU-
11 ITIES.—Qualified charitable distributions
12 made for a charitable gift annuity shall not
13 be treated as an investment in the con-
14 tract.

15 “(F) DENIAL OF DEDUCTION.—Qualified
16 charitable distributions shall not be taken into
17 account in determining the deduction under sec-
18 tion 170.

19 “(G) SPLIT-INTEREST ENTITY DEFINED.—
20 For purposes of this paragraph, the term ‘split-
21 interest entity’ means—

22 “(i) a charitable remainder annuity
23 trust or a charitable remainder unitrust
24 (as such terms are defined in section

1 664(d)) which must be funded exclusively
2 by qualified charitable distributions,

3 “(ii) a pooled income fund (as defined
4 in section 642(c)(5)), but only if the fund
5 accounts separately for amounts attrib-
6 utable to qualified charitable distributions,
7 and

8 “(iii) a charitable gift annuity (as de-
9 fined in section 501(m)(5)).”.

10 (b) MODIFICATIONS RELATING TO INFORMATION RE-
11 TURNS BY CERTAIN TRUSTS.—

12 (1) RETURNS.—Section 6034 (relating to re-
13 turns by trusts described in section 4947(a)(2) or
14 claiming charitable deductions under section 642(e))
15 is amended to read as follows:

16 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
17 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
18 **TIONS UNDER SECTION 642(e).**

19 “(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—
20 Every trust described in section 4947(a)(2) shall furnish
21 such information with respect to the taxable year as the
22 Secretary may by forms or regulations require.

23 “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION
24 UNDER SECTION 642(e).—

1 “(1) IN GENERAL.—Every trust not required to
2 file a return under subsection (a) but claiming a de-
3 duction under section 642(c) for the taxable year
4 shall furnish such information with respect to such
5 taxable year as the Secretary may by forms or regu-
6 lations prescribe, including—

7 “(A) the amount of the deduction taken
8 under section 642(c) within such year,

9 “(B) the amount paid out within such year
10 which represents amounts for which deductions
11 under section 642(c) have been taken in prior
12 years,

13 “(C) the amount for which such deductions
14 have been taken in prior years but which has
15 not been paid out at the beginning of such year,

16 “(D) the amount paid out of principal in
17 the current and prior years for the purposes de-
18 scribed in section 642(c),

19 “(E) the total income of the trust within
20 such year and the expenses attributable thereto,
21 and

22 “(F) a balance sheet showing the assets, li-
23 abilities, and net worth of the trust as of the
24 beginning of such year.

1 “(2) EXCEPTIONS.—Paragraph (1) shall not
2 apply to a trust for any taxable year if—

3 “(A) all the net income for such year, de-
4 termined under the applicable principles of the
5 law of trusts, is required to be distributed cur-
6 rently to the beneficiaries, or

7 “(B) the trust is described in section
8 4947(a)(1).”.

9 (2) INCREASE IN PENALTY RELATING TO FIL-
10 ING OF INFORMATION RETURN BY SPLIT-INTEREST
11 TRUSTS.—Paragraph (2) of section 6652(c) (relating
12 to returns by exempt organizations and by certain
13 trusts) is amended by adding at the end the fol-
14 lowing new subparagraph:

15 “(C) SPLIT-INTEREST TRUSTS.—In the
16 case of a trust which is required to file a return
17 under section 6034(a), subparagraphs (A) and
18 (B) of this paragraph shall not apply and para-
19 graph (1) shall apply in the same manner as if
20 such return were required under section 6033,
21 except that—

22 “(i) the 5 percent limitation in the
23 second sentence of paragraph (1)(A) shall
24 not apply,

1 “(ii) in the case of any trust with
2 gross income in excess of \$250,000, the
3 first sentence of paragraph (1)(A) shall be
4 applied by substituting ‘\$100’ for ‘\$20’,
5 and the second sentence thereof shall be
6 applied by substituting ‘\$50,000’ for
7 ‘\$10,000’, and

8 “(iii) the third sentence of paragraph
9 (1)(A) shall be disregarded.

10 In addition to any penalty imposed on the trust
11 pursuant to this subparagraph, if the person re-
12 quired to file such return knowingly fails to file
13 the return, such penalty shall also be imposed
14 on such person who shall be personally liable
15 for such penalty.”.

16 (3) CONFIDENTIALITY OF NONCHARITABLE
17 BENEFICIARIES.—Subsection (b) of section 6104
18 (relating to inspection of annual information re-
19 turns) is amended by adding at the end the fol-
20 lowing new sentence: “In the case of a trust which
21 is required to file a return under section 6034(a),
22 this subsection shall not apply to information re-
23 garding beneficiaries which are not organizations de-
24 scribed in section 170(c).”.

25 (c) EFFECTIVE DATES.—

1 (1) SUBSECTION (a).—The amendment made
2 by subsection (a) shall apply to distributions—

3 (A) described in section 408(d)(8)(B)(i)(I)
4 of the Internal Revenue Code of 1986, as added
5 by this section, made after the date of the en-
6 actment of this Act, and

7 (B) described in section
8 408(d)(8)(B)(i)(II) of such Code, as so added,
9 made after December 31, 2004.

10 (2) SUBSECTION (b).—The amendments made
11 by subsection (b) shall apply to returns for taxable
12 years beginning after December 31, 2004.

13 **SEC. 303. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
14 **OF FOOD INVENTORIES.**

15 (a) IN GENERAL.—Subsection (e) of section 170 (re-
16 lating to certain contributions of ordinary income and cap-
17 ital gain property) is amended by adding at the end the
18 following new paragraph:

19 “(7) APPLICATION OF PARAGRAPH (3) TO CER-
20 TAIN CONTRIBUTIONS OF FOOD INVENTORY.—For
21 purposes of this section—

22 “(A) EXTENSION TO INDIVIDUALS.—In the
23 case of a charitable contribution of apparently
24 wholesome food—

1 “(i) paragraph (3)(A) shall be applied
2 without regard to whether the contribution
3 is made by a C corporation, and

4 “(ii) in the case of a taxpayer other
5 than a C corporation, the aggregate
6 amount of such contributions from any
7 trade or business (or interest therein) of
8 the taxpayer for any taxable year which
9 may be taken into account under this sec-
10 tion shall not exceed 10 percent of the tax-
11 payer’s net income from any such trade or
12 business, computed without regard to this
13 section, for such taxable year.

14 “(B) LIMITATION ON REDUCTION.—In the
15 case of a charitable contribution of apparently
16 wholesome food, notwithstanding paragraph
17 (3)(B), the amount of the reduction determined
18 under paragraph (1)(A) shall not exceed the
19 amount by which the fair market value of such
20 property exceeds twice the basis of such prop-
21 erty.

22 “(C) DETERMINATION OF BASIS.—If a
23 taxpayer—

24 “(i) does not account for inventories
25 under section 471, and

1 “(ii) is not required to capitalize indi-
2 rect costs under section 263A,
3 the taxpayer may elect, solely for purposes of
4 paragraph (3)(B), to treat the basis of any ap-
5 parently wholesome food as being equal to 25
6 percent of the fair market value of such food.

7 “(D) DETERMINATION OF FAIR MARKET
8 VALUE.—In the case of a charitable contribu-
9 tion of apparently wholesome food which is a
10 qualified contribution (within the meaning of
11 paragraph (3), as modified by subparagraph
12 (A) of this paragraph) and which, solely by rea-
13 son of internal standards of the taxpayer or
14 lack of market, cannot or will not be sold, the
15 fair market value of such contribution shall be
16 determined—

17 “(i) without regard to such internal
18 standards or such lack of market and

19 “(ii) by taking into account the price
20 at which the same or substantially the
21 same food items (as to both type and qual-
22 ity) are sold by the taxpayer at the time of
23 the contribution (or, if not so sold at such
24 time, in the recent past).

1 “(E) APPARENTLY WHOLESOME FOOD.—
 2 For purposes of this paragraph, the term ‘ap-
 3 parently wholesome food’ has the meaning given
 4 such term by section 22(b)(2) of the Bill Emer-
 5 son Good Samaritan Food Donation Act (42
 6 U.S.C. 1791(b)(2)), as in effect on the date of
 7 the enactment of this paragraph.”.

8 (b) EFFECTIVE DATE.—The amendment made by
 9 this section shall apply to contributions made after the
 10 date of the enactment of this Act.

11 **SEC. 304. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 12 **OF BOOK INVENTORIES.**

13 (a) IN GENERAL.—Section 170(e)(3) (relating to cer-
 14 tain contributions of ordinary income and capital gain
 15 property) is amended by redesignating subparagraph (C)
 16 as subparagraph (D) and by inserting after subparagraph
 17 (B) the following new subparagraph:

18 “(C) SPECIAL RULE FOR CONTRIBUTIONS
 19 OF BOOK INVENTORY FOR EDUCATIONAL PUR-
 20 POSES.—

21 “(i) CONTRIBUTIONS OF BOOK INVEN-
 22 TORY.—In determining whether a qualified
 23 book contribution is a qualified contribu-
 24 tion, subparagraph (A) shall be applied
 25 without regard to whether—

1 “(I) the donee is an organization
2 described in the matter preceding
3 clause (i) of subparagraph (A), and

4 “(II) the property is to be used
5 by the donee solely for the care of the
6 ill, the needy, or infants.

7 “(ii) AMOUNT OF REDUCTION.—Not-
8 withstanding subparagraph (B), the
9 amount of the reduction determined under
10 paragraph (1)(A) shall not exceed the
11 amount by which the fair market value of
12 the contributed property (as determined by
13 the taxpayer using a bona fide published
14 market price for such book) exceeds twice
15 the basis of such property.

16 “(iii) QUALIFIED BOOK CONTRIBU-
17 TION.—For purposes of this paragraph,
18 the term ‘qualified book contribution’
19 means a charitable contribution of books,
20 but only if the requirements of clauses (iv)
21 and (v) are met.

22 “(iv) IDENTITY OF DONEE.—The re-
23 quirement of this clause is met if the con-
24 tribution is to an organization—

1 “(I) described in subclause (I) or
2 (III) of paragraph (6)(B)(i), or

3 “(II) described in section
4 501(c)(3) and exempt from tax under
5 section 501(a) (other than a private
6 foundation, as defined in section
7 509(a), which is not an operating
8 foundation, as defined in section
9 4942(j)(3)), which is organized pri-
10 marily to make books available to the
11 general public at no cost or to operate
12 a literacy program.

13 “(v) CERTIFICATION BY DONEE.—The
14 requirement of this clause is met if, in ad-
15 dition to the certifications required by sub-
16 paragraph (A) (as modified by this sub-
17 paragraph), the donee certifies in writing
18 that—

19 “(I) the books are suitable, in
20 terms of currency, content, and quan-
21 tity, for use in the donee’s educational
22 programs, and

23 “(II) the donee will use the books
24 in its educational programs.

1 “(vi) BONA FIDE PUBLISHED MARKET
2 PRICE.—For purposes of this subpara-
3 graph, the term ‘bona fide published mar-
4 ket price’ means, with respect to any book,
5 a price—

6 “(I) determined using the same
7 printing and edition,

8 “(II) determined in the usual
9 market in which such a book has been
10 customarily sold by the taxpayer, and

11 “(III) for which the taxpayer can
12 demonstrate to the satisfaction of the
13 Secretary that the taxpayer custom-
14 arily sold such books in arm’s length
15 transactions within 7 years preceding
16 the contribution of such a book.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to contributions made after the
19 date of the enactment of this Act

20 **SEC. 305. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
21 **LOWED FOR SCIENTIFIC PROPERTY USED**
22 **FOR RESEARCH AND FOR COMPUTER TECH-**
23 **NOLOGY AND EQUIPMENT USED FOR EDU-**
24 **CATIONAL PURPOSES.**

25 (a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—

1 (1) IN GENERAL.—Clause (ii) of section
2 170(e)(4)(B) (defining qualified research contribu-
3 tions) is amended by inserting “or assembled” after
4 “constructed”.

5 (2) CONFORMING AMENDMENT.—Clause (iii) of
6 section 170(e)(4)(B) is amended by inserting “or as-
7 sembling” after “construction”.

8 (b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR
9 EDUCATIONAL PURPOSES.—

10 (1) IN GENERAL.—Clause (ii) of section
11 170(e)(6)(B) is amended by inserting “or assem-
12 bled” after “constructed” and “or assembling” after
13 “construction”.

14 (2) CONFORMING AMENDMENTS.—Subpara-
15 graph (D) of section 170(e)(6) is amended by insert-
16 ing “or assembled” after “constructed” and “or as-
17 sembling” after “construction”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2004.

1 **SEC. 306. MODIFICATIONS TO ENCOURAGE CONTRIBU-**
2 **TIONS OF CAPITAL GAIN REAL PROPERTY**
3 **MADE FOR CONSERVATION PURPOSES.**

4 (a) IN GENERAL.—Section 170(h) (relating to quali-
5 fied conservation contribution) is amended by adding at
6 the end the following new paragraph:

7 “(7) ADDITIONAL INCENTIVES FOR QUALIFIED
8 CONSERVATION CONTRIBUTIONS.—

9 “(A) IN GENERAL.—In the case of any
10 qualified conservation contribution (as defined
11 in paragraph (1)) made by an individual—

12 “(i) subparagraph (C) of subsection
13 (b)(1) shall not apply,

14 “(ii) except as provided in subpara-
15 graph (B)(i), subsections (b)(1)(A) and
16 (d)(1) shall be applied separately with re-
17 spect to such contributions by treating ref-
18 erences to 50 percent of the taxpayer’s
19 contribution base as references to the
20 amount of such base reduced by the
21 amount of other contributions allowable
22 under subsection (b)(1)(A), and

23 “(iii) subparagraph (A) of subsection
24 (d)(1) shall be applied—

1 “(I) by substituting ‘15 suc-
2 ceeding taxable years’ for ‘5 suc-
3 ceeding taxable years’, and

4 “(II) by applying clause (ii) to
5 each of the 15 succeeding taxable
6 years.

7 “(B) SPECIAL RULES FOR ELIGIBLE FARM-
8 ERS AND RANCHERS.—

9 “(i) IN GENERAL.—In the case of any
10 such contributions by a taxpayer who is an
11 eligible farmer or rancher for the taxable
12 year in which such contributions are
13 made—

14 “(I) if the taxpayer is an indi-
15 vidual, subsections (b)(1)(A) and
16 (d)(1) shall be applied separately with
17 respect to such contributions by sub-
18 stituting ‘the taxpayer’s contribution
19 base reduced by the amount of other
20 contributions allowable under sub-
21 section (b)(1)(A)’ for ‘50 percent of
22 the taxpayer’s contribution base’ each
23 place it appears, and

24 “(II) if the taxpayer is a corpora-
25 tion, subsections (b)(2) and (d)(2)

1 shall be applied separately with re-
2 spect to such contributions, subsection
3 (b)(2) shall be applied with respect to
4 such contributions as if such sub-
5 section did not contain the words ‘10
6 percent of’ and as if subparagraph
7 (A) thereof read ‘the deduction under
8 this section for qualified conservation
9 contributions’, and rules similar to the
10 rules of subparagraph (A)(iii) shall
11 apply for purposes of subsection
12 (d)(2).

13 “(ii) DEFINITION.—For purposes of
14 clause (i), the term ‘eligible farmer or
15 rancher’ means a taxpayer whose gross in-
16 come from the trade or business of farm-
17 ing (within the meaning of section
18 2032A(e)(5)) is at least 51 percent of the
19 taxpayer’s gross income for the taxable
20 year, and, in the case of a C corporation,
21 the stock of which is not publicly traded on
22 a recognized exchange.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to contributions made after the
25 date of the enactment of this Act.

1 **SEC. 307. EXCLUSION OF 25 PERCENT OF GAIN ON SALES**
2 **OR EXCHANGES OF LAND OR WATER INTER-**
3 **ESTS TO ELIGIBLE ENTITIES FOR CONSERVA-**
4 **TION PURPOSES.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 (relating to items specifically excluded from gross
7 income) is amended by inserting after section 121 the fol-
8 lowing new section:

9 **“SEC. 121A. 25-PERCENT EXCLUSION OF GAIN ON SALES OR**
10 **EXCHANGES OF LAND OR WATER INTERESTS**
11 **TO ELIGIBLE ENTITIES FOR CONSERVATION**
12 **PURPOSES.**

13 “(a) EXCLUSION.—Gross income shall not include 25
14 percent of the qualifying gain from a conservation sale of
15 a long-held qualifying land or water interest.

16 “(b) QUALIFYING GAIN.—For purposes of this sec-
17 tion—

18 “(1) IN GENERAL.—The term ‘qualifying gain’
19 means any gain which would be recognized as long-
20 term capital gain, reduced by the amount of any
21 long-term capital gain attributable to disqualified
22 improvements.

23 “(2) DISQUALIFIED IMPROVEMENT.—For pur-
24 poses of paragraph (1), the term ‘disqualified im-
25 provement’ means any building, structure, or other
26 improvement, other than—

1 “(A) any improvement which is described
2 in section 175(c)(1), determined—

3 “(i) without regard to the require-
4 ments that the taxpayer be engaged in
5 farming, and

6 “(ii) without taking into account sub-
7 paragraphs (A) and (B) thereof, or

8 “(B) any improvement which the Secretary
9 determines directly furthers conservation pur-
10 poses.

11 “(3) SPECIAL RULE FOR SALES OF STOCK.—If
12 the long-held qualifying land or water interest is 1
13 or more shares of stock in a qualifying land or water
14 corporation, the qualifying gain is equal to the lesser
15 of—

16 “(A) the qualifying gain determined under
17 paragraph (1), or

18 “(B) the product of—

19 “(i) the percentage of such corpora-
20 tion’s stock which is transferred by the
21 taxpayer, times

22 “(ii) the amount which would have
23 been the qualifying gain (determined under
24 paragraph (1)) if there had been a con-
25 servation sale by such corporation of all of

1 its interests in the land and water for a
2 price equal to the product of the fair mar-
3 ket value of such interests times the ratio
4 of—

5 “(I) the proceeds of the conserva-
6 tion sale of the stock, to

7 “(II) the fair market value of the
8 stock which was the subject of the
9 conservation sale.

10 “(c) CONSERVATION SALE.—For purposes of this
11 section, the term ‘conservation sale’ means a sale or ex-
12 change which meets the following requirements:

13 “(1) TRANSFEREE IS AN ELIGIBLE ENTITY.—
14 The transferee of the long-held qualifying land or
15 water interest is an eligible entity.

16 “(2) QUALIFYING LETTER OF INTENT RE-
17 QUIRED.—At the time of the sale or exchange, such
18 transferee provides the taxpayer with a qualifying
19 letter of intent.

20 “(3) NONAPPLICATION TO CERTAIN SALES.—
21 The sale or exchange is not made pursuant to an
22 order of condemnation or eminent domain.

23 “(4) CONTROLLING INTEREST IN STOCK SALE
24 REQUIRED.—In the case of the sale or exchange of
25 stock in a qualifying land or water corporation, at

1 the end of the taxpayer's taxable year in which such
2 sale or exchange occurs, the transferee's ownership
3 of stock in such corporation meets the requirements
4 of section 1504(a)(2) (determined by substituting
5 '90 percent' for '80 percent' each place it appears).

6 “(d) LONG-HELD QUALIFYING LAND OR WATER IN-
7 TEREST.—For purposes of this section—

8 “(1) IN GENERAL.—The term ‘long-held quali-
9 fying land or water interest’ means any qualifying
10 land or water interest owned by the taxpayer or a
11 member of the taxpayer's family (as defined in sec-
12 tion 2032A(e)(2)) at all times during the 5-year pe-
13 riod ending on the date of the sale.

14 “(2) QUALIFYING LAND OR WATER INTER-
15 EST.—

16 “(A) IN GENERAL.—The term ‘qualifying
17 land or water interest’ means a real property
18 interest which constitutes—

19 “(i) a taxpayer's entire interest in
20 land,

21 “(ii) a taxpayer's entire interest in
22 water rights,

23 “(iii) a qualified real property interest
24 (as defined in section 170(h)(2)), or

1 “(iv) stock in a qualifying land or
2 water corporation.

3 “(B) ENTIRE INTEREST.—For purposes of
4 clause (i) or (ii) of subparagraph (A)—

5 “(i) a partial interest in land or water
6 is not a taxpayer’s entire interest if an in-
7 terest in land or water was divided in order
8 to create such partial interest in order to
9 avoid the requirements of such clause or
10 section 170(f)(3)(A), and

11 “(ii) a taxpayer’s entire interest in
12 certain land does not fail to satisfy sub-
13 paragraph (A)(i) solely because the tax-
14 payer has retained an interest in other
15 land, even if the other land is contiguous
16 with such certain land and was acquired by
17 the taxpayer along with such certain land
18 in a single conveyance.

19 “(e) OTHER DEFINITIONS.—For purposes of this
20 section—

21 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-
22 tity’ means—

23 “(A) a governmental unit referred to in
24 section 170(c)(1), or an agency or department
25 thereof operated primarily for 1 or more of the

1 conservation purposes specified in clause (i),
2 (ii), or (iii) of section 170(h)(4)(A), or

3 “(B) an entity which is—

4 “(i) described in section
5 170(b)(1)(A)(vi) or section 170(h)(3)(B),
6 and

7 “(ii) organized and at all times oper-
8 ated primarily for 1 or more of the con-
9 servation purposes specified in clause (i),
10 (ii), or (iii) of section 170(h)(4)(A).

11 “(2) QUALIFYING LETTER OF INTENT.—The
12 term ‘qualifying letter of intent’ means a written let-
13 ter of intent which includes the following statement:
14 ‘The transferee’s intent is that this acquisition will
15 serve 1 or more of the conservation purposes speci-
16 fied in clause (i), (ii), or (iii) of section 170(h)(4)(A)
17 of the Internal Revenue Code of 1986, that the
18 transferee’s use of the property so acquired will be
19 consistent with section 170(h)(5) of such Code, and
20 that the use of the property will continue to be con-
21 sistent with such section, even if ownership or pos-
22 session of such property is subsequently transferred
23 to another person.’

24 “(3) QUALIFYING LAND OR WATER CORPORA-
25 TION.—The term ‘qualifying land or water corpora-

1 tion’ means a C corporation (as defined in section
2 1361(a)(2)) if, as of the date of the conservation
3 sale—

4 “(A) the fair market value of the corpora-
5 tion’s interests in land or water held by the cor-
6 poration at all times during the preceding 5
7 years equals or exceeds 90 percent of the fair
8 market value of all of such corporation’s assets,
9 and

10 “(B) not more than 50 percent of the total
11 fair market value of such corporation’s assets
12 consists of water rights or infrastructure re-
13 lated to the delivery of water, or both.

14 “(f) TAX ON SUBSEQUENT TRANSFERS OR REMOV-
15 ALS OF CONSERVATION RESTRICTIONS.—

16 “(1) IN GENERAL.—A tax is hereby imposed on
17 any subsequent—

18 “(A) transfer by an eligible entity of own-
19 ership or possession, whether by sale, exchange,
20 or lease, of property acquired directly or indi-
21 rectly in—

22 “(i) a conservation sale described in
23 subsection (a), or

24 “(ii) a transfer described in clause (i),
25 (ii), or (iii) of paragraph (4)(A), or

1 “(B) removal of a conservation restriction
2 contained in an instrument of conveyance of
3 such property.

4 “(2) AMOUNT OF TAX.—The amount of tax im-
5 posed by paragraph (1) on any transfer or removal
6 shall be equal to the sum of—

7 “(A) either—

8 “(i) 20 percent of the fair market
9 value (determined at the time of the trans-
10 fer) of the property the ownership or pos-
11 session of which is transferred, or

12 “(ii) 20 percent of the fair market
13 value (determined at the time immediately
14 after the removal) of the property upon
15 which the conservation restriction was re-
16 moved, plus

17 “(B) the product of—

18 “(i) the highest rate of tax specified
19 in section 11, times

20 “(ii) any gain or income realized by
21 the transferor or person removing such re-
22 striction as a result of the transfer or re-
23 moval.

24 “(3) LIABILITY.—The tax imposed by para-
25 graph (1) shall be paid—

1 “(A) on any transfer, by the transferor,
2 and

3 “(B) on any removal of a conservation re-
4 striction contained in an instrument of convey-
5 ance, by the person removing such restriction.

6 “(4) RELIEF FROM LIABILITY.—The person
7 (otherwise liable for any tax imposed by paragraph
8 (1)) shall be relieved of liability for the tax imposed
9 by paragraph (1)—

10 “(A) with respect to any transfer if—

11 “(i) the transferee is an eligible entity
12 which provides such person, at the time of
13 transfer, a qualifying letter of intent,

14 “(ii) in any case where the transferee
15 is not an eligible entity, it is established to
16 the satisfaction of the Secretary, that the
17 transfer of ownership or possession, as the
18 case may be, will be consistent with section
19 170(h)(5), and the transferee provides
20 such person, at the time of transfer, a
21 qualifying letter of intent, or

22 “(iii) tax has previously been paid
23 under this subsection as a result of a prior
24 transfer of ownership or possession of the
25 same property, or

1 “(B) with respect to any removal of a con-
2 servation restriction contained in an instrument
3 of conveyance, if it is established to the satis-
4 faction of the Secretary that the retention of
5 the restriction was impracticable or impossible
6 and the proceeds continue to be used in a man-
7 ner consistent with 1 or more of the conserva-
8 tion purposes specified in clause (i), (ii), or (iii)
9 of section 170(h)(4)(A).

10 “(5) ADMINISTRATIVE PROVISIONS.—For pur-
11 poses of subtitle F, the taxes imposed by this sub-
12 section shall be treated as excise taxes with respect
13 to which the deficiency procedures of such subtitle
14 apply.

15 “(6) REPORTING.—The Secretary may require
16 such reporting as may be necessary or appropriate
17 to further the purpose under this section that any
18 conservation use be in perpetuity.”.

19 (b) CLERICAL AMENDMENT.—The table of sections
20 for part III of subchapter B of chapter 1 is amended by
21 inserting after the item relating to section 121 the fol-
22 lowing new item:

 “Sec. 121A. 25-percent exclusion of gain on sales or exchanges
 of land or water interests to eligible entities for
 conservation purposes.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to sales or exchanges occurring
3 after the date of the enactment of this Act.

4 **SEC. 308. TAX EXCLUSION FOR COST-SHARING PAYMENTS**
5 **UNDER PARTNERS FOR FISH AND WILDLIFE**
6 **PROGRAM.**

7 (a) IN GENERAL.—Section 126(a) (relating to cer-
8 tain cost-sharing payments) is amended by redesignating
9 paragraph (10) as paragraph (11) and by inserting after
10 paragraph (9) the following:

11 “(10) The Partners for Fish and Wildlife Pro-
12 gram authorized by the Fish and Wildlife Act of
13 1956 (16 U.S.C. 742a et seq.).”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to payments received after the date
16 of the enactment of this Act.

17 **SEC. 309. ADJUSTMENT TO BASIS OF S CORPORATION**
18 **STOCK FOR CERTAIN CHARITABLE CON-**
19 **TRIBUTIONS.**

20 (a) IN GENERAL.—Paragraph (2) of section 1367(a)
21 (relating to adjustments to basis of stock of shareholders,
22 etc.) is amended by adding at the end the following new
23 flush sentence:

24 “The decrease under subparagraph (B) by reason of
25 a charitable contribution (as defined in section

1 170(c)) of property shall be the amount equal to the
2 shareholder's pro rata share of the adjusted basis of
3 such property.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to contributions made after the
6 date of the enactment of this Act.

7 **SEC. 310. ENHANCED DEDUCTION FOR CHARITABLE CON-**
8 **TRIBUTION OF LITERARY, MUSICAL, ARTIS-**
9 **TIC, AND SCHOLARLY COMPOSITIONS.**

10 (a) IN GENERAL.—Subsection (e) of section 170 (re-
11 lating to certain contributions of ordinary income and cap-
12 ital gain property), as amended by this Act, is amended
13 by adding at the end the following new paragraph:

14 “(8) SPECIAL RULE FOR CERTAIN CONTRIBU-
15 TIONS OF LITERARY, MUSICAL, ARTISTIC, OR SCHOL-
16 ARLY COMPOSITIONS.—

17 “(A) IN GENERAL.—In the case of a quali-
18 fied artistic charitable contribution—

19 “(i) the amount of such contribution
20 taken into account under this section shall
21 be the fair market value of the property
22 contributed (determined at the time of
23 such contribution), and

1 “(ii) no reduction in the amount of
2 such contribution shall be made under
3 paragraph (1).

4 “(B) QUALIFIED ARTISTIC CHARITABLE
5 CONTRIBUTION.—For purposes of this para-
6 graph, the term ‘qualified artistic charitable
7 contribution’ means a charitable contribution of
8 any literary, musical, artistic, or scholarly com-
9 position, or similar property, or the copyright
10 thereon (or both), but only if—

11 “(i) such property was created by the
12 personal efforts of the taxpayer making
13 such contribution no less than 18 months
14 prior to such contribution,

15 “(ii) the taxpayer—

16 “(I) has received a qualified ap-
17 praisal of the fair market value of
18 such property in accordance with the
19 regulations under this section, and

20 “(II) attaches to the taxpayer’s
21 income tax return for the taxable year
22 in which such contribution was made
23 a copy of such appraisal,

24 “(iii) the donee is an organization de-
25 scribed in subsection (b)(1)(A),

1 “(iv) the use of such property by the
2 donee is related to the purpose or function
3 constituting the basis for the donee’s ex-
4 emption under section 501 (or, in the case
5 of a governmental unit, to any purpose or
6 function described under section 501(c)),

7 “(v) the taxpayer receives from the
8 donee a written statement representing
9 that the donee’s use of the property will be
10 in accordance with the provisions of clause
11 (iv), and

12 “(vi) the written appraisal referred to
13 in clause (ii) includes evidence of the ex-
14 tent (if any) to which property created by
15 the personal efforts of the taxpayer and of
16 the same type as the donated property is
17 or has been—

18 “(I) owned, maintained, and dis-
19 played by organizations described in
20 subsection (b)(1)(A), and

21 “(II) sold to or exchanged by
22 persons other than the taxpayer,
23 donee, or any related person (as de-
24 fined in section 465(b)(3)(C)).

1 “(C) MAXIMUM DOLLAR LIMITATION; NO
2 CARRYOVER OF INCREASED DEDUCTION.—The
3 increase in the deduction under this section by
4 reason of this paragraph for any taxable year—

5 “(i) shall not exceed the artistic ad-
6 justed gross income of the taxpayer for
7 such taxable year, and

8 “(ii) shall not be taken into account in
9 determining the amount which may be car-
10 ried from such taxable year under sub-
11 section (d).

12 “(D) ARTISTIC ADJUSTED GROSS IN-
13 COME.—For purposes of this paragraph, the
14 term ‘artistic adjusted gross income’ means
15 that portion of the adjusted gross income of the
16 taxpayer for the taxable year attributable to—

17 “(i) income from the sale or use of
18 property created by the personal efforts of
19 the taxpayer which is of the same type as
20 the donated property, and

21 “(ii) income from teaching, lecturing,
22 performing, or similar activity with respect
23 to property described in clause (i).

24 “(E) PARAGRAPH NOT TO APPLY TO CER-
25 TAIN CONTRIBUTIONS.—Subparagraph (A) shall

1 not apply to any charitable contribution of any
2 letter, memorandum, or similar property which
3 was written, prepared, or produced by or for an
4 individual while the individual is an officer or
5 employee of any person (including any govern-
6 ment agency or instrumentality) unless such
7 letter, memorandum, or similar property is en-
8 tirely personal.

9 “(F) COPYRIGHT TREATED AS SEPARATE
10 PROPERTY FOR PARTIAL INTEREST RULE.—In
11 the case of a qualified artistic charitable con-
12 tribution, the tangible literary, musical, artistic,
13 or scholarly composition, or similar property
14 and the copyright on such work shall be treated
15 as separate properties for purposes of this para-
16 graph and subsection (f)(3).”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to contributions made after the
19 date of the enactment of this Act.

20 **SEC. 311. MILEAGE REIMBURSEMENTS TO CHARITABLE**
21 **VOLUNTEERS EXCLUDED FROM GROSS IN-**
22 **COME.**

23 (a) IN GENERAL.—Part III of subchapter B of chap-
24 ter 1 is amended by inserting after section 139A the fol-
25 lowing new section:

1 **“SEC. 139B. MILEAGE REIMBURSEMENTS TO CHARITABLE**
2 **VOLUNTEERS.**

3 “(a) IN GENERAL.—Gross income of an individual
4 does not include amounts received, from an organization
5 described in section 170(c), as reimbursement of operating
6 expenses with respect to use of a passenger automobile
7 for the benefit of such organization. The preceding sen-
8 tence shall apply only to the extent that the expenses
9 which are reimbursed would be deductible under this chap-
10 ter if section 274(d) were applied—

11 “(1) by using the standard business mileage
12 rate established under such section, and

13 “(2) as if the individual were an employee of an
14 organization not described in section 170(c).

15 “(b) APPLICATION TO VOLUNTEER SERVICES
16 ONLY.—Subsection (a) shall not apply with respect to any
17 expenses relating to the performance of services for com-
18 pensation.

19 “(c) NO DOUBLE BENEFIT.—A taxpayer may not
20 claim a deduction or credit under any other provision of
21 this title with respect to the expenses under subsection (a).

22 “(d) EXEMPTION FROM REPORTING REQUIRE-
23 MENTS.—Section 6041 shall not apply with respect to re-
24 imbursements excluded from income under subsection
25 (a).”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for part III of subchapter B of chapter 1 is amended by
 3 inserting after the item relating to section 139A the fol-
 4 lowing new item:

“Sec. 139B. Mileage reimbursements to charitable volunteers.”.

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

8 **SEC. 312. EXTENSION OF ENHANCED DEDUCTION FOR IN-**
 9 **VENTORY TO INCLUDE PUBLIC SCHOOLS.**

10 (a) IN GENERAL.—Subparagraph (A) of section
 11 170(e)(3) (relating to special rule for certain contributions
 12 of inventory and other property) is amended by striking
 13 “to an organization which is described in” and all that
 14 follows through the end of clause (i) and inserting “to a
 15 qualified organization, but only if—

16 “(i) the property is to be used by the
 17 donee solely for the care of the ill, the
 18 needy, or infants and, in the case of—

19 “(I) an organization described in
 20 section 501(c)(3) (other than an orga-
 21 nization described in subclause (II)),
 22 the use of the property by the donee
 23 is related to the purpose or function
 24 constituting the basis for its exemp-
 25 tion under section 501, and

1 “(II) an organization described
2 in subsection (b)(1)(A)(ii), the use of
3 the property by the donee is related to
4 educational purposes and such prop-
5 erty is not computer technology or
6 equipment (as defined in paragraph
7 (6)(F)(i));”.

8 (b) QUALIFIED ORGANIZATION.—Paragraph (3) of
9 section 170(e) of such Code, as amended by this Act, is
10 amended by redesignating subparagraph (D) as subpara-
11 graph (E) and by inserting after subparagraph (C) the
12 following new subparagraph:

13 “(D) QUALIFIED ORGANIZATION.—For
14 purposes of this paragraph, the term ‘qualified
15 organization’ means—

16 “(i) an organization which is de-
17 scribed in section 501(c)(3) and is exempt
18 under section 501(a) (other than a private
19 foundation, as defined in section 509(a),
20 which is not an operating foundation, as
21 defined in section 4942(j)(3)), and

22 “(ii) an educational organization de-
23 scribed in subsection (b)(1)(A)(ii).”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to contributions made after De-
3 cember 31, 2004.

4 **SEC. 313. 10-YEAR DIVESTITURE PERIOD FOR CERTAIN EX-**
5 **CESS BUSINESS HOLDINGS OF PRIVATE**
6 **FOUNDATIONS.**

7 (a) IN GENERAL.—Section 4943(c) (relating to ex-
8 cess business holdings) is amended by redesignating para-
9 graph (7) as paragraph (8) and by inserting after para-
10 graph (6) the following new paragraph:

11 “(7) 10-YEAR PERIOD TO DISPOSE OF CERTAIN
12 LARGE GIFTS AND BEQUESTS.—

13 “(A) IN GENERAL.—Paragraph (6) shall
14 be applied by substituting ‘10-year period’ for
15 ‘5-year period’ if—

16 “(i) upon the election of a private
17 foundation, it is established to the satisfac-
18 tion of the Secretary that—

19 “(I) the excess business holdings
20 (or increase in excess business hold-
21 ings) in a business enterprise by the
22 private foundation in an amount
23 which is not less than \$1,000,000,000
24 is the result of a gift or bequest the

1 fair market value of which is not less
2 than \$1,000,000,000, and

3 “(II) after such gift or bequest,
4 the private foundation does not have
5 effective control of such business en-
6 terprise to which such gift or bequest
7 relates,

8 “(ii) subject to subparagraph (C), the
9 private foundation submits to the Sec-
10 retary with such election a reasonable plan
11 for disposing of all of the excess business
12 holdings related to such gift or bequest,
13 and

14 “(iii) the private foundation certifies
15 annually to the Secretary that the private
16 foundation is complying with the plan sub-
17 mitted under this paragraph, the require-
18 ment under clause (i)(II), and the rules
19 under subparagraph (D).

20 “(B) ELECTION.—Any election under sub-
21 paragraph (A)(i) shall be made not later than
22 6 months after the date of such gift or bequest
23 and shall—

24 “(i) establish the fair market value of
25 such gift or bequest, and

1 “(ii) include a certification that the
2 requirement of subparagraph (A)(i)(II) is
3 met.

4 “(C) REASONABLENESS OF PLAN.—

5 “(i) IN GENERAL.—Any plan sub-
6 mitted under subparagraph (A)(ii) shall be
7 presumed reasonable unless the Secretary
8 notifies the private foundation to the con-
9 trary not later than 6 months after the
10 submission of such plan.

11 “(ii) RESUBMISSION.—Upon notice by
12 the Secretary under clause (i), the private
13 foundation may resubmit a plan and shall
14 have the burden of establishing the reason-
15 ableness of such plan to the Secretary.

16 “(D) SPECIAL RULES.—During any period
17 in which an election under this paragraph is in
18 effect—

19 “(i) section 4941(d)(2) (other than
20 subparagraph (A) thereof) shall apply only
21 with respect to any disqualified person de-
22 scribed in section 4941(a)(1)(B),

23 “(ii) section 4942(a) shall be applied
24 by substituting ‘third’ for ‘second’ both
25 places it appears,

1 “(iii) section 4942(e)(1) shall be ap-
2 plied by substituting ‘12 percent’ for ‘5
3 percent’, and

4 “(iv) section 4942(g)(1)(A) shall be
5 applied without regard to any portion of
6 reasonable and necessary administrative
7 expenses.

8 “(E) INFLATION ADJUSTMENT.—In the
9 case of any taxable year beginning in a calendar
10 year after 2004, the \$1,000,000,000 amount
11 under subparagraph (A)(i)(I) shall be increased
12 by an amount equal to such dollar amount,
13 multiplied by the cost-of-living adjustment de-
14 termined under section 1(f)(3) for such cal-
15 endar year, determined by substituting ‘2003’
16 for ‘1992’ in subparagraph (B) thereof. If the
17 \$1,000,000,000 amount as increased under this
18 subparagraph is not a multiple of
19 \$100,000,000, such amount shall be rounded to
20 the next lowest multiple of \$100,000,000.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to gifts and bequests made after
23 the date of the enactment of this Act.

1 **Subtitle B—Proposals Improving**
2 **the Oversight of Tax-Exempt Or-**
3 **ganizations**

4 **SEC. 321. DISCLOSURE OF WRITTEN DETERMINATIONS.**

5 (a) IN GENERAL.—Section 6110(l) (relating to sec-
6 tion not to apply) is amended by striking all matter before
7 subparagraph (A) of paragraph (2) and inserting the fol-
8 lowing:

9 “(1) SECTION NOT TO APPLY.—

10 “(1) IN GENERAL.—This section shall not apply
11 to any matter to which section 6104 or 6105 ap-
12 plies, except that this section shall apply to any writ-
13 ten determination and related background file docu-
14 ment relating to an organization described under
15 subsection (c) or (d) of section 501 (including any
16 written determination denying an organization tax-
17 exempt status under such subsection) or a political
18 organization described in section 527 which is not
19 required to be disclosed by section 6104(a)(1)(A).

20 “(2) ADDITIONAL MATTERS.—This section shall
21 not apply to any—”.

22 (b) EFFECTIVE DATE.—The amendment made by
23 this section shall apply to written determinations issued
24 after the date of the enactment of this Act.

1 **SEC. 322. DISCLOSURE OF INTERNET WEB SITE AND NAME**
2 **UNDER WHICH ORGANIZATION DOES BUSI-**
3 **NESS.**

4 (a) IN GENERAL.—Section 6033 (relating to returns
5 by exempt organizations) is amended by redesignating
6 subsection (h) as subsection (i) and by inserting after sub-
7 section (g) the following new subsection:

8 “(h) DISCLOSURE OF NAME UNDER WHICH ORGANI-
9 ZATION DOES BUSINESS AND ITS INTERNET WEB
10 SITE.—Any organization which is subject to the require-
11 ments of subsection (a) shall include on the return re-
12 quired under subsection (a)—

13 “(1) any name under which such organization
14 operates or does business, and

15 “(2) the Internet web site address (if any) of
16 such organization.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to returns filed after December 31,
19 2004.

20 **SEC. 323. MODIFICATION TO REPORTING CAPITAL TRANS-**
21 **ACTIONS.**

22 (a) REQUIREMENT OF SUMMARY REPORT.—Section
23 6033(e) (relating to additional provisions relating to pri-
24 vate foundations) is amended by adding at the end the
25 following new sentence: “Any information included in an
26 annual return regarding the gain or loss from the sale or

1 other disposition of stock or securities which are listed on
2 an established securities market which is required to be
3 furnished in order to calculate the tax on net investment
4 income shall also be reported in summary form with a no-
5 tice that detailed information is available upon request by
6 the public.”.

7 (b) DISCLOSURE REQUIREMENT.—Section 6104(b)
8 (relating to inspection of annual information returns), as
9 amended by this Act, is amended by adding at the end
10 the following new sentence: “With respect to any private
11 foundation (as defined in section 509(a)), any information
12 regarding the gain or loss from the sale or other disposi-
13 tion of stock or securities which are listed on an estab-
14 lished securities market which is required to be furnished
15 in order to calculate the tax on net investment income but
16 which is not in summary form is not required to be made
17 available to the public under this subsection except upon
18 the explicit request by a member of the public to the Sec-
19 retary.”.

20 (c) PUBLIC INSPECTION REQUIREMENT.—Section
21 6104(d) (relating to public inspection of certain annual
22 returns, applications for exemptions, and notices of sta-
23 tus) is amended—

1 (1) by redesignating paragraph (6) (relating to
2 disclosure of reports by Internal Revenue Service) as
3 paragraph (7),

4 (2) by redesignating paragraph (6) (relating to
5 application to nonexempt charitable trusts and non-
6 exempt private foundations) as paragraph (8), and

7 (3) by adding at the end the following new
8 paragraph:

9 “(9) APPLICATION TO PRIVATE FOUNDATION
10 CAPITAL TRANSACTION INFORMATION.—With re-
11 spect to any private foundation (as defined in sec-
12 tion 509(a)), any information regarding the gain or
13 loss from the sale or other disposition of stock or se-
14 curities which are listed on an established securities
15 market which is required to be furnished in order to
16 calculate the tax on net investment income but
17 which is not in summary form is not required to be
18 made available to the public under this subsection
19 except upon the explicit request by a member of the
20 public to the private foundation in the form and
21 manner of a request described in paragraph
22 (1)(B).”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to returns filed after December 31,
25 2004.

1 **SEC. 324. DISCLOSURE THAT FORM 990 IS PUBLICLY AVAIL-**
 2 **ABLE.**

3 (a) IN GENERAL.—The Commissioner of the Internal
 4 Revenue shall notify the public in appropriate publications
 5 or other materials of the extent to which an exempt orga-
 6 nization’s Form 990, Form 990–EZ, or Form 990–PF is
 7 publicly available.

8 (b) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to publications or other materials
 10 issued or revised after the date of the enactment of this
 11 Act.

12 **SEC. 325. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**
 13 **ACTIONS RELATED TO SECTION 501(c) ORGA-**
 14 **NIZATIONS.**

15 (a) IN GENERAL.—Subsection (c) of section 6104 is
 16 amended by striking paragraph (2) and inserting the fol-
 17 lowing new paragraphs:

18 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-
 19 LATED TO CHARITABLE ORGANIZATIONS.—

20 “(A) SPECIFIC NOTIFICATIONS.—In the
 21 case of an organization to which paragraph (1)
 22 applies, the Secretary may disclose to the ap-
 23 propriate State officer—

24 “(i) a notice of proposed refusal to
 25 recognize such organization as an organi-
 26 zation described in section 501(c)(3) or a

1 notice of proposed revocation of such orga-
2 nization's recognition as an organization
3 exempt from taxation,

4 “(ii) the issuance of a letter of pro-
5 posed deficiency of tax imposed under sec-
6 tion 507 or chapter 41 or 42, and

7 “(iii) the names, addresses, and tax-
8 payer identification numbers of organiza-
9 tions which have applied for recognition as
10 organizations described in section
11 501(c)(3).

12 “(B) ADDITIONAL DISCLOSURES.—Returns
13 and return information of organizations with
14 respect to which information is disclosed under
15 subparagraph (A) may be made available for in-
16 spection by or disclosed to an appropriate State
17 officer.

18 “(C) PROCEDURES FOR DISCLOSURE.—In-
19 formation may be inspected or disclosed under
20 subparagraph (A) or (B) only—

21 “(i) upon written request by an ap-
22 propriate State officer, and

23 “(ii) for the purpose of, and only to
24 the extent necessary in, the administration

1 of State laws regulating such organiza-
2 tions.

3 Such information may only be inspected by or
4 disclosed to representatives of the appropriate
5 State officer designated as the individuals who
6 are to inspect or to receive the returns or re-
7 turn information under this paragraph on be-
8 half of such officer. Such representatives shall
9 not include any contractor or agent.

10 “(D) DISCLOSURES OTHER THAN BY RE-
11 QUEST.—The Secretary may make available for
12 inspection or disclose returns and return infor-
13 mation of an organization to which paragraph
14 (1) applies to an appropriate State officer of
15 any State if the Secretary determines that such
16 inspection or disclosure may facilitate the reso-
17 lution of Federal or State issues relating to the
18 tax-exempt status of such organization.

19 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
20 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
21 quest by an appropriate State officer, the Secretary
22 may make available for inspection or disclosure re-
23 turns and return information of an organization de-
24 scribed in paragraph (2), (4), (6), (7), (8), (10), or
25 (13) of section 501(c) for the purpose of, and to the

1 extent necessary in, the administration of State laws
2 regulating the solicitation or administration of the
3 charitable funds or charitable assets of such organi-
4 zations. Such information may be inspected only by
5 or disclosed only to representatives of the appro-
6 priate State officer designated as the individuals who
7 are to inspect or to receive the returns or return in-
8 formation under this paragraph on behalf of such of-
9 ficer. Such representatives shall not include any con-
10 tractor or agent.

11 “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-
12 TIVE PROCEEDINGS.—Returns and return informa-
13 tion disclosed pursuant to this subsection may be
14 disclosed in civil administrative and civil judicial pro-
15 ceedings pertaining to the enforcement of State laws
16 regulating such organizations in a manner pre-
17 scribed by the Secretary similar to that for tax ad-
18 ministration proceedings under section 6103(h)(4).

19 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
20 turns and return information shall not be disclosed
21 under this subsection, or in any proceeding described
22 in paragraph (4), to the extent that the Secretary
23 determines that such disclosure would seriously im-
24 pair Federal tax administration.

1 “(6) DEFINITIONS.—For purposes of this sub-
2 section—

3 “(A) RETURN AND RETURN INFORMA-
4 TION.—The terms ‘return’ and ‘return informa-
5 tion’ have the respective meanings given to such
6 terms by section 6103(b).

7 “(B) APPROPRIATE STATE OFFICER.—The
8 term ‘appropriate State officer’ means—

9 “(i) the State attorney general,

10 “(ii) in the case of an organization to
11 which paragraph (1) applies, any other
12 State official charged with overseeing orga-
13 nizations of the type described in section
14 501(c)(3), and

15 “(iii) in the case of an organization to
16 which paragraph (3) applies, the head of
17 an agency designated by the State attorney
18 general as having primary responsibility
19 for overseeing the solicitation of funds for
20 charitable purposes.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Subsection (a) of section 6103 is amend-
23 ed—

24 (A) by inserting “or any appropriate State
25 officer who has or had access to returns or re-

1 turn information under section 6104(c)” after
2 “this section” in paragraph (2), and

3 (B) by striking “or subsection (n)” in
4 paragraph (3) and inserting “subsection (n), or
5 section 6104(c)”.

6 (2) Subparagraph (A) of section 6103(p)(3) is
7 amended by inserting “and section 6104(c)” after
8 “section” in the first sentence.

9 (3)(A) Paragraph (4) of section 6103(p) is
10 amended by striking “(l)(16), (17), (19), or (20)”
11 each place it appears and inserting “(l)(16), (18),
12 (19), or (20) or any appropriate State officer (as de-
13 fined in section 6104(c))”.

14 (B) The Internal Revenue Code of 1986 shall
15 be applied and administered as if the amendments
16 made by section 408(a)(24) of the Working Families
17 Tax Relief Act of 2004 had never been enacted.

18 (4) The heading for paragraph (1) of section
19 6104(c) is amended by inserting “FOR CHARITABLE
20 ORGANIZATIONS” after “RULE”.

21 (5) Paragraph (2) of section 7213(a) is amend-
22 ed by inserting “or under section 6104(c)” after
23 “6103”.

24 (6) Paragraph (2) of section 7213A(a) is
25 amended by inserting “or 6104(c)” after “6103”.

1 “(3) RULES FOR DETERMINING RETURN PRE-
2 PARER.—For purposes of this subsection and sub-
3 section (i), any reference to a person who prepares
4 for compensation a return under section 6033—

5 “(A) shall include any person who employs
6 1 or more persons to prepare for compensation
7 a return under section 6033, and

8 “(B) shall not include any person who
9 would be described in clause (i), (ii), (iii), or
10 (iv) of section 7701(a)(36)(B) if such section
11 referred to a return under section 6033.

12 “(i) WILLFUL OR RECKLESS CONDUCT.—

13 “(1) IN GENERAL.—Any person who prepares
14 for compensation any return under section 6033 who
15 recklessly or intentionally misrepresents any infor-
16 mation or recklessly or intentionally disregards any
17 rule or regulation with respect to such return shall
18 pay a penalty of \$1,000 with respect to such return.

19 “(2) COORDINATION WITH OTHER PEN-
20 ALTIES.—With respect to any return, the amount of
21 the penalty payable by any person by reason of para-
22 graph (1) shall be reduced by the amount of the
23 penalty paid by such person by reason of subsection
24 (h) or section 6694.”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) The heading for section 6695 is amended by
2 inserting “**AND OTHER**” after “**INCOME TAX**”.

3 (2) The item relating to section 6695 in the
4 table of sections for part I of subchapter B of chap-
5 ter 68 is amended by inserting “and other” after
6 “income tax”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply with respect to documents pre-
9 pared after the date of the enactment of this Act.

10 **SEC. 327. NOTIFICATION REQUIREMENT FOR ENTITIES NOT**
11 **CURRENTLY REQUIRED TO FILE.**

12 (a) IN GENERAL.—Section 6033 (relating to returns
13 by exempt organizations), as amended by this Act, is
14 amended by redesignating subsection (i) as subsection (j)
15 and by inserting after subsection (h) the following new
16 subsection:

17 “(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—
18 Any organization the gross receipts of which in any tax-
19 able year result in such organization being referred to in
20 subsection (a)(2)(A)(ii) or (a)(2)(B)—

21 “(1) shall furnish annually, at such time and in
22 such manner as the Secretary may by forms or regu-
23 lations prescribe, information setting forth—

24 “(A) the legal name of the organization,

1 “(B) any name under which such organiza-
2 tion operates or does business,

3 “(C) the organization’s mailing address
4 and Internet web site address (if any),

5 “(D) the organization’s taxpayer identifica-
6 tion number,

7 “(E) the name and address of a principal
8 officer, and

9 “(F) evidence of the continuing basis for
10 the organization’s exemption from the filing re-
11 quirements under subsection (a)(1), and

12 “(2) upon the termination of the existence of
13 the organization, shall furnish notice of such termi-
14 nation.”.

15 (b) LOSS OF EXEMPT STATUS FOR FAILURE TO
16 FILE RETURN OR NOTICE.—Section 6033 (relating to re-
17 turns by exempt organizations), as amended by subsection
18 (a), is amended by redesignating subsection (j) as sub-
19 section (k) and by inserting after subsection (i) the fol-
20 lowing new subsection:

21 “(j) LOSS OF EXEMPT STATUS FOR FAILURE TO
22 FILE RETURN OR NOTICE.—

23 “(1) IN GENERAL.—If an organization de-
24 scribed in subsection (a)(1) or (i) fails to file an an-
25 nual return or notice required under either sub-

1 section for 3 consecutive years, such organization's
2 status as an organization exempt from tax under
3 section 501(a) shall be considered revoked on and
4 after the date set by the Secretary for the filing of
5 the third annual return or notice. The Secretary
6 shall publish and maintain a list of any organization
7 the status of which is so revoked.

8 “(2) APPLICATION NECESSARY FOR REINSTATE-
9 MENT.—Any organization the tax-exempt status of
10 which is revoked under paragraph (1) must apply in
11 order to obtain reinstatement of such status regard-
12 less of whether such organization was originally re-
13 quired to make such an application.

14 “(3) RETROACTIVE REINSTATEMENT IF REA-
15 SONABLE CAUSE SHOWN FOR FAILURE.—If upon ap-
16 plication for reinstatement of status as an organiza-
17 tion exempt from tax under section 501(a), an orga-
18 nization described in paragraph (1) can show to the
19 satisfaction of the Secretary evidence of reasonable
20 cause for the failure described in such paragraph,
21 the organization's exempt status may, in the discre-
22 tion of the Secretary, be reinstated effective from
23 the date of the revocation under such paragraph.”.

1 (c) NO DECLARATORY JUDGMENT RELIEF.—Section
2 7428(b) (relating to limitations) is amended by adding at
3 the end the following new paragraph:

4 “(4) NONAPPLICATION FOR CERTAIN REVOCA-
5 TIONS.—No action may be brought under this sec-
6 tion with respect to any revocation of status de-
7 scribed in section 6033(j)(1).”.

8 (d) NO INSPECTION REQUIREMENT.—Section
9 6104(b) (relating to inspection of annual information re-
10 turns) is amended by inserting “(other than subsection (i)
11 thereof)” after “6033”.

12 (e) NO DISCLOSURE REQUIREMENT.—Section
13 6104(d)(3) (relating to exceptions from disclosure require-
14 ments) is amended by redesignating subparagraph (B) as
15 subparagraph (C) and by inserting after subparagraph (A)
16 the following new subparagraph:

17 “(B) NONDISCLOSURE OF ANNUAL NO-
18 TICES.—Paragraph (1) shall not require the
19 disclosure of any notice required under section
20 6033(i).”.

21 (f) NO MONETARY PENALTY FOR FAILURE TO NO-
22 TIFY.—Section 6652(c)(1) (relating to annual returns
23 under section 6033 or 6012(a)(6)) is amended by adding
24 at the end the following new subparagraph:

1 “(E) NO PENALTY FOR CERTAIN ANNUAL
2 NOTICES.—This paragraph shall not apply with
3 respect to any notice required under section
4 6033(i).”.

5 (g) SECRETARIAL OUTREACH REQUIREMENTS.—

6 (1) NOTICE REQUIREMENT.—The Secretary of
7 the Treasury shall notify in a timely manner every
8 organization described in section 6033(i) of the In-
9 ternal Revenue Code of 1986 (as added by this sec-
10 tion) of the requirement under such section 6033(i)
11 and of the penalty established under section
12 6033(j)—

13 (A) by mail, in the case of any organiza-
14 tion the identity and address of which is in-
15 cluded in the list of exempt organizations main-
16 tained by the Secretary, and

17 (B) by Internet or other means of out-
18 reach, in the case of any other organization.

19 (2) LOSS OF STATUS PENALTY FOR FAILURE TO
20 FILE RETURN.—The Secretary of the Treasury shall
21 publicize in a timely manner in appropriate forms
22 and instructions and through other appropriate
23 means, the penalty established under section 6033(j)
24 of such Code for the failure to file a return under
25 section 6033(a)(1) of such Code.

1 (h) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to notices and returns with respect
3 to annual periods beginning after 2004.

4 **Subtitle C—Other Charitable and**
5 **Exempt Organization Provisions**

6 **SEC. 331. MODIFICATION OF EXCISE TAX ON UNRELATED**
7 **BUSINESS TAXABLE INCOME OF CHARITABLE**
8 **REMAINDER TRUSTS.**

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

12 “(c) TAXATION OF TRUSTS.—

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

17 “(2) EXCISE TAX.—

18 “(A) IN GENERAL.—In the case of a chari-
19 table remainder annuity trust or a charitable
20 remainder unitrust which has unrelated busi-
21 ness taxable income (within the meaning of sec-
22 tion 512, determined as if part III of sub-
23 chapter F applied to such trust) for a taxable
24 year, there is hereby imposed on such trust or

1 unitrust an excise tax equal to the amount of
2 such unrelated business taxable income.

3 “(B) CERTAIN RULES TO APPLY.—The tax
4 imposed by subparagraph (A) shall be treated
5 as imposed by chapter 42 for purposes of this
6 title other than subchapter E of chapter 42.

7 “(C) TAX COURT PROCEEDINGS.—For pur-
8 poses of this paragraph, the references in sec-
9 tion 6212(c)(1) to section 4940 shall be deemed
10 to include references to this paragraph.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to taxable years beginning after
13 December 31, 2004.

14 **SEC. 332. MODIFICATIONS TO SECTION 512(b)(13).**

15 (a) IN GENERAL.—Paragraph (13) of section 512(b)
16 (relating to special rules for certain amounts received from
17 controlled entities) is amended by redesignating subpara-
18 graph (E) as subparagraph (F) and by inserting after sub-
19 paragraph (D) the following new subparagraph:

20 “(E) PARAGRAPH TO APPLY ONLY TO EX-
21 CESS PAYMENTS.—

22 “(i) IN GENERAL.—Subparagraph (A)
23 shall apply only to the portion of a speci-
24 fied payment received or accrued by the
25 controlling organization that exceeds the

1 amount which would have been paid or ac-
2 crued if such payment met the require-
3 ments prescribed under section 482.

4 “(ii) ADDITION TO TAX FOR VALU-
5 ATION MISSTATEMENTS.—The tax imposed
6 by this chapter on the controlling organiza-
7 tion shall be increased by an amount equal
8 to 20 percent of the larger of—

9 “(I) such excess determined with-
10 out regard to any amendment or sup-
11 plement to a return of tax, or

12 “(II) such excess determined
13 with regard to all such amendments
14 and supplements.”.

15 (b) EFFECTIVE DATE.—

16 (1) IN GENERAL.—The amendment made by
17 this section shall apply to payments received or ac-
18 crued after December 31, 2000.

19 (2) PAYMENTS SUBJECT TO BINDING CONTRACT
20 TRANSITION RULE.—If the amendments made by
21 section 1041 of the Taxpayer Relief Act of 1997 did
22 not apply to any amount received or accrued in the
23 first 2 taxable years beginning on or after the date
24 of the enactment of the Taxpayer Relief Act of 1997
25 under any contract described in subsection (b)(2) of

1 such section, such amendments also shall not apply
2 to amounts received or accrued under such contract
3 before January 1, 2001.

4 **SEC. 333. SIMPLIFICATION OF LOBBYING EXPENDITURE**
5 **LIMITATION.**

6 (a) **REPEAL OF GRASSROOTS EXPENDITURE**
7 **LIMIT.**—Paragraph (1) of section 501(h) (relating to ex-
8 penditures by public charities to influence legislation) is
9 amended to read as follows:

10 “(1) **GENERAL RULE.**—In the case of an orga-
11 nization to which this subsection applies, exemption
12 from taxation under subsection (a) shall be denied
13 because a substantial part of the activities of such
14 organization consists of carrying on propaganda, or
15 otherwise attempting, to influence legislation, but
16 only if such organization normally makes lobbying
17 expenditures in excess of the lobbying ceiling amount
18 for such organization for each taxable year.”.

19 (b) **EXCESS LOBBYING EXPENDITURES.**—Section
20 4911(b) is amended to read as follows:

21 “(b) **EXCESS LOBBYING EXPENDITURES.**—For pur-
22 poses of this section, the term ‘excess lobbying expendi-
23 tures’ means, for a taxable year, the amount by which the
24 lobbying expenditures made by the organization during the

1 taxable year exceed the lobbying nontaxable amount for
2 such organization for such taxable year.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 501(h)(2) is amended by striking
5 subparagraphs (C) and (D).

6 (2) Section 4911(c) is amended by striking
7 paragraphs (3) and (4).

8 (3) Paragraph (1)(A) of section 4911(f) is
9 amended by striking “limits of section 501(h)(1)
10 have” and inserting “limit of section 501(h)(1)
11 has”.

12 (4) Paragraph (1)(C) of section 4911(f) is
13 amended by striking “limits of section 501(h)(1)
14 are” and inserting “limit of section 501(h)(1) is”.

15 (5) Paragraphs (4)(A) and (4)(B) of section
16 4911(f) are each amended by striking “limits of sec-
17 tion 501(h)(1)” and inserting “limit of section
18 501(h)(1)”.

19 (6) Paragraph (8) of section 6033(b) (relating
20 to certain organizations described in section
21 501(c)(3)) is amended by inserting “and” at the end
22 of subparagraph (A) and by striking subparagraphs
23 (C) and (D).

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2004.

4 **SEC. 334. EXPEDITED REVIEW PROCESS FOR CERTAIN TAX-**
5 **EXEMPTION APPLICATIONS.**

6 (a) IN GENERAL.—The Secretary of the Treasury or
7 the Secretary’s delegate (in this section, referred to as the
8 “Secretary”) shall adopt procedures to expedite the con-
9 sideration of applications for exempt status under section
10 501(c)(3) of the Internal Revenue Code of 1986 filed after
11 December 31, 2004, by any organization that—

12 (1) is organized and operated for the primary
13 purpose of providing social services;

14 (2) is seeking a contract or grant under a Fed-
15 eral, State, or local program that provides funding
16 for social services programs;

17 (3) establishes that, under the terms and condi-
18 tions of the contract or grant program, an organiza-
19 tion is required to obtain such exempt status before
20 the organization is eligible to apply for a contract or
21 grant;

22 (4) includes with its exemption application a
23 copy of its completed Federal, State, or local con-
24 tract or grant application; and

1 (5) meets such other criteria as the Secretary
2 deems appropriate for expedited consideration.

3 The Secretary may prescribe other similar circumstances
4 in which such organizations may be entitled to expedited
5 consideration.

6 (b) WAIVER OF APPLICATION FEE FOR EXEMPT
7 STATUS.—Any organization that meets the conditions de-
8 scribed in subsection (a) (without regard to paragraph (3)
9 of that subsection) is entitled to a waiver of any fee for
10 an application for exempt status under section 501(c)(3)
11 of the Internal Revenue Code of 1986 if the organization
12 certifies that the organization has had (or expects to have)
13 average annual gross receipts of not more than \$50,000
14 during the preceding 4 years (or, in the case of an organi-
15 zation not in existence throughout the preceding 4 years,
16 during such organization’s first 4 years).

17 (c) SOCIAL SERVICES DEFINED.—For purposes of
18 this section—

19 (1) IN GENERAL.—The term “social services”
20 means services directed at helping people in need,
21 reducing poverty, improving outcomes of low-income
22 children, revitalizing low-income communities, and
23 empowering low-income families and low-income in-
24 dividuals to become self-sufficient, including—

- 1 (A) child care services, protective services
2 for children and adults, services for children
3 and adults in foster care, adoption services,
4 services related to the management and mainte-
5 nance of the home, day care services for adults,
6 and services to meet the special needs of chil-
7 dren, older individuals, and individuals with dis-
8 abilities (including physical, mental, or emo-
9 tional disabilities);
- 10 (B) transportation services;
- 11 (C) job training and related services, and
12 employment services;
- 13 (D) information, referral, and counseling
14 services;
- 15 (E) the preparation and delivery of meals,
16 and services related to soup kitchens or food
17 banks;
- 18 (F) health support services;
- 19 (G) literacy and mentoring programs;
- 20 (H) services for the prevention and treat-
21 ment of juvenile delinquency and substance
22 abuse, services for the prevention of crime and
23 the provision of assistance to the victims and
24 the families of criminal offenders, and services

1 related to the intervention in, and prevention of,
2 domestic violence; and

3 (I) services related to the provision of as-
4 sistance for housing under Federal law.

5 (2) EXCLUSIONS.—The term does not include a
6 program having the purpose of delivering edu-
7 cational assistance under the Elementary and Sec-
8 ondary Education Act of 1965 (20 U.S.C. 6301 et
9 seq.) or under the Higher Education Act of 1965
10 (20 U.S.C. 1001 et seq.).

11 **SEC. 335. CLARIFICATION OF DEFINITION OF CHURCH TAX**
12 **INQUIRY.**

13 Subsection (i) of section 7611 (relating to section not
14 to apply to criminal investigations, etc.) is amended by
15 striking “or” at the end of paragraph (4), by striking the
16 period at the end of paragraph (5) and inserting “, or”,
17 and by inserting after paragraph (5) the following:

18 “(6) information provided by the Secretary re-
19 lated to the standards for exemption from tax under
20 this title and the requirements under this title relat-
21 ing to unrelated business taxable income.”.

22 **SEC. 336. EXPANSION OF DECLARATORY JUDGMENT REM-**
23 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

24 (a) IN GENERAL.—Paragraph (1) of section 7428(a)
25 (relating to creation of remedy) is amended—

1 (1) in subparagraph (B) by inserting after
2 “509(a)” the following: “or as a private operating
3 foundation (as defined in section 4942(j)(3))”; and

4 (2) by amending subparagraph (C) to read as
5 follows:

6 “(C) with respect to the initial qualifica-
7 tion or continuing qualification of an organiza-
8 tion as an organization described in section
9 501(c) (other than paragraph (3)) or 501(d)
10 which is exempt from tax under section 501(a),
11 or”.

12 (b) COURT JURISDICTION.—Subsection (a) of section
13 7428 is amended in the material following paragraph (2)
14 by striking “United States Tax Court, the United States
15 Claims Court, or the district court of the United States
16 for the District of Columbia” and inserting the following:
17 “United States Tax Court (in the case of any such deter-
18 mination or failure) or the United States Claims Court
19 or the district court of the United States for the District
20 of Columbia (in the case of a determination or failure with
21 respect to an issue referred to in subparagraph (A) or (B)
22 of paragraph (1)),”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to pleadings filed with respect to

1 determinations (or requests for determinations) made
 2 after December 31, 2004.

3 **SEC. 337. DEFINITION OF CONVENTION OR ASSOCIATION**
 4 **OF CHURCHES.**

5 Section 7701 (relating to definitions) is amended by
 6 redesignating subsection (o) as subsection (p) and by in-
 7 serting after subsection (n) the following new subsection:

8 “(o) CONVENTION OR ASSOCIATION OF CHURCHES.—
 9 For purposes of this title, any organization which is other-
 10 wise a convention or association of churches shall not fail
 11 to so qualify merely because the membership of such orga-
 12 nization includes individuals as well as churches or be-
 13 cause individuals have voting rights in such organiza-
 14 tion.”.

15 **SEC. 338. PAYMENTS BY CHARITABLE ORGANIZATIONS TO**
 16 **VICTIMS OF WAR ON TERRORISM AND FAMI-**
 17 **LIES OF ASTRONAUTS KILLED IN THE LINE**
 18 **OF DUTY.**

19 (a) IN GENERAL.—For purposes of the Internal Rev-
 20 enue Code of 1986—

21 (1) any payment made by an organization de-
 22 scribed in section 501(c)(3) of such Code to—

23 (A) a member of the Armed Forces of the
 24 United States, or to an individual of such mem-
 25 ber’s immediate family, by reason of the death,

1 injury, wounding, or illness of such member in-
2 curred as the result of the military response of
3 the United States to the terrorist attacks
4 against the United States on September 11,
5 2001, or

6 (B) an individual of an astronaut's imme-
7 diate family by reason of the death of such as-
8 tronaut occurring in the line of duty after De-
9 cember 31, 2002,

10 shall be treated as related to the purpose or function
11 constituting the basis for such organization's exemp-
12 tion under section 501 of such Code if such payment
13 is made using an objective formula which is consist-
14 ently applied, and

15 (2) in the case of a private foundation (as de-
16 fined in section 509 of such Code), any payment de-
17 scribed in paragraph (1) shall not be treated as
18 made to a disqualified person for purposes of section
19 4941 of such Code.

20 (b) EFFECTIVE DATES.—This section shall apply
21 to—

22 (1) payments described in subsection (a)(1)(A)
23 made after the date of the enactment of this Act and
24 before September 11, 2005, and

1 (2) payments described in subsection (a)(1)(B)
2 made after December 31, 2002.

3 **SEC. 339. MODIFICATION OF SCHOLARSHIP FOUNDATION**
4 **RULES.**

5 In applying the limitations on the percentage of
6 scholarship grants which may be awarded after the date
7 of the enactment of this Act, to children of current or
8 former employees under Revenue Procedure 76-47, such
9 percentage shall be increased to 35 percent of the eligible
10 applicants to be considered by the selection committee and
11 to 20 percent of individuals eligible for the grants, but
12 only if the foundation awarding the grants demonstrates
13 that, in addition to meeting the other requirements of Rev-
14 enue Procedure 76-47, it provides a comparable number
15 and aggregate amount of grants during the same program
16 year to individuals who are not such employees, children
17 or dependents of such employees, or affiliated with the em-
18 ployer of such employees.

19 **SEC. 340. TREATMENT OF CERTAIN HOSPITAL SUPPORT**
20 **ORGANIZATIONS AS QUALIFIED ORGANIZA-**
21 **TIONS FOR PURPOSES OF DETERMINING AC-**
22 **QUISITION INDEBTEDNESS.**

23 (a) IN GENERAL.—Subparagraph (C) of section
24 514(e)(9) (relating to real property acquired by a qualified
25 organization) is amended by striking “or” at the end of

1 clause (ii), by striking the period at the end of clause (iii)
 2 and inserting “; or”, and by adding at the end the fol-
 3 lowing new clause:

4 “(iv) a qualified hospital support
 5 organization (as defined in subpara-
 6 graph (I)).”.

7 (b) QUALIFIED HOSPITAL SUPPORT ORGANIZA-
 8 TIONS.—Paragraph (9) of section 514(c) is amended by
 9 adding at the end the following new subparagraph:

10 “(I) QUALIFIED HOSPITAL SUPPORT ORGA-
 11 NIZATIONS.—For purposes of subparagraph
 12 (C)(iv), the term ‘qualified hospital support or-
 13 ganization’ means, with respect to any eligible
 14 indebtedness (including any qualified refi-
 15 nancing of such eligible indebtedness), a sup-
 16 port organization (as defined in section
 17 509(a)(3)) which supports a hospital described
 18 in section 119(d)(4)(B) and with respect to
 19 which—

20 “(i) more than half of the organi-
 21 zation’s assets (by value) at any time
 22 since its organization—

23 “(I) were acquired, directly
 24 or indirectly, by testamentary gift
 25 or devise, and

1 “(II) consisted of real prop-
2 erty, and

3 “(ii) the fair market value of the
4 organization’s real estate acquired, di-
5 rectly or indirectly, by gift or devise,
6 exceeded 25 percent of the fair mar-
7 ket value of all investment assets held
8 by the organization immediately prior
9 to the time that the eligible indebted-
10 ness was incurred.

11 For purposes of this subparagraph, the term
12 ‘eligible indebtedness’ means indebtedness se-
13 cured by real property acquired by the organi-
14 zation, directly or indirectly, by gift or devise,
15 the proceeds of which are used exclusively to ac-
16 quire any leasehold interest in such real prop-
17 erty or for improvements on, or repairs to, such
18 real property. A determination under clauses (i)
19 and (ii) of this subparagraph shall be made
20 each time such an eligible indebtedness (or the
21 qualified refinancing of such an eligible indebt-
22 edness) is incurred. For purposes of this sub-
23 paragraph, a refinancing of such an eligible in-
24 debtedness shall be considered qualified if such
25 refinancing does not exceed the amount of the

1 refinanced eligible indebtedness immediately be-
2 fore the refinancing.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to indebtedness incurred after De-
5 cember 31, 2004.

6 **SEC. 341. MATCHING GRANTS TO LOW-INCOME TAXPAYER**
7 **CLINICS FOR RETURN PREPARATION.**

8 (a) IN GENERAL.—Chapter 77 (relating to miscella-
9 neous provisions) is amended by inserting after section
10 7526 the following new section:

11 **“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-IN-**
12 **COME TAXPAYERS.**

13 “(a) IN GENERAL.—The Secretary may, subject to
14 the availability of appropriated funds, make grants to pro-
15 vide matching funds for the development, expansion, or
16 continuation of qualified return preparation clinics.

17 “(b) DEFINITIONS.—For purposes of this section—

18 “(1) QUALIFIED RETURN PREPARATION CLIN-
19 IC.—

20 “(A) IN GENERAL.—The term ‘qualified
21 return preparation clinic’ means a clinic
22 which—

23 “(i) does not charge more than a
24 nominal fee for its services (except for re-
25 imbursement of actual costs incurred), and

1 “(ii) operates programs which assist
2 low-income taxpayers in preparing and fil-
3 ing their Federal income tax returns, in-
4 cluding schedules reporting sole proprietor-
5 ship or farm income.

6 “(B) ASSISTANCE TO LOW-INCOME TAX-
7 PAYERS.—A clinic is treated as assisting low-in-
8 come taxpayers under subparagraph (A)(ii) if
9 at least 90 percent of the taxpayers assisted by
10 the clinic have incomes which do not exceed 250
11 percent of the poverty level, as determined in
12 accordance with criteria established by the Di-
13 rector of the Office of Management and Budg-
14 et.

15 “(2) CLINIC.—The term ‘clinic’ includes—

16 “(A) a clinical program at an eligible edu-
17 cational institution (as defined in section
18 529(e)(5)) which satisfies the requirements of
19 paragraph (1) through student assistance of
20 taxpayers in return preparation and filing, and

21 “(B) an organization described in section
22 501(c) and exempt from tax under section
23 501(a) which satisfies the requirements of para-
24 graph (1).

25 “(c) SPECIAL RULES AND LIMITATIONS.—

1 “(i) IN GENERAL.—Paragraph (1)
2 shall not apply to any qualified 501(c)(3)
3 bond issued before the date which is 1 year
4 after the date of the enactment of this sub-
5 paragraph for the benefit of an organiza-
6 tion described in section 501(c)(3), if such
7 bond is part of an issue the proceeds of
8 which are used to finance 1 or more of the
9 following facilities primarily for the benefit
10 of the elderly:

11 “(I) Licensed nursing home facil-
12 ity.

13 “(II) Licensed or certified as-
14 sisted living facility.

15 “(III) Licensed personal care fa-
16 cility.

17 “(IV) Continuing care retirement
18 community.

19 “(ii) LIMITATION.—With respect to
20 any calendar year, clause (i) shall not
21 apply to any bond described in such clause
22 if the aggregate authorized face amount of
23 the issue of which such bond is a part
24 when increased by the outstanding amount

1 of such bonds issued by the issuer for such
2 calendar year exceeds \$15,000,000.

3 “(iii) CONTINUING CARE RETIREMENT
4 COMMUNITY.—For purposes of this sub-
5 paragraph, the term ‘continuing care re-
6 tirement community’ means a community
7 which provides, on the same campus, a
8 continuum of residential living options and
9 support services to persons at least 60
10 years of age under a written agreement.
11 For purposes of the preceding sentence,
12 the residential living options shall include
13 independent living units, nursing home
14 beds, and either assisted living units or
15 personal care beds.”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 this section shall apply to bonds issued after the date of
18 the enactment of this Act.

19 **SEC. 343. EXCISE TAXES EXEMPTION FOR BLOOD COL-**
20 **LECTOR ORGANIZATIONS.**

21 (a) EXEMPTION FROM IMPOSITION OF SPECIAL
22 FUELS TAX.—Section 4041(g) (relating to other exemp-
23 tions) is amended by striking “and” at the end of para-
24 graph (3), by striking the period in paragraph (4) and

1 inserting “; and”, and by inserting after paragraph (4)
2 the following new paragraph:

3 “(5) with respect to the sale of any liquid to a
4 qualified blood collector organization (as defined in
5 section 7701(a)(49)) for such organization’s exclu-
6 sive use, or with respect to the use by a qualified
7 blood collector organization of any liquid as a fuel.”.

8 (b) EXEMPTION FROM MANUFACTURERS EXCISE
9 TAX.—

10 (1) IN GENERAL.—Section 4221(a) (relating to
11 certain tax-free sales) is amended by striking “or”
12 at the end of paragraph (4), by adding “or” at the
13 end of paragraph (5), and by inserting after para-
14 graph (5) the following new paragraph:

15 “(6) to a qualified blood collector organization
16 (as defined in section 7701(a)(49)) for such organi-
17 zation’s exclusive use,”.

18 (2) CONFORMING AMENDMENTS.—

19 (A) The second sentence of section
20 4221(a) is amended by striking “Paragraphs
21 (4) and (5)” and inserting “Paragraphs (4),
22 (5), and (6)”.

23 (B) Section 6421(c) is amended by strik-
24 ing “or (5)” and inserting “(5), or (6)”.

1 (c) EXEMPTION FROM COMMUNICATION EXCISE
2 TAX.—

3 (1) IN GENERAL.—Section 4253 (relating to ex-
4 emptions) is amended by redesignating subsection
5 (k) as subsection (l) and inserting after subsection
6 (j) the following new subsection:

7 “(k) EXEMPTION FOR QUALIFIED BLOOD COL-
8 LECTOR ORGANIZATIONS.—Under regulations provided by
9 the Secretary, no tax shall be imposed under section 4251
10 on any amount paid by a qualified blood collector organi-
11 zation (as defined in section 7701(a)) for services or facili-
12 ties furnished to such organization.”.

13 (2) CONFORMING AMENDMENT.—Section
14 4253(l), as redesignated by paragraph (1), is
15 amended by striking “or (j)” and inserting “(j), or
16 (k)”.

17 (d) CREDIT FOR REFUND FOR CERTAIN TAXES ON
18 SALES AND SERVICES.—

19 (1) DEEMED OVERPAYMENT.—

20 (A) IN GENERAL.—Section 6416(b)(2) is
21 amended by redesignating subparagraphs (E)
22 and (F) as subparagraphs (F) and (G), respec-
23 tively, and by inserting after subparagraph (D)
24 the following new subparagraph:

1 “(E) sold to a qualified blood collector or-
2 organization’s (as defined in section 7701(a)(49))
3 for such organization’s exclusive use;”.

4 (B) CONFORMING AMENDMENTS.—Section
5 6416(b)(2) is amended—

6 (i) by striking “Subparagraphs (C)
7 and (D)” and inserting “Subparagraphs
8 (C), (D), and (E)”, and

9 (ii) by striking “(C), and (D)” and in-
10 serting “(C), (D), and (E)”.

11 (2) SALES OF TIRES.—Clause (ii) of section
12 6416(b)(4)(B) is amended by inserting “sold to a
13 qualified blood collector organization (as defined in
14 section 7701(a)(49)),” after “for its exclusive use,”.

15 (e) DEFINITION OF QUALIFIED BLOOD COLLECTOR
16 ORGANIZATION.—Section 7701(a) is amended by inserting
17 at the end the following new paragraph:

18 “(49) QUALIFIED BLOOD COLLECTOR ORGANI-
19 ZATION.—For purposes of this title, the term ‘quali-
20 fied blood collector organization’ means an organiza-
21 tion which is—

22 “(A) described in section 501(c)(3) and ex-
23 empt from tax under section 501(a),

24 “(B) registered by the Food and Drug Ad-
25 ministration to collect blood, and

1 “(C) primarily engaged in the activity of
2 the collection of blood.”.

3 (f) EFFECTIVE DATE.—

4 (1) IN GENERAL.—Except as provided in para-
5 graph (2), the amendments made by this section
6 shall apply with respect to excise taxes imposed on
7 sales or uses occurring on or after October 1, 2004.

8 (2) REFUND OF GASOLINE TAX.—For purposes
9 of section 6421(c) of the Internal Revenue Code of
10 1986 and any other provision that allows for a re-
11 fund or a payment in respect of an excise tax pay-
12 able at a level before the sale to a qualified blood
13 collector organization, the amendments made by this
14 section shall apply with respect to sales to a quali-
15 fied collector organization on or after October 1,
16 2004.

17 **SEC. 344. PILOT PROJECT FOR FOREST CONSERVATION AC-**
18 **TIVITIES.**

19 (a) TAX-EXEMPT BOND FINANCING.—

20 (1) IN GENERAL.—For purposes of the Internal
21 Revenue Code of 1986, any qualified forest con-
22 servation bond shall be treated as an exempt facility
23 bond under section 142 of such Code.

24 (2) QUALIFIED FOREST CONSERVATION
25 BOND.—For purposes of this section, the term

1 “qualified forest conservation bond” means any bond
2 issued as part of an issue if—

3 (A) 95 percent or more of the net proceeds
4 (as defined in section 150(a)(3) of such Code)
5 of such issue are to be used for qualified project
6 costs,

7 (B) such bond is issued for a qualified or-
8 ganization, and

9 (C) such bond is issued before December
10 31, 2008.

11 (3) LIMITATION ON AGGREGATE AMOUNT
12 ISSUED.—

13 (A) IN GENERAL.—The maximum aggre-
14 gate face amount of bonds which may be issued
15 under this subsection shall not exceed
16 \$2,000,000,000 for all projects (excluding re-
17 funding bonds).

18 (B) ALLOCATION OF LIMITATION.—The
19 limitation described in subparagraph (A) shall
20 be allocated by the Secretary of the Treasury
21 among qualified organizations based on criteria
22 established by the Secretary not later than 180
23 days after the date of the enactment of this sec-
24 tion, after consultation with the Chief of the
25 Forest Service.

1 (4) QUALIFIED PROJECT COSTS.—For purposes
2 of this subsection, the term “qualified project costs”
3 means the sum of—

4 (A) the cost of acquisition by the qualified
5 organization from an unrelated person of for-
6 ests and forest land which at the time of acqui-
7 sition or immediately thereafter are subject to
8 a conservation restriction described in sub-
9 section (c)(2),

10 (B) capitalized interest on the qualified
11 forest conservation bonds for the 3-year period
12 beginning on the date of issuance of such
13 bonds, and

14 (C) credit enhancement fees which con-
15 stitute qualified guarantee fees (within the
16 meaning of section 148 of such Code).

17 (5) SPECIAL RULES.—In applying the Internal
18 Revenue Code of 1986 to any qualified forest con-
19 servation bond, the following modifications shall
20 apply:

21 (A) Section 146 of such Code (relating to
22 volume cap) shall not apply.

23 (B) For purposes of section 147(b) of such
24 Code (relating to maturity may not exceed 120
25 percent of economic life), the land and standing

1 timber acquired with proceeds of qualified for-
2 est conservation bonds shall have an economic
3 life of 35 years.

4 (C) Subsections (c) and (d) of section 147
5 of such Code (relating to limitations on acquisi-
6 tion of land and existing property) shall not
7 apply.

8 (D) Section 57(a)(5) of such Code (relat-
9 ing to tax-exempt interest) shall not apply to
10 interest on qualified forest conservation bonds.

11 (6) TREATMENT OF CURRENT REFUNDING
12 BONDS.—Paragraphs (2)(C) and (3) shall not apply
13 to any bond (or series of bonds) issued to refund a
14 qualified forest conservation bond issued before De-
15 cember 31, 2008, if—

16 (A) the average maturity date of the issue
17 of which the refunding bond is a part is not
18 later than the average maturity date of the
19 bonds to be refunded by such issue,

20 (B) the amount of the refunding bond does
21 not exceed the outstanding amount of the re-
22 funded bond, and

23 (C) the net proceeds of the refunding bond
24 are used to redeem the refunded bond not later

1 than 90 days after the date of the issuance of
2 the refunding bond.

3 For purposes of subparagraph (A), average maturity
4 shall be determined in accordance with section
5 147(b)(2)(A) of such Code.

6 (7) EFFECTIVE DATE.—This subsection shall
7 apply to obligations issued on or after the date
8 which is 180 days after the enactment of this Act.

9 (b) ITEMS FROM QUALIFIED HARVESTING ACTIVI-
10 TIES NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.—

11 (1) IN GENERAL.—Income, gains, deductions,
12 losses, or credits from a qualified harvesting activity
13 conducted by a qualified organization shall not be
14 subject to tax or taken into account under subtitle
15 A of the Internal Revenue Code of 1986.

16 (2) LIMITATION.—The amount of income ex-
17 cluded from gross income under paragraph (1) for
18 any taxable year shall not exceed the amount used
19 by the qualified organization to make debt service
20 payments during such taxable year for qualified for-
21 est conservation bonds.

22 (3) QUALIFIED HARVESTING ACTIVITY.—For
23 purposes of paragraph (1)—

1 (A) IN GENERAL.—The term “qualified
2 harvesting activity” means the sale, lease, or
3 harvesting, of standing timber—

4 (i) on land owned by a qualified orga-
5 nization which was acquired with proceeds
6 of qualified forest conservation bonds,

7 (ii) with respect to which a written ac-
8 knowledgement has been obtained by the
9 qualified organization from the State or
10 local governments with jurisdiction over
11 such land that the acquisition lessens the
12 burdens of such government with respect
13 to such land, and

14 (iii) pursuant to a qualified conserva-
15 tion plan adopted by the qualified organi-
16 zation.

17 (B) EXCEPTIONS.—

18 (i) CESSATION AS QUALIFIED ORGANI-
19 ZATION.—The term “qualified harvesting
20 activity” shall not include any sale, lease,
21 or harvesting for any period during which
22 the organization ceases to qualify as a
23 qualified organization.

24 (ii) EXCEEDING LIMITS ON HAR-
25 VESTING.—The term “qualified harvesting

1 activity” shall not include any sale, lease,
2 or harvesting of standing timber on land
3 acquired with proceeds of qualified forest
4 conservation bonds to the extent that—

5 (I) the average annual area of
6 timber harvested from such land ex-
7 ceeds 2.5 percent of the total area of
8 such land or,

9 (II) the quantity of timber re-
10 moved from such land exceeds the
11 quantity which can be removed from
12 such land annually in perpetuity on a
13 sustained-yield basis with respect to
14 such land.

15 The limitations under subclauses (I) and
16 (II) shall not apply to post-fire restoration
17 and rehabilitation or sanitation harvesting
18 of timber stands which are substantially
19 damaged by fire, windthrow, or other ca-
20 tastrophes, or which are in imminent dan-
21 ger from insect or disease attack.

22 (4) TERMINATION.—This subsection shall not
23 apply to any qualified harvesting activity of a quali-
24 fied organization occurring after the date on which
25 there is no outstanding qualified forest conservation

1 bond with respect to such qualified organization or
2 any such bond ceases to be a tax-exempt bond.

3 (5) PARTIAL RECAPTURE OF BENEFITS IF HAR-
4 VESTING LIMIT EXCEEDED.—If, as of the date that
5 this subsection ceases to apply under paragraph (3),
6 the average annual area of timber harvested from
7 the land exceeds the requirement of paragraph
8 (3)(B)(ii)(I), the tax imposed by chapter 1 of the In-
9 ternal Revenue Code of 1986 shall be increased,
10 under rules prescribed by the Secretary of the
11 Treasury, by the sum of the tax benefits attributable
12 to such excess and interest at the underpayment
13 rate under section 6621 of such Code for the period
14 of the underpayment.

15 (c) DEFINITIONS.—For purposes of this section—

16 (1) QUALIFIED CONSERVATION PLAN.—The
17 term “qualified conservation plan” means a multiple
18 land use program or plan which—

19 (A) is designed and administered primarily
20 for the purposes of protecting and enhancing
21 wildlife and fish, timber, scenic attributes,
22 recreation, and soil and water quality of the
23 forest and forest land,

1 (B) mandates that conservation of forest
2 and forest land is the single-most significant
3 use of the forest and forest land, and

4 (C) requires that timber harvesting be con-
5 sistent with—

6 (i) restoring and maintaining ref-
7 erence conditions for the region's ecotype,

8 (ii) restoring and maintaining a rep-
9 resentative sample of young, mid, and late
10 successional forest age classes,

11 (iii) maintaining or restoring the re-
12 sources' ecological health for purposes of
13 preventing damage from fire, insect, or dis-
14 ease,

15 (iv) maintaining or enhancing wildlife
16 or fish habitat, or

17 (v) enhancing research opportunities
18 in sustainable renewable resource uses.

19 (2) CONSERVATION RESTRICTION.—The con-
20 servation restriction described in this paragraph is a
21 restriction which—

22 (A) is granted in perpetuity to an unre-
23 lated person which is described in section
24 170(h)(3) of such Code and which, in the case

1 of a nongovernmental unit, is organized and op-
2 erated for conservation purposes,

3 (B) meets the requirements of clause (ii)
4 or (iii)(II) of section 170(h)(4)(A) of such
5 Code,

6 (C) obligates the qualified organization to
7 pay the costs incurred by the holder of the con-
8 servation restriction in monitoring compliance
9 with such restriction, and

10 (D) requires an increasing level of con-
11 servation benefits to be provided whenever cir-
12 cumstances allow it.

13 (3) QUALIFIED ORGANIZATION.—The term
14 “qualified organization” means an organization—

15 (A) which is a nonprofit organization sub-
16 stantially all the activities of which are chari-
17 table, scientific, or educational, including ac-
18 quiring, protecting, restoring, managing, and
19 developing forest lands and other renewable re-
20 sources for the long-term charitable, edu-
21 cational, scientific and public benefit,

22 (B) more than half of the value of the
23 property of which consists of forests and forest
24 land acquired with the proceeds from qualified
25 forest conservation bonds,

1 (C) which periodically conducts educational
2 programs designed to inform the public of envi-
3 ronmentally sensitive forestry management and
4 conservation techniques,

5 (D) which has at all times a board of di-
6 rectors—

7 (i) at least 20 percent of the members
8 of which represent the holders of the con-
9 servation restriction described in para-
10 graph (2),

11 (ii) at least 20 percent of the mem-
12 bers of which are public officials, and

13 (iii) not more than one-third of the
14 members of which are individuals who are
15 or were at any time within 5 years before
16 the beginning of a term of membership on
17 the board, an employee of, independent
18 contractor with respect to, officer of, direc-
19 tor of, or held a material financial interest
20 in, a commercial forest products enterprise
21 with which the qualified organization has a
22 contractual or other financial arrangement,

23 (E) the bylaws of which require at least
24 two-thirds of the members of the board of direc-
25 tors to vote affirmatively to approve the quali-

1 fied conservation plan and any change thereto,
2 and

3 (F) upon dissolution, is required to dedi-
4 cate its assets to—

5 (i) an organization described in sec-
6 tion 501(c)(3) of such Code which is orga-
7 nized and operated for conservation pur-
8 poses, or

9 (ii) a governmental unit described in
10 section 170(c)(1) of such Code.

11 (4) UNRELATED PERSON.—The term “unre-
12 lated person” means a person who is not a related
13 person.

14 (5) RELATED PERSON.—A person shall be
15 treated as related to another person if—

16 (A) such person bears a relationship to
17 such other person described in section 267(b)
18 (determined without regard to paragraph (9)
19 thereof), or 707(b)(1), of such Code, deter-
20 mined by substituting “25 percent” for “50
21 percent” each place it appears therein, and

22 (B) in the case such other person is a non-
23 profit organization, if such person controls di-
24 rectly or indirectly more than 25 percent of the
25 governing body of such organization.

1 **SEC. 345. CLARIFICATION OF TREATMENT OF JOHNNY**
2 **MICHEAL SPANN PATRIOT TRUSTS.**

3 (a) CLARIFICATION OF TAX-EXEMPT STATUS OF
4 TRUSTS.—

5 (1) IN GENERAL.—Subsection (b) of section
6 601 of the Homeland Security Act of 2002 is
7 amended to read as follows:

8 “(b) DESIGNATION OF JOHNNY MICHEAL SPANN PA-
9 TRIOT TRUSTS.—Any charitable corporation, fund, foun-
10 dation, or trust (or separate fund or account thereof)
11 which is described in section 501(c)(3) of the Internal
12 Revenue Code of 1986 and exempt from tax under section
13 501(a) of such Code and meets the requirements described
14 in subsection (c) shall be eligible to designate itself as a
15 ‘Johnny Micheal Spann Patriot trust’.”.

16 (2) CONFORMING AMENDMENT.—Section
17 601(c)(3) of such Act is amended by striking
18 “based” and all that follows through “Trust”.

19 (b) PUBLICLY AVAILABLE AUDITS.—Section
20 601(e)(7) of the Homeland Security Act of 2002 is amend-
21 ed by striking “shall be filed with the Internal Revenue
22 Service, and shall be open to public inspection” and insert-
23 ing “shall be open to public inspection consistent with sec-
24 tion 6104(d)(1) of the Internal Revenue Code of 1986”.

25 (c) CLARIFICATION OF REQUIRED DISTRIBUTIONS
26 TO PRIVATE FOUNDATION.—

1 (1) IN GENERAL.—Section 601(c)(8) of the
2 Homeland Security Act of 2002 is amended by strik-
3 ing “not placed” and all that follows and inserting
4 “not so distributed shall be contributed to a private
5 foundation which is described in section 509(a) of
6 the Internal Revenue Code of 1986 and exempt from
7 tax under section 501(a) of such Code and which is
8 dedicated to such beneficiaries not later than 36
9 months after the end of the fiscal year in which such
10 funds, donations, or earnings are received.”.

11 (2) CONFORMING AMENDMENTS.—Section
12 601(c) of such Act is amended—

13 (A) by striking “(or, if placed in a private
14 foundation, held in trust for)” in paragraph (1)
15 and inserting “(or contributed to a private
16 foundation described in paragraph (8) for the
17 benefit of)”, and

18 (B) by striking “invested in a private foun-
19 dation” in paragraph (2) and inserting “con-
20 tributed to a private foundation described in
21 paragraph (8)”.

22 (d) REQUIREMENTS FOR DISTRIBUTIONS FROM
23 TRUSTS.—Section 601(c)(9)(A) of the Homeland Security
24 Act of 2002 is amended by striking “should” and inserting
25 “shall”.

1 (e) REGULATIONS REGARDING NOTIFICATION OF
2 TRUST BENEFICIARIES.—Section 601(f) of the Homeland
3 Security Act of 2002 is amended by striking “this section”
4 and inserting “subsection (e)”.

5 (f) EFFECTIVE DATE.—The amendments made by
6 this section shall take effect as if included in the enact-
7 ment of section 601 of the Homeland Security Act of
8 2002.

9 **Subtitle D—Social Services Block**
10 **Grant**

11 **SEC. 351. RESTORATION OF FUNDS FOR THE SOCIAL SERV-**
12 **ICES BLOCK GRANT.**

13 (a) FINDINGS.—Congress makes the following find-
14 ings:

15 (1) On August 22, 1996, the Personal Respon-
16 sibility and Work Opportunity Reconciliation Act of
17 1996 (Public Law 104–193; 110 Stat. 2105) was
18 signed into law.

19 (2) In enacting that law, Congress authorized
20 \$2,800,000,000 for fiscal year 2003 and each fiscal
21 year thereafter to carry out the Social Services
22 Block Grant program established under title XX of
23 the Social Security Act (42 U.S.C. 1397 et seq.).

24 (b) RESTORATION OF FUNDS.—Section 2003(c)(11)
25 of the Social Security Act (42 U.S.C. 1397b(c)(11)) is

1 amended by inserting “, except that, with respect to fiscal
2 year 2006, the amount shall be \$1,975,000,000, and with
3 respect to fiscal year 2007, the amount shall be
4 \$2,800,000,000” after “thereafter”.

5 **SEC. 352. REQUIREMENT TO SUBMIT ANNUAL REPORT ON**
6 **STATE ACTIVITIES.**

7 (a) **IN GENERAL.**—Section 2006(c) of the Social Se-
8 curity Act (42 U.S.C. 1397e(c)) is amended by adding at
9 the end the following: “The Secretary shall compile the
10 information submitted by the States and submit that in-
11 formation to Congress on an annual basis.”.

12 (b) **EFFECTIVE DATE.**—The amendment made by
13 subsection (a) applies to information submitted by States
14 under section 2006 of the Social Security Act (42 U.S.C.
15 1397e) with respect to fiscal year 2005 and each fiscal
16 year thereafter.

17 **Subtitle E—Individual**
18 **Development Accounts**

19 **SEC. 361. SHORT TITLE.**

20 This subtitle may be cited as the “Savings for Work-
21 ing Families Act of 2005”.

22 **SEC. 362. PURPOSES.**

23 The purposes of this subtitle are to provide for the
24 establishment of individual development account programs
25 that will—

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

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

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

8 (4) support continued United States economic
9 expansion.

10 **SEC. 363. DEFINITIONS.**

11 As used in this subtitle:

12 (1) **ELIGIBLE INDIVIDUAL.**—

13 (A) **IN GENERAL.**—The term “eligible indi-
14 vidual” means, with respect to any taxable year,
15 an individual who—

16 (i) has attained the age of 18 but not
17 the age of 61 as of the last day of such
18 taxable year,

19 (ii) is a citizen or lawful permanent
20 resident (within the meaning of section
21 7701(b)(6) of the Internal Revenue Code
22 of 1986) of the United States as of the
23 last day of such taxable year,

1 (iii) was not a student (as defined in
2 section 151(c)(4) of such Code) for the im-
3 mediately preceding taxable year,

4 (iv) is not an individual with respect
5 to whom a deduction under section 151 of
6 such Code is allowable to another taxpayer
7 for a taxable year of the other taxpayer
8 ending during the immediately preceding
9 taxable year of the individual,

10 (v) is not a taxpayer described in sub-
11 section (c), (d), or (e) of section 6402 of
12 such Code for the immediately preceding
13 taxable year,

14 (vi) is not a taxpayer described in sec-
15 tion 1(d) of such Code for the immediately
16 preceding taxable year, and

17 (vii) is a taxpayer the modified ad-
18 justed gross income of whom for the imme-
19 diately preceding taxable year does not ex-
20 ceed—

21 (I) \$18,000, in the case of a tax-
22 payer described in section 1(c) of such
23 Code,

1 (II) \$30,000, in the case of a
2 taxpayer described in section 1(b) of
3 such Code, and

4 (III) \$38,000, in the case of a
5 taxpayer described in section 1(a) of
6 such Code.

7 (B) INFLATION ADJUSTMENT.—

8 (i) IN GENERAL.—In the case of any
9 taxable year beginning after 2005, each
10 dollar amount referred to in subparagraph
11 (A)(vii) shall be increased by an amount
12 equal to—

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

15 (II) the cost-of-living adjustment
16 determined under section (1)(f)(3) of
17 the Internal Revenue Code of 1986
18 for the calendar year in which the tax-
19 able year begins, by substituting
20 “2004” for “1992”.

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

1 (C) MODIFIED ADJUSTED GROSS IN-
2 COME.—For purposes of subparagraph (A)(v),
3 the term “modified adjusted gross income”
4 means adjusted gross income—

5 (i) determined without regard to sec-
6 tions 86, 893, 911, 931, and 933 of the
7 Internal Revenue Code of 1986, and

8 (ii) increased by the amount of inter-
9 est received or accrued by the taxpayer
10 during the taxable year which is exempt
11 from tax.

12 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

13 The term “Individual Development Account” means
14 an account established for an eligible individual as
15 part of a qualified individual development account
16 program, but only if the written governing instru-
17 ment creating the account meets the following re-
18 quirements:

19 (A) The owner of the account is the indi-
20 vidual for whom the account was established.

21 (B) No contribution will be accepted unless
22 it is in cash, and, except in the case of any
23 qualified rollover, contributions will not be ac-
24 cepted for the taxable year in excess of \$1,500
25 on behalf of any individual.

1 (C) The trustee of the account is a quali-
2 fied financial institution.

3 (D) The assets of the account will not be
4 commingled with other property except in a
5 common trust fund or common investment
6 fund.

7 (E) Except as provided in section 367(b),
8 any amount in the account may be paid out
9 only for the purpose of paying the qualified ex-
10 penses of the account owner.

11 (3) PARALLEL ACCOUNT.—The term “parallel
12 account” means a separate, parallel individual or
13 pooled account for all matching funds and earnings
14 dedicated to an Individual Development Account
15 owner as part of a qualified individual development
16 account program, the trustee of which is a qualified
17 financial institution.

18 (4) QUALIFIED FINANCIAL INSTITUTION.—The
19 term “qualified financial institution” means any per-
20 son authorized to be a trustee of any individual re-
21 tirement account under section 408(a)(2) of the In-
22 ternal Revenue Code of 1986.

23 (5) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
24 COUNT PROGRAM.—The term “qualified individual
25 development account program” means a program es-

1 established upon approval of the Secretary under sec-
2 tion 364 after December 31, 2004, under which—

3 (A) Individual Development Accounts and
4 parallel accounts are held in trust by a qualified
5 financial institution, and

6 (B) additional activities determined by the
7 Secretary, in consultation with the Secretary of
8 Health and Human Services, as necessary to re-
9 sponsibly develop and administer accounts, in-
10 including recruiting, providing financial education
11 and other training to Account owners, and reg-
12 ular program monitoring, are carried out by the
13 qualified financial institution.

14 (6) QUALIFIED EXPENSE DISTRIBUTION.—

15 (A) IN GENERAL.—The term “qualified ex-
16 pense distribution” means any amount paid (in-
17 cluding through electronic payments) or distrib-
18 uted out of an Individual Development Account
19 or a parallel account established for an eligible
20 individual if such amount—

21 (i) is used exclusively to pay the quali-
22 fied expenses of the Individual Develop-
23 ment Account owner or such owner’s
24 spouse or dependents,

1 (ii) is paid by the qualified financial
2 institution—

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

7 (II) in the case of any qualified
8 rollover, directly to another Individual
9 Development Account and parallel ac-
10 count, or

11 (III) in the case of a qualified
12 final distribution, directly to the
13 spouse, dependent, or other named
14 beneficiary of the deceased Account
15 owner, and

16 (iii) is paid after the Account owner
17 has completed a financial education course
18 if required under section 365(b).

19 (B) QUALIFIED EXPENSES.—

20 (i) IN GENERAL.—The term “qualified
21 expenses” means any of the following ex-
22 penses approved by the qualified financial
23 institution:

24 (I) Qualified higher education ex-
25 penses.

1 (II) Qualified first-time home-
2 buyer costs.

3 (III) Qualified business capital-
4 ization or expansion costs.

5 (IV) Qualified rollovers.

6 (V) Qualified final distribution.

7 (ii) QUALIFIED HIGHER EDUCATION
8 EXPENSES.—

9 (I) IN GENERAL.—The term
10 “qualified higher education expenses”
11 has the meaning given such term by
12 section 529(e)(3) of the Internal Rev-
13 enue Code of 1986, determined by
14 treating the Account owner, the own-
15 er’s spouse, or one or more of the
16 owner’s dependents as a designated
17 beneficiary, and reduced as provided
18 in section 25A(g)(2) of such Code.

19 (II) COORDINATION WITH OTHER
20 BENEFITS.—The amount of expenses
21 which may be taken into account for
22 purposes of section 135, 529, or 530
23 of such Code for any taxable year
24 shall be reduced by the amount of any
25 qualified higher education expenses

1 taken into account as qualified ex-
2 pense distributions during such tax-
3 able year.

4 (iii) QUALIFIED FIRST-TIME HOME-
5 BUYER COSTS.—The term “qualified first-
6 time homebuyer costs” means qualified ac-
7 quisition costs (as defined in section
8 72(t)(8)(C) of the Internal Revenue Code
9 of 1986) with respect to a principal resi-
10 dence (within the meaning of section 121
11 of such Code) for a qualified first-time
12 homebuyer (as defined in section
13 72(t)(8)(D)(i) of such Code).

14 (iv) QUALIFIED BUSINESS CAPITAL-
15 IZATION OR EXPANSION COSTS.—

16 (I) IN GENERAL.—The term
17 “qualified business capitalization or
18 expansion costs” means qualified ex-
19 penditures for the capitalization or ex-
20 pansion of a qualified business pursu-
21 ant to a qualified business plan.

22 (II) QUALIFIED EXPENDI-
23 TURES.—The term “qualified expendi-
24 tures” means expenditures normally
25 associated with starting or expanding

1 a business and included in a qualified
2 business plan, including costs for cap-
3 ital, plant, and equipment, inventory
4 expenses, and attorney and accounting
5 fees.

6 (III) QUALIFIED BUSINESS.—

7 The term “qualified business” means
8 any business that does not contravene
9 any law.

10 (IV) QUALIFIED BUSINESS

11 PLAN.—The term “qualified business
12 plan” means a business plan which
13 has been approved by the qualified fi-
14 nancial institution and which meets
15 such requirements as the Secretary
16 may specify.

17 (v) QUALIFIED ROLLOVERS.—The

18 term “qualified rollover” means the com-
19 plete distribution of the amounts in an In-
20 dividual Development Account and parallel
21 account to another Individual Development
22 Account and parallel account established in
23 another qualified financial institution for
24 the benefit of the Account owner.

1 (vi) QUALIFIED FINAL DISTRIBUTION.—The term “qualified final distribu-
 2 tion” means, in the case of a deceased Ac-
 3 count owner, the complete distribution of
 4 the amounts in the Individual Development
 5 Account and parallel account directly to
 6 the spouse, any dependent, or other named
 7 beneficiary of the deceased.
 8

9 (7) SECRETARY.—The term “Secretary” means
 10 the Secretary of the Treasury.

11 **SEC. 364. STRUCTURE AND ADMINISTRATION OF QUALI-**
 12 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
 13 **PROGRAMS.**

14 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
 15 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
 16 cial institution may apply to the Secretary for approval
 17 to establish 1 or more qualified individual development ac-
 18 count programs which meet the requirements of this sub-
 19 title and for an allocation of the Individual Development
 20 Account limitation under section 45G(i)(3) of the Internal
 21 Revenue Code of 1986 with respect to such programs.

22 (b) BASIC PROGRAM STRUCTURE.—

23 (1) IN GENERAL.—All qualified individual de-
 24 velopment account programs shall consist of the fol-
 25 lowing 2 components for each participant:

1 (A) An Individual Development Account to
2 which an eligible individual may contribute cash
3 in accordance with section 365.

4 (B) A parallel account to which all match-
5 ing funds shall be deposited in accordance with
6 section 366.

7 (2) TAILORED IDA PROGRAMS.—A qualified fi-
8 nancial institution may tailor its qualified individual
9 development account program to allow matching
10 funds to be spent on 1 or more of the categories of
11 qualified expenses.

12 (3) NO FEES MAY BE CHARGED TO IDAS.—A
13 qualified financial institution may not charge any
14 fees to any Individual Development Account or par-
15 allel account under a qualified individual develop-
16 ment account program.

17 (c) COORDINATION WITH PUBLIC HOUSING AGENCY
18 INDIVIDUAL SAVINGS ACCOUNTS.—Section 3(e)(2) of the
19 United States Housing Act of 1937 (42 U.S.C.
20 1437a(e)(2)) is amended by inserting “or in any Indi-
21 vidual Development Account established under the Sav-
22 ings for Working Families Act of 2005” after “sub-
23 section”.

24 (d) TAX TREATMENT OF PARALLEL ACCOUNTS.—

1 from an Individual Development Account or a
2 parallel account under section 367(a) of the
3 Savings for Working Families Act of 2005.”.

4 **SEC. 365. PROCEDURES FOR OPENING AND MAINTAINING**
5 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**
6 **AND QUALIFYING FOR MATCHING FUNDS.**

7 (a) OPENING AN ACCOUNT.—An eligible individual
8 may open an Individual Development Account with a
9 qualified financial institution upon certification that such
10 individual has never maintained any other Individual De-
11 velopment Account (other than an Individual Development
12 Account to be terminated by a qualified rollover).

13 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
14 CATION COURSE.—

15 (1) IN GENERAL.—Before becoming eligible to
16 withdraw funds to pay for qualified expenses, owners
17 of Individual Development Accounts must complete
18 1 or more financial education courses specified in
19 the qualified individual development account pro-
20 gram.

21 (2) STANDARD AND APPLICABILITY OF
22 COURSE.—The Secretary, in consultation with rep-
23 resentatives of qualified individual development ac-
24 count programs and financial educators, shall not
25 later than January 1, 2006, establish minimum

1 quality standards for the contents of financial edu-
2 cation courses and providers of such courses de-
3 scribed in paragraph (1) and a protocol to exempt
4 individuals from the requirement under paragraph
5 (1) in the case of hardship, lack of need, the attain-
6 ment of age 65, or a qualified final distribution.

7 (c) **PROOF OF STATUS AS AN ELIGIBLE INDI-**
8 **VIDUAL.**—Federal income tax forms for the immediately
9 preceding taxable year and any other evidence of eligibility
10 which may be required by a qualified financial institution
11 shall be presented to such institution at the time of the
12 establishment of the Individual Development Account and
13 in any taxable year in which contributions are made to
14 the Account to qualify for matching funds under section
15 366(b)(1)(A).

16 (d) **SPECIAL RULE IN THE CASE OF MARRIED INDI-**
17 **VIDUALS.**—For purposes of this subtitle, if, with respect
18 to any taxable year, 2 married individuals file a Federal
19 joint income tax return, then not more than 1 of such indi-
20 viduals may be treated as an eligible individual with re-
21 spect to the succeeding taxable year.

22 **SEC. 366. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
23 **MENT ACCOUNT PROGRAMS.**

24 (a) **PARALLEL ACCOUNTS.**—The qualified financial
25 institution shall deposit all matching funds for each Indi-

1 vidual Development Account into a parallel account at a
2 qualified financial institution.

3 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

4 (1) IN GENERAL.—Subject to paragraph (2),
5 the qualified financial institution shall deposit into
6 the parallel account with respect to each eligible in-
7 dividual the following amounts:

8 (A) A dollar-for-dollar match for the first
9 \$500 contributed by the eligible individual into
10 an Individual Development Account with re-
11 spect to any taxable year of such individual.

12 (B) Any matching funds provided by State,
13 local, or private sources in accordance with the
14 matching ratio set by those sources.

15 (2) TIMING OF DEPOSITS.—A deposit of the
16 amounts described in paragraph (1) shall be made
17 into a parallel account—

18 (A) in the case of amounts described in
19 paragraph (1)(A), not later than 30 days after
20 the end of the calendar quarter during which
21 the contribution described in such paragraph
22 was made, and

23 (B) in the case of amounts described in
24 paragraph (1)(B), not later than 2 business
25 days after such amounts were provided.

1 (3) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 45J of the Internal Revenue Code of 1986.

2 (c) DEPOSIT OF MATCHING FUNDS INTO INDI-
3 VIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO
4 HAS ATTAINED AGE 65.—In the case of an Individual De-
5 velopment Account owner who attains the age of 65, the
6 qualified financial institution shall deposit the funds in the
7 parallel account with respect to such individual into the
8 Individual Development Account of such individual on the
9 later of—

10 (1) the day which is the 1-year anniversary of
11 the deposit of such funds in the parallel account, or

12 (2) the first business day of the taxable year of
13 such individual following the taxable year in which
14 such individual attained age 65.

15 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-
16 sure proper recordkeeping and determination of the tax
17 credit under section 45J of the Internal Revenue Code of
18 1986, the Secretary shall prescribe regulations with re-
19 spect to accounting for matching funds in the parallel ac-
20 counts.

21 (e) REGULAR REPORTING OF ACCOUNTS.—Any
22 qualified financial institution shall report the balances in
23 any Individual Development Account and parallel account

1 of an individual on not less than an annual basis to such
2 individual.

3 **SEC. 367. WITHDRAWAL PROCEDURES.**

4 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

5 (1) IN GENERAL.—An Individual Development
6 Account owner may withdraw funds in order to pay
7 qualified expense distributions from such individ-
8 ual's—

9 (A) Individual Development Account, but
10 only from funds which have been on deposit in
11 such Account for at least 1 year, and

12 (B) parallel account, but only—

13 (i) from matching funds which have
14 been on deposit in such parallel account
15 for at least 1 year,

16 (ii) from earnings in such parallel ac-
17 count, after all matching funds described
18 in clause (i) have been withdrawn, and

19 (iii) to the extent such withdrawal
20 does not result in a remaining balance in
21 such parallel account which is less than the
22 remaining balance in the Individual Devel-
23 opment Account after such withdrawal.

24 (2) PROCEDURE.—Upon receipt of a with-
25 drawal request which meets the requirements of

1 paragraph (1), the qualified financial institution
2 shall directly transfer the funds electronically to the
3 distributees described in section 363(6)(A)(ii). If a
4 distributee is not equipped to receive funds electroni-
5 cally, the qualified financial institution may issue
6 such funds by paper check to the distributee.

7 (b) WITHDRAWALS FOR NONQUALIFIED EX-
8 PENSES.—An Individual Development Account owner may
9 withdraw any amount of funds from the Individual Devel-
10 opment Account for purposes other than to pay qualified
11 expense distributions, but if, after such withdrawal, the
12 amount in the parallel account of such owner (excluding
13 earnings on matching funds) exceeds the amount remain-
14 ing in such Individual Development Account, then such
15 owner shall forfeit from the parallel account the lesser of
16 such excess or the amount withdrawn.

17 (c) WITHDRAWALS FROM ACCOUNTS OF NON-
18 ELIGIBLE INDIVIDUALS.—If the individual for whose ben-
19 efit an Individual Development Account is established
20 ceases to be an eligible individual, such account shall re-
21 main an Individual Development Account, but such indi-
22 vidual shall not be eligible for any further matching funds
23 under section 366(b)(1)(A) for contributions which are
24 made to the Account during any taxable year when such
25 individual is not an eligible individual.

1 (d) EFFECT OF PLEDGING ACCOUNT AS SECUR-
2 RITY.—If, during any taxable year of the individual for
3 whose benefit an Individual Development Account is es-
4 tablished, that individual uses the Account, the individ-
5 ual's parallel account, or any portion thereof as security
6 for a loan, the portion so used shall be treated as a with-
7 drawal of such portion from the Individual Development
8 Account for purposes other than to pay qualified expenses.

9 **SEC. 368. CERTIFICATION AND TERMINATION OF QUALI-**
10 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
11 **PROGRAMS.**

12 (a) CERTIFICATION PROCEDURES.—Upon estab-
13 lishing a qualified individual development account pro-
14 gram under section 364, a qualified financial institution
15 shall certify to the Secretary at such time and in such
16 manner as may be prescribed by the Secretary and accom-
17 panied by any documentation required by the Secretary,
18 that—

19 (1) the accounts described in subparagraphs
20 (A) and (B) of section 364(b)(1) are operating pur-
21 suant to all the provisions of this subtitle, and

22 (2) the qualified financial institution agrees to
23 implement an information system necessary to mon-
24 itor the cost and outcomes of the qualified individual
25 development account program.

1 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
2 PROGRAM.—If the Secretary determines that a qualified
3 financial institution under this subtitle is not operating
4 a qualified individual development account program in ac-
5 cordance with the requirements of this subtitle (and has
6 not implemented any corrective recommendations directed
7 by the Secretary), the Secretary shall terminate such insti-
8 tution’s authority to conduct the program. If the Secretary
9 is unable to identify a qualified financial institution to as-
10 sume the authority to conduct such program, then any
11 funds in a parallel account established for the benefit of
12 any individual under such program shall be deposited into
13 the Individual Development Account of such individual as
14 of the first day of such termination.

15 **SEC. 369. REPORTING, MONITORING, AND EVALUATION.**

16 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
17 STITUTIONS.—

18 (1) IN GENERAL.—Each qualified financial in-
19 stitution that operates a qualified individual develop-
20 ment account program under section 364 shall re-
21 port annually to the Secretary within 90 days after
22 the end of each calendar year on—

23 (A) the number of individuals making con-
24 tributions into Individual Development Ac-
25 counts and the amounts contributed,

1 (B) the amounts contributed into Indi-
2 vidual Development Accounts by eligible individ-
3 uals and the amounts deposited into parallel ac-
4 counts for matching funds,

5 (C) the amounts withdrawn from Indi-
6 vidual Development Accounts and parallel ac-
7 counts, and the purposes for which such
8 amounts were withdrawn,

9 (D) the balances remaining in Individual
10 Development Accounts and parallel accounts,
11 and

12 (E) such other information needed to help
13 the Secretary monitor the effectiveness of the
14 qualified individual development account pro-
15 gram (provided in a non-individually-identifiable
16 manner).

17 (2) ADDITIONAL REPORTING REQUIREMENTS.—

18 Each qualified financial institution that operates a
19 qualified individual development account program
20 under section 364 shall report at such time and in
21 such manner as the Secretary may prescribe any ad-
22 ditional information that the Secretary requires to
23 be provided for purposes of administering and super-
24 vising the qualified individual development account
25 program. This additional data may include, without

1 limitation, identifying information about Individual
2 Development Account owners, their Accounts, addi-
3 tions to the Accounts, and withdrawals from the Ac-
4 counts.

5 (b) RESPONSIBILITIES OF THE SECRETARY.—

6 (1) MONITORING PROTOCOL.—Not later than
7 12 months after the date of the enactment of this
8 Act, the Secretary, in consultation with the Sec-
9 retary of Health and Human Services, shall develop
10 and implement a protocol and process to monitor the
11 cost and outcomes of the qualified individual devel-
12 opment account programs established under section
13 364.

14 (2) ANNUAL REPORTS.—For each year after
15 2005, the Secretary shall submit a progress report
16 to Congress on the status of such qualified indi-
17 vidual development account programs. Such report
18 shall, to the extent data are available, include from
19 a representative sample of qualified individual devel-
20 opment account programs information on—

21 (A) the characteristics of participants, in-
22 cluding age, gender, race or ethnicity, marital
23 status, number of children, employment status,
24 and monthly income,

1 (B) deposits, withdrawals, balances, uses
2 of Individual Development Accounts, and par-
3 ticipant characteristics,

4 (C) the characteristics of qualified indi-
5 vidual development account programs, including
6 match rate, economic education requirements,
7 permissible uses of accounts, staffing of pro-
8 grams in full time employees, and the total
9 costs of programs, and

10 (D) process information on program imple-
11 mentation and administration, especially on
12 problems encountered and how problems were
13 solved.

14 (3) REAUTHORIZATION REPORT ON COST AND
15 OUTCOMES OF IDAS.—

16 (A) IN GENERAL.—Not later than July 1,
17 2008, the Secretary of the Treasury shall sub-
18 mit a report to Congress and the chairmen and
19 ranking members of the Committee on Finance,
20 the Committee on Banking, Housing, and
21 Urban Affairs, and the Committee on Health,
22 Education, Labor, and Pensions of the Senate
23 and the Committee on Ways and Means, the
24 Committee on Banking and Financial Services,
25 and the Committee on Education and the

1 Workforce of the House of Representatives, in
2 which the Secretary shall—

3 (i) summarize the previously sub-
4 mitted annual reports required under para-
5 graph (2),

6 (ii) from a representative sample of
7 qualified individual development account
8 programs, include an analysis of—

9 (I) the economic, social, and be-
10 havioral outcomes,

11 (II) the changes in savings rates,
12 asset holdings, and household debt,
13 and overall changes in economic sta-
14 bility,

15 (III) the changes in outlooks, at-
16 titudes, and behavior regarding sav-
17 ings strategies, investment, education,
18 and family,

19 (IV) the integration into the fi-
20 nancial mainstream, including de-
21 creased reliance on alternative finan-
22 cial services, and increase in acquisi-
23 tion of mainstream financial products,
24 and

- 1 (V) the involvement in civic af-
2 fairs, including neighborhood schools
3 and associations,
4 associated with participation in qualified
5 individual development account programs,
- 6 (iii) from a representative sample of
7 qualified individual development account
8 programs, include a comparison of out-
9 comes associated with such programs with
10 outcomes associated with other Federal
11 Government social and economic develop-
12 ment programs, including asset building
13 programs, and
- 14 (iv) make recommendations regarding
15 the reauthorization of the qualified indi-
16 vidual development account programs, in-
17 cluding—
- 18 (I) recommendations regarding
19 reforms that will improve the cost and
20 outcomes of the such programs, in-
21 cluding the ability to help low income
22 families save and accumulate produc-
23 tive assets,
- 24 (II) recommendations regarding
25 the appropriate levels of subsidies to

1 provide effective incentives to financial
2 institutions and Account owners under
3 such programs, and

4 (III) recommendations regarding
5 how such programs should be inte-
6 grated into other Federal poverty re-
7 duction, asset building, and commu-
8 nity development policies and pro-
9 grams.

10 (B) AUTHORIZATION.—There is authorized
11 to be appropriated \$2,500,000, for carrying out
12 the purposes of this paragraph.

13 (4) USE OF ACCOUNTS IN RURAL AREAS EN-
14 COURAGED.—The Secretary shall develop methods to
15 encourage the use of Individual Development Ac-
16 counts in rural areas.

17 **SEC. 370. AUTHORIZATION OF APPROPRIATIONS.**

18 There is authorized to be appropriated to the Sec-
19 retary \$1,000,000 for fiscal year 2005 and for each fiscal
20 year through 2013, for the purposes of implementing this
21 subtitle, including the reporting, monitoring, and evalua-
22 tion required under section 369, to remain available until
23 expended.

1 **SEC. 371. 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 D of part IV of sub-
6 chapter A of chapter 1 (relating to business related cred-
7 its) is amended by adding at the end the following new
8 section:

9 **“SEC. 45J. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**
10 **MENT CREDIT.**

11 “(a) DETERMINATION OF AMOUNT.—For purposes of
12 section 38, the individual development account investment
13 credit determined under this section with respect to any
14 eligible entity for any taxable year is an amount equal to
15 the individual development account investment provided
16 by such eligible entity during the taxable year under an
17 individual development account program established under
18 section 364 of the Savings for Working Families Act of
19 2005.

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

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

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

3 “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-
4 MENT.—For purposes of this section, the term ‘individual
5 development account investment’ means, with respect to
6 an individual development account program in any taxable
7 year, an amount equal to the sum of—

8 “(1) the aggregate amount of dollar-for-dollar
9 matches under such program under section
10 366(b)(1)(A) of the Savings for Working Families
11 Act of 2005 for such taxable year, plus

12 “(2) \$50 with respect to each Individual Devel-
13 opment Account maintained—

14 “(A) as of the end of such taxable year,
15 but only if such taxable year is within the 7-
16 taxable-year period beginning with the taxable
17 year in which such Account is opened, and

18 “(B) with a balance of not less than \$100
19 (other than the taxable year in which such Ac-
20 count is opened).

21 “(d) ELIGIBLE ENTITY.—For purposes of this sec-
22 tion, except as provided in regulations, the term ‘eligible
23 entity’ means a qualified financial institution.

24 “(e) OTHER DEFINITIONS.—For purposes of this
25 section, any term used in this section and also in the Sav-

1 ings for Working Families Act of 2005 shall have the
2 meaning given such term by such Act.

3 “(f) DENIAL OF DOUBLE BENEFIT.—

4 “(1) IN GENERAL.—No deduction or credit
5 (other than under this section) shall be allowed
6 under this chapter with respect to any expense
7 which—

8 “(A) is taken into account under sub-
9 section (c)(1)(A) in determining the credit
10 under this section, or

11 “(B) is attributable to the maintenance of
12 an Individual Development Account.

13 “(2) DETERMINATION OF AMOUNT.—Solely for
14 purposes of paragraph (1)(B), the amount attrib-
15 utable to the maintenance of an Individual Develop-
16 ment Account shall be deemed to be the dollar
17 amount of the credit allowed under subsection
18 (c)(1)(B) for each taxable year such Individual De-
19 velopment Account is maintained.

20 “(g) CREDIT MAY BE TRANSFERRED.—

21 “(1) IN GENERAL.—An eligible entity may
22 transfer any credit allowable to the eligible entity
23 under subsection (a) to any person other than to an-
24 other eligible entity which is exempt from tax under
25 this title. The determination as to whether a credit

1 is allowable shall be made without regard to the tax-
2 exempt status of the eligible entity.

3 “(2) CONSENT REQUIRED FOR REVOCATION.—

4 Any transfer under paragraph (1) may be revoked
5 only with the consent of the Secretary.

6 “(h) REGULATIONS.—The Secretary may prescribe
7 such regulations as may be necessary or appropriate to
8 carry out this section, including

9 “(1) such regulations as necessary to insure
10 that any credit described in subsection (g)(1) is
11 claimed once and not retransferred by a transferee,
12 and

13 “(2) regulations providing for a recapture of
14 the credit allowed under this section (notwith-
15 standing any termination date described in sub-
16 section (i)) in cases where there is a forfeiture under
17 section 367(b) of the Savings for Working Families
18 Act of 2005 in a subsequent taxable year of any
19 amount which was taken into account in determining
20 the amount of such credit.

21 “(i) APPLICATION OF SECTION.—

22 “(1) IN GENERAL.—This section shall apply to
23 any expenditure made in any taxable year ending
24 after December 31, 2005, and beginning on or be-

1 fore January 1, 2013, with respect to any Individual
2 Development Account which—

3 “(A) is opened before January 1, 2013,

4 and

5 “(B) as determined by the Secretary, when
6 added to all of the previously opened Individual
7 Development Accounts, does not exceed—

8 “(i) 100,000 Accounts if opened after
9 December 31, 2005, and before January 1,
10 2007,

11 “(ii) an additional 100,000 Accounts
12 if opened after December 31, 2006, and
13 before January 1, 2009, but only if, except
14 as provided in paragraph (4), the total
15 number of Accounts described in clause (i)
16 are opened and the Secretary determines
17 that such Accounts are being reasonably
18 and responsibly administered, and

19 “(iii) an additional 100,000 Accounts
20 if opened after December 31, 2008, and
21 before January 1, 2013, but only if the
22 total number of Accounts described in
23 clauses (i) and (ii) are opened and the Sec-
24 retary makes a determination described in
25 paragraph (2).

1 Notwithstanding the preceding sentence, this section
2 shall apply to amounts which are described in sub-
3 section (c)(1)(A) and which are timely deposited into
4 a parallel account during the 30-day period following
5 the end of last taxable year beginning before Janu-
6 ary 1, 2013.

7 “(2) DETERMINATION WITH RESPECT TO
8 THIRD GROUP OF ACCOUNTS.—A determination is
9 described in this paragraph if the Secretary deter-
10 mines that—

11 “(A) substantially all of the previously
12 opened Accounts have been reasonably and re-
13 sponsibly administered prior to the date of the
14 determination,

15 “(B) the individual development account
16 programs have increased net savings of partici-
17 pants in the programs,

18 “(C) participants in the individual develop-
19 ment account programs have increased Federal
20 income tax liability and decreased utilization of
21 Federal assistance programs relative to simi-
22 larly situated individuals that did not partici-
23 pate in the individual development account pro-
24 grams, and

1 “(D) the sum of the estimated increased
2 Federal tax liability and reduction of Federal
3 assistance program benefits to participants in
4 the individual development account programs is
5 greater than the cost of the individual develop-
6 ment account programs to the Federal govern-
7 ment.

8 “(3) DETERMINATION OF LIMITATION.—The
9 limitation on the number of Individual Development
10 Accounts under paragraph (1)(B) shall be allocated
11 by the Secretary among qualified individual develop-
12 ment account programs selected by the Secretary
13 and, in the case of the limitation under clause (iii)
14 of such paragraph, shall be equally divided among
15 the States.

16 “(4) SPECIAL RULE IF SMALLER NUMBER OF
17 ACCOUNTS ARE OPENED.—For purposes of para-
18 graph (1)(B)(ii)—

19 “(i) IN GENERAL.—If less than
20 100,000 Accounts are opened before Janu-
21 ary 1, 2007, such paragraph shall be ap-
22 plied by substituting “applicable number of
23 Accounts’ for ‘100,000 Accounts’.

1 “(ii) APPLICABLE NUMBER.—For pur-
2 poses of clause (i), the applicable number
3 equals the lesser of—

4 “(I) 75,000, or

5 “(II) 3 times the number of Ac-
6 counts opened before January 1,
7 2007.”.

8 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
9 tion 38(b) (relating to current year business credit) is
10 amended by striking “plus” at the end of paragraph (18),
11 by striking the period at the end of paragraph (19) and
12 inserting “, plus”, and by adding at the end the following
13 new paragraph:

14 “(20) the individual development account in-
15 vestment credit determined under section 45J(a).”.

16 (c) CONFORMING AMENDMENT.—The table of sec-
17 tions for subpart C of part IV of subchapter A of chapter
18 1 is amended by adding at the end the following new item:

 “Sec. 45J. Individual development account investment credit.”.

19 (d) REPORT REGARDING ACCOUNT MAINTENANCE
20 FEES.—The Secretary of the Treasury shall study the
21 adequacy of the amount specified in section 45J(c)(2) of
22 the Internal Revenue Code of 1986 (as added by this sec-
23 tion). Not later than December 31, 2009, the Secretary
24 of the Treasury shall report the findings of the study de-
25 scribed in the preceding sentence to Congress.

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years ending after De-
3 cember 31, 2004.

4 **SEC. 372. ACCOUNT FUNDS DISREGARDED FOR PURPOSES**
5 **OF CERTAIN MEANS-TESTED FEDERAL PRO-**
6 **GRAMS.**

7 Notwithstanding any other provision of Federal law
8 (other than the Internal Revenue Code of 1986) that re-
9 quires consideration of 1 or more financial circumstances
10 of an individual, for the purpose of determining eligibility
11 to receive, or the amount of, any assistance or benefit au-
12 thorized by such provision to be provided to or for the
13 benefit of such individual, any amount (including earnings
14 thereon) in any Individual Development Account of such
15 individual and any matching deposit made on behalf of
16 such individual (including earnings thereon) in any par-
17 allel account shall be disregarded for such purpose with
18 respect to any period during which such individual main-
19 tains or makes contributions into such Individual Develop-
20 ment Account.

21 **Subtitle F—Management of Exempt**
22 **Organizations**

23 **SEC. 381. AUTHORIZATION OF APPROPRIATIONS.**

24 (a) IN GENERAL.—There is authorized to be appro-
25 priated to the Secretary of the Treasury \$80,000,000 for

1 each fiscal year to carry out the administration of exempt
2 organizations by the Internal Revenue Service.

3 (b) IMPLEMENTATION OF SECTION 527.—There is
4 authorized to be appropriated to the Secretary of the
5 Treasury \$3,000,000 to carry out the provisions of Public
6 Laws 106–230 and 107–276 relating to section 527 of the
7 Internal Revenue Code of 1986.

8 **Subtitle G—Compassion Capital** 9 **Fund**

10 **SEC. 391. SUPPORT FOR NONPROFIT COMMUNITY-BASED** 11 **ORGANIZATIONS; DEPARTMENT OF HEALTH** 12 **AND HUMAN SERVICES.**

13 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
14 TIONS.—The Secretary of Health and Human Services
15 (referred to in this section as “the Secretary”) may award
16 grants to and enter into cooperative agreements with non-
17 governmental organizations, to—

18 (1) provide technical assistance for community-
19 based organizations, which may include—

20 (A) grant writing and grant management
21 assistance, which may include assistance pro-
22 vided through workshops and other guidance;

23 (B) legal assistance with incorporation;

24 (C) legal assistance to obtain tax-exempt
25 status; and

1 (D) information on, and referrals to, other
2 nongovernmental organizations that provide ex-
3 pertise in accounting, on legal issues, on tax
4 issues, in program development, and on a vari-
5 ety of other organizational topics;

6 (2) provide information and assistance for com-
7 munity-based organizations on capacity building;

8 (3) provide for community-based organizations
9 information on and assistance in identifying and
10 using best practices for delivering assistance to per-
11 sons, families, and communities in need;

12 (4) provide information on and assistance in
13 utilizing regional intermediary organizations to in-
14 crease and strengthen the capabilities of nonprofit
15 community-based organizations;

16 (5) assist community-based organizations in
17 replicating social service programs of demonstrated
18 effectiveness; and

19 (6) encourage research on the best practices of
20 social service organizations.

21 (b) SUPPORT FOR STATES.—The Secretary—

22 (1) may award grants to and enter into cooper-
23 ative agreements with States and political subdivi-
24 sions of States to provide seed money to establish

1 State and local offices of faith-based and community
2 initiatives; and

3 (2) shall provide technical assistance to States
4 and political subdivisions of States in administering
5 the provisions of this Act.

6 (c) APPLICATIONS.—To be eligible to receive a grant
7 or enter into a cooperative agreement under this section,
8 a nongovernmental organization, State, or political sub-
9 division shall submit an application to the Secretary at
10 such time, in such manner, and containing such informa-
11 tion as the Secretary may require.

12 (d) LIMITATION.—In order to widely disburse limited
13 resources, no community-based organization (other than
14 a direct recipient of a grant or cooperative agreement from
15 the Secretary) may receive more than 1 grant or coopera-
16 tive agreement under this section for the same purpose.

17 (e) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated to carry out this section
19 \$85,000,000 for fiscal year 2006, and such sums as may
20 be necessary for each of fiscal years 2007 through 2009.

21 (f) DEFINITION.—In this section, the term “commu-
22 nity-based organization” means a nonprofit corporation or
23 association that has—

1 (1) not more than 6 full-time equivalent em-
2 ployees who are engaged in the provision of social
3 services; or

4 (2) a current annual budget (current as of the
5 date the entity seeks assistance under this section)
6 for the provision of social services, compiled and
7 adopted in good faith, of less than \$450,000.

8 **SEC. 392. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
9 **ORGANIZATIONS; CORPORATION FOR NA-**
10 **TIONAL AND COMMUNITY SERVICE.**

11 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
12 TIONS.—The Corporation for National and Community
13 Service (referred to in this section as “the Corporation”)
14 may award grants to and enter into cooperative agree-
15 ments with nongovernmental organizations and State
16 Commissions on National and Community Service estab-
17 lished under section 178 of the National and Community
18 Service Act of 1990 (42 U.S.C. 12638), to—

19 (1) provide technical assistance for community-
20 based organizations, which may include—

21 (A) grant writing and grant management
22 assistance, which may include assistance pro-
23 vided through workshops and other guidance;

24 (B) legal assistance with incorporation;

1 (C) legal assistance to obtain tax-exempt
2 status; and

3 (D) information on, and referrals to, other
4 nongovernmental organizations that provide ex-
5 pertise in accounting, on legal issues, on tax
6 issues, in program development, and on a vari-
7 ety of other organizational topics;

8 (2) provide information and assistance for com-
9 munity-based organizations on capacity building;

10 (3) provide for community-based organizations
11 information on and assistance in identifying and
12 using best practices for delivering assistance to per-
13 sons, families, and communities in need;

14 (4) provide information on and assistance in
15 utilizing regional intermediary organizations to in-
16 crease and strengthen the capabilities of community-
17 based organizations;

18 (5) assist community-based organizations in
19 replicating social service programs of demonstrated
20 effectiveness; and

21 (6) encourage research on the best practices of
22 social service organizations.

23 (b) APPLICATIONS.—To be eligible to receive a grant
24 or enter into a cooperative agreement under this section,
25 a nongovernmental organization, State Commission,

1 State, or political subdivision shall submit an application
2 to the Corporation at such time, in such manner, and con-
3 taining such information as the Corporation may require.

4 (c) LIMITATION.—In order to widely disburse limited
5 resources, no community-based organization (other than
6 a direct recipient of a grant or cooperative agreement from
7 the Secretary) may receive more than 1 grant or coopera-
8 tive agreement under this section for the same purpose.

9 (d) AUTHORIZATION OF APPROPRIATIONS.—There
10 are authorized to be appropriated to carry out this section
11 \$15,000,000 for fiscal year 2006, and such sums as may
12 be necessary for each of fiscal years 2007 through 2009.

13 (e) DEFINITION.—In this section, the term “commu-
14 nity-based organization” means a nonprofit corporation or
15 association that has—

16 (1) not more than 6 full-time equivalent em-
17 ployees who are engaged in the provision of social
18 services; or

19 (2) a current annual budget (current as of the
20 date the entity seeks assistance under this section)
21 for the provision of social services, compiled and
22 adopted in good faith, of less than \$450,000.

1 **SEC. 393. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
2 **ORGANIZATIONS; DEPARTMENT OF JUSTICE.**

3 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
4 TIONS.—The Attorney General may award grants to and
5 enter into cooperative agreements with nongovernmental
6 organizations, to—

7 (1) provide technical assistance for community-
8 based organizations, which may include—

9 (A) grant writing and grant management
10 assistance, which may include assistance pro-
11 vided through workshops and other guidance;

12 (B) legal assistance with incorporation;

13 (C) legal assistance to obtain tax-exempt
14 status; and

15 (D) information on, and referrals to, other
16 nongovernmental organizations that provide ex-
17 pertise in accounting, on legal issues, on tax
18 issues, in program development, and on a vari-
19 ety of other organizational topics;

20 (2) provide information and assistance for com-
21 munity-based organizations on capacity building;

22 (3) provide for community-based organizations
23 information on and assistance in identifying and
24 using best practices for delivering assistance to per-
25 sons, families, and communities in need;

1 (4) provide information on and assistance in
2 utilizing regional intermediary organizations to in-
3 crease and strengthen the capabilities of nonprofit
4 community-based organizations;

5 (5) assist community-based organizations in
6 replicating social service programs of demonstrated
7 effectiveness; and

8 (6) encourage research on the best practices of
9 social service organizations.

10 (b) APPLICATIONS.—To be eligible to receive a grant
11 or enter into a cooperative agreement under this section,
12 a nongovernmental organization, State, or political sub-
13 division shall submit an application to the Attorney Gen-
14 eral at such time, in such manner, and containing such
15 information as the Attorney General may require.

16 (c) LIMITATION.—In order to widely disburse limited
17 resources, no community-based organization (other than
18 a direct recipient of a grant or cooperative agreement from
19 the Attorney General) may receive more than 1 grant or
20 cooperative agreement under this section for the same pur-
21 pose.

22 (d) AUTHORIZATION OF APPROPRIATIONS.—There
23 are authorized to be appropriated to carry out this section
24 \$35,000,000 for fiscal year 2006, and such sums as may
25 be necessary for each of fiscal years 2007 through 2009.

1 (e) DEFINITION.—In this section, the term “commu-
 2 nity-based organization” means a nonprofit corporation or
 3 association that has—

4 (1) not more than 6 full-time equivalent em-
 5 ployees who are engaged in the provision of social
 6 services; or

7 (2) a current annual budget (current as of the
 8 date the entity seeks assistance under this section)
 9 for the provision of social services, compiled and
 10 adopted in good faith, of less than \$450,000.

11 **SEC. 394. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
 12 **ORGANIZATIONS; DEPARTMENT OF HOUSING**
 13 **AND URBAN DEVELOPMENT.**

14 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 15 TIONS.—The Secretary of Housing and Urban Develop-
 16 ment (referred to in this section “the Secretary”) may
 17 award grants to and enter into cooperative agreements
 18 with nongovernmental organizations, to—

19 (1) provide technical assistance for community-
 20 based organizations, which may include—

21 (A) grant writing and grant management
 22 assistance, which may include assistance pro-
 23 vided through workshops and other guidance;

24 (B) legal assistance with incorporation;

1 (C) legal assistance to obtain tax-exempt
2 status; and

3 (D) information on, and referrals to, other
4 nongovernmental organizations that provide ex-
5 pertise in accounting, on legal issues, on tax
6 issues, in program development, and on a vari-
7 ety of other organizational topics;

8 (2) provide information and assistance for com-
9 munity-based organizations on capacity building;

10 (3) provide for community-based organizations
11 information on and assistance in identifying and
12 using best practices for delivering assistance to per-
13 sons, families, and communities in need;

14 (4) provide information on and assistance in
15 utilizing regional intermediary organizations to in-
16 crease and strengthen the capabilities of community-
17 based organizations;

18 (5) assist community-based organizations in
19 replicating social service programs of demonstrated
20 effectiveness; and

21 (6) encourage research on the best practices of
22 social service organizations.

23 (b) APPLICATIONS.—To be eligible to receive a grant
24 or enter into a cooperative agreement under this section,
25 a nongovernmental organization, State, or political sub-

1 division shall submit an application to the Secretary at
2 such time, in such manner, and containing such informa-
3 tion as the Secretary may require.

4 (c) LIMITATION.—In order to widely disburse limited
5 resources, no community-based organization (other than
6 a direct recipient of a grant or cooperative agreement from
7 the Secretary) may receive more than 1 grant or coopera-
8 tive agreement under this section for the same purpose.

9 (d) AUTHORIZATION OF APPROPRIATIONS.—There
10 are authorized to be appropriated to carry out this section
11 \$15,000,000 for fiscal year 2006, and such sums as may
12 be necessary for each of fiscal years 2007 through 2009.

13 (e) DEFINITION.—In this section, the term “commu-
14 nity-based organization” means a nonprofit corporation or
15 association that has—

16 (1) not more than 6 full-time equivalent em-
17 ployees who are engaged in the provision of social
18 services; or

19 (2) a current annual budget (current as of the
20 date the entity seeks assistance under this section)
21 for the provision of social services, compiled and
22 adopted in good faith, of less than \$450,000.

23 **SEC. 395. COORDINATION.**

24 The Secretary of Health and Human Services, the
25 Corporation for National and Community Service, the At-

1 torney General, and the Secretary of Housing and Urban
 2 Development shall coordinate their activities under this
 3 subtitle to ensure—

4 (1) nonduplication of activities under this sub-
 5 title; and

6 (2) an equitable distribution of resources under
 7 this subtitle.

8 **Subtitle H—Maternity Group** 9 **Homes**

10 **SEC. 399. MATERNITY GROUP HOMES.**

11 (a) CONTRACT FOR EVALUATION.—Part B of the
 12 Runaway and Homeless Youth Act (42 U.S.C. 5701 et
 13 seq.) is amended by adding at the end the following:

14 **“SEC. 323. CONTRACT FOR EVALUATION.**

15 “(a) IN GENERAL.—The Secretary shall enter into
 16 a contract with a public or private entity for an evaluation
 17 of the maternity group homes that are supported by grant
 18 funds under this Act.

19 “(b) INFORMATION.—The evaluation described in
 20 subsection (a) shall include the collection of information
 21 about the relevant characteristics of individuals who ben-
 22 efit from maternity group homes such as those that are
 23 supported by grant funds under this Act and what services
 24 provided by those maternity group homes are most bene-
 25 ficial to such individuals.

1 “(c) REPORT.—Not later than 2 years after the date
2 on which the Secretary enters into a contract for an eval-
3 uation under subsection (a), and biennially thereafter, the
4 entity conducting the evaluation under this section shall
5 submit to Congress a report on the status, activities, and
6 accomplishments of maternity group homes that are sup-
7 ported by grant funds under this Act.”.

8 (b) AUTHORIZATION OF APPROPRIATIONS.—Section
9 388 of the Runaway and Homeless Youth Act (42 U.S.C.
10 5751) is amended—

11 (1) in subsection (a)(1)—

12 (A) by striking “There” and inserting the
13 following:

14 “(A) IN GENERAL.—There”;

15 (B) in subparagraph (A), as redesignated,
16 by inserting “and the purpose described in sub-
17 paragraph (B)” after “other than part E”; and

18 (C) by adding at the end the following:

19 “(B) MATERNITY GROUP HOMES.—There
20 is authorized to be appropriated, for maternity
21 group homes eligible for assistance under sec-
22 tion 322(a)(1)—

23 “(i) \$33,000,000 for fiscal year 2006;

24 and

1 “(ii) such sums as may be necessary
2 for fiscal year 2007.”; and
3 (2) in subsection (a)(2)(A), by striking “para-
4 graph (1)” and inserting “paragraph (1)(A)”.

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