

S. 999

At the request of Mr. BINGAMAN, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of S. 999, a bill to amend title 10, United States Code, to provide for a Korea Defense Service Medal to be issued to members of the Armed Forces who participated in operations in Korea after the end of the Korean War.

S. 1792

At the request of Mr. BAYH, the name of the Senator from North Dakota (Mr. DORGAN) was added as a cosponsor of S. 1792, a bill to further facilitate service for the United States, and for other purposes.

S. 1917

At the request of Mr. JOHNSON, his name was added as a cosponsor of S. 1917, a bill to provide for highway infrastructure investment at the guaranteed funding level contained in the Transportation Equity Act for the 21st Century.

S. 1921

At the request of Mrs. HUTCHISON, the name of the Senator from Kansas (Mr. ROBERTS) was added as a cosponsor of S. 1921, a bill to amend the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974 to provide greater protection of workers' retirement plans, to prohibit certain activities by persons providing auditing services to issuers of public securities, and for other purposes.

AMENDMENT NO. 2533

At the request of Mr. CRAPO, the name of the Senator from Arizona (Mr. KYL) was added as a cosponsor of amendment No. 2533.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LIEBERMAN (for himself, Mr. SANTORUM, Mr. BAYH, Mr. BROWNBACK, Mr. NELSON of Florida, Mr. COCHRAN, Mrs. CARNAHAN, Mr. LUGAR, Mrs. CLINTON, and Mr. HATCH):

S. 1924. A bill to promote charitable giving, and for other purposes; to the Committee on Finance.

Mr. LIEBERMAN. Mr. President, I am truly proud to join Senators SANTORUM, BAYH, BROWNBACK, BILL NELSON, COCHRAN, CARNAHAN, LUGAR, CLINTON and HATCH in introducing the Charity Aid, Recovery, and Empowerment, or CARE, Act. This important bill responds to a significant problem facing our nation: the social service needs of far too many of our fellow citizens continue to go unmet, and we in Congress must do more to bring additional resources to people in need and to assist and empower the community and charitable groups seeking to serve them.

A little over a year ago, Senator SANTORUM and I stood with President Bush as he unveiled his Faith-based and Community Initiative. At the time, I embraced the plan's worthy goals, to strengthen our partnerships

with charitable organizations and help them help more people in need, but I cautioned that the devil truly would be in the details.

As it turned out, those details, particularly as they related to creating a larger, lawful space for faith-based groups at the public policy table, proved more than devilish when it came to translating our outline into legislation. It would not be an exaggeration to say that many people had lost faith in ever seeing anything remotely resembling a faith-based and community initiative.

But after many months of discussion, debate, and disappointments, I am proud to report that we have finally reached a balanced, bipartisan agreement, one that avoids the controversies that have to date bogged down the President's plan in Congress, and that advances our common interest in turning the growing good will in our country into more good works in our communities. The truly bipartisan and diverse group of cosponsors who join me today testify to that.

That good will is an unmistakable outgrowth of the September 11 attacks. I have never seen our country more united or more committed to our common values, to freedom and tolerance, faith and family, responsibility and community. With this bill, we hope to harness that renewed American spirit to help make our country as good as our values, and to help restore hope to people and places it has too often gone missing.

We start by acknowledging that, in the wake of September 11 and the weakened economy, there is an ongoing and consequential charity crunch. With so much of our generosity focused on relief efforts, contributions to other groups have dropped markedly and resources have dwindled considerably, severely constraining the ability of many vital charities to meet rising demands. A survey released this week by the Association of Fundraising Professionals found that 44 percent of charities are experiencing shortfalls in contributions.

This bill is designed in part to respond directly to that charity crunch with a targeted two-year strategy to help leverage new public and private funding for the nation's non-profits. It would create a series of new tax incentives, including a meaningful deduction for non-itemizers, to spur more charitable giving. And it would substantially increase Federal funding for the Social Services Block Grant program, which underwrites a broad range of critical programs, by more than \$1 billion.

But this is not a short-term or short-sighted proposal. The CARE Act employs a number of other tools to help empower community and faith-based groups over the long haul and expand their capabilities, by providing new forms of technical assistance that will make it easier for smaller grassroots organizations to qualify for Federal

aid. And it builds on a proposal that Senator SANTORUM and I have long advocated to expand the use of innovative Individual Development Accounts, IDAs, to help low-income working families save and build assets and attain self-sufficiency.

As you can tell, this is not just a faith-based bill. It is a civil society bill. It is aimed at strengthening support for the broad range of community, civic, and philanthropic groups, including the religiously-affiliated, that are strengthening our social fabric. It contains none of the troubling charitable choice provisions that were in the House bill, H.R. 7, that undermined or preempted civil rights laws and raised constitutional concerns.

What it does do, though, is to take some common-sense, narrowly-targeted steps to knock down specific, documented barriers preventing many smaller faith-based social service providers from fairly competing for Federal funding. There's just no good reason to disqualify an otherwise qualified faith-based group just because they have a cross on their wall or a mezuzah on their door, or because they have a religious name in their title, or they have praise for God in their mission statement.

In moving forward with this bill, we as Democrats and Republicans recognize that while charities are not a replacement for government, government cannot do it all, either. In fact, there are some things that government cannot do at all, like repairing the human spirit. That is why it is so important for us to partner with the agents of civil society, who, as we saw again and again after September 11, can fill in those holes and fill up our hearts.

And that is why I am so pleased with this proposal, and proud of the work we have done together to make it viable. In the end, the Good Lord, not the devil, is in the details. I want to thank the President for his leadership and his cooperation, and to thank my friend Senator SANTORUM for his steadfast faith in that process. This is one CARE package that will, I am confident, deliver a lot of good to a lot of people, and which I believe a lot of Democrats and Republicans will eagerly support.

People in need and the groups that help them are waiting for our help. The CARE Act will bring it to them. I urge my colleagues to join us in supporting it. I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1924

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Charity Aid, Recovery, and Empowerment Act of 2002" or the "CARE Act of 2002".

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

Sec. 1. Short title; table of contents.

# TITLE I—CHARITABLE GIVING INCENTIVES PACKAGE

- Sec. 101. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
- Sec. 102. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 103. Increase in cap on corporate charitable contributions.
- Sec. 104. Charitable deduction for contributions of food and book inventories and bonds.
- Sec. 105. Reform of excise tax on net investment income of private foundations.
- Sec. 106. Excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 107. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 108. Adjustment to basis of S corporation stock for certain charitable contributions.

## TITLE II—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 201. Short title.
- Sec. 202. Purposes.
- Sec. 203. Definitions.
- Sec. 204. Structure and administration of qualified individual development account programs.
- Sec. 205. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 206. Deposits by qualified individual development account programs.
- Sec. 207. Withdrawal procedures.
- Sec. 208. Certification and termination of qualified individual development account programs.
- Sec. 209. Reporting, monitoring, and evaluation.
- Sec. 210. Authorization of appropriations.
- Sec. 211. Account funds disregarded for purposes of certain means-tested Federal programs.
- Sec. 212. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.

## TITLE III—EQUAL TREATMENT FOR NONGOVERNMENTAL PROVIDERS

- Sec. 301. Nongovernmental organizations.

## TITLE IV—EZ PASS RECOGNITION OF SECTION 501(c)(3) STATUS

- Sec. 401. EZ pass recognition of section 501(c)(3) status and waiver of application fee for exempt status for certain organizations providing social services for the poor and needy.

## TITLE V—COMPASSION CAPITAL FUND

- Sec. 501. Support for nonprofit community-based organizations; Department of Health and Human Services.
- Sec. 502. Support for nonprofit community-based organizations; Corporation for National and Community Service.
- Sec. 503. Support for nonprofit community-based organizations; Department of Justice.
- Sec. 504. Support for nonprofit community-based organizations; Department of Housing and Urban Development.
- Sec. 505. Coordination.

# TITLE VI—SOCIAL SERVICES BLOCK GRANT

- Sec. 601. Restoration of authority to transfer up to 10 percent of TANF funds to the Social Services Block Grant.
- Sec. 602. Restoration of funds for the Social Services Block Grant.
- Sec. 603. Requirement to submit annual report on State activities.

## TITLE VII—MATERNITY GROUP HOMES

- Sec. 701. Maternity group homes.

## TITLE I—CHARITABLE GIVING INCENTIVES PACKAGE

### SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CONTRIBUTIONS TO BE ALLOWED TO INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS.

(a) IN GENERAL.—Section 170 of the Internal Revenue Code of 1986 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

“(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—In the case of an individual who does not itemize his deductions for any taxable year beginning after December 31, 2001, and before January 1, 2004, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the lesser of—

“(1) the amount allowable under subsection (a) for the taxable year for cash contributions, or

“(2) \$400 (\$800 in the case of a joint return).”.

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 of the Internal Revenue Code of 1986 (defining taxable income) is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at the end thereof the following new paragraph: “(3) the direct charitable deduction.”.

(2) DEFINITION.—Section 63 of such Code is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

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

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

“(3) the direct charitable deduction.”.

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

### SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

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

“(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

“(A) IN GENERAL.—No amount shall be includible in gross income by reason of a qualified charitable distribution.

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

“(i) which is made directly by the trustee—

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

“(II) to a split-interest entity, and

“(ii) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 67.

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to subparagraph (A) and, in the case of a distribution to a split-interest entity, only if no person holds an income interest in the amounts in the split-interest entity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

“(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph—

“(i) DIRECT CONTRIBUTIONS.—A distribution to an organization described in section 170(c) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(ii) SPLIT-INTEREST GIFTS.—A distribution to a split-interest entity shall be treated as a qualified charitable distribution only if a deduction for the entire value of the interest in the distribution for the use of an organization described in section 170(c) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(D) APPLICATION OF SECTION 72.—Notwithstanding section 72, in determining the extent to which a distribution is a qualified charitable distribution, the entire amount of the distribution shall be treated as includible in gross income without regard to subparagraph (A) to the extent that such amount does not exceed the aggregate amount which would be so includible if all amounts were distributed from all individual retirement accounts otherwise taken into account in determining the inclusion on such distribution under section 72. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

“(E) SPECIAL RULES FOR SPLIT-INTEREST ENTITIES.—

“(i) CHARITABLE REMAINDER TRUSTS.—Notwithstanding section 664(b), distributions made from a trust described in subparagraph (G)(i) shall be treated as ordinary income in the hands of the recipient of the annuity described in section 664(d)(1)(A) or the payment described in section 664(d)(2)(A).

“(ii) POOLED INCOME FUNDS.—No amount shall be includible in the gross income of a pooled income fund (as defined in subparagraph (G)(ii)) by reason of a qualified charitable distribution to such fund, and all distributions from the fund which are attributable to qualified charitable distributions shall be treated as ordinary income to the recipient.

“(iii) CHARITABLE GIFT ANNUITIES.—Qualified charitable distributions made for a charitable gift annuity shall not be treated as an investment in the contract.

“(F) DENIAL OF DEDUCTION.—Qualified charitable distributions shall not be taken into account in determining the deduction under section 170.

“(G) SPLIT-INTEREST ENTITY DEFINED.—For purposes of this paragraph, the term ‘split-interest entity’ means—

“(i) a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)) which is funded exclusively by qualified charitable distributions,

“(ii) a pooled income fund (as defined in section 642(c)(5)), but only if the fund accounts separately for amounts attributable to qualified charitable distributions, and

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

(b) MODIFICATIONS RELATING TO INFORMATION RETURNS BY CERTAIN TRUSTS.—

(1) RETURNS.—Section 6034 of the Internal Revenue Code of 1986 (relating to returns by trusts described in section 4947(a)(2) or claiming charitable deductions under section 642(c)) is amended to read as follows:

**“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION 4947(a)(2) OR CLAIMING CHARITABLE DEDUCTIONS UNDER SECTION 642(c).**

“(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—Every trust described in section 4947(a)(2) shall furnish such information with respect to the taxable year as the Secretary may by forms or regulations require.

“(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION UNDER SECTION 642(c).—

“(1) IN GENERAL.—Every trust not required to file a return under subsection (a) but claiming a charitable, etc., deduction under section 642(c) for the taxable year shall furnish such information with respect to such taxable year as the Secretary may by forms or regulations prescribe, including:

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

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

“(C) the amount for which charitable, etc., deductions have been taken in prior years but which has not been paid out at the beginning of such year,

“(D) the amount paid out of principal in the current and prior years for charitable, etc., purposes,

“(E) the total income of the trust within such year and the expenses attributable thereto, and

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

“(2) EXCEPTIONS.—Paragraph (1) shall not apply in the case of a taxable year if all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries. Paragraph (1) shall not apply in the case of a trust described in section 4947(a)(1).”.

(2) INCREASE IN PENALTY RELATING TO FILING OF INFORMATION RETURN BY SPLIT-INTEREST TRUSTS.—Paragraph (2) of section 6652(c) of such Code (relating to returns by exempt organizations and by certain trusts) is amended by adding at the end the following new subparagraph:

“(C) SPLIT-INTEREST TRUSTS.—In the case of a trust which is required to file a return under section 6034(a), subparagraphs (A) and (B) of this paragraph shall not apply and paragraph (1) shall apply in the same manner as if such return were required under section 6033, except that—

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

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

“(iii) the third sentence of paragraph (1)(A) shall be disregarded.

If the person required to file such return knowingly fails to file the return, such person shall be personally liable for the penalty imposed pursuant to this subparagraph.”.

(3) CONFIDENTIALITY OF NONCHARITABLE BENEFICIARIES.—Subsection (b) of section 6104 of such Code (relating to inspection of annual information returns) is amended by adding at the end the following new sentence: “In the case of a trust which is required to file a return under section 6034(a), this subsection shall not apply to information regarding beneficiaries which are not organizations described in section 170(c).”.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001, and before January 1, 2004.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to returns for taxable years beginning after December 31, 2001.

**SEC. 103. INCREASE IN CAP ON CORPORATE CHARITABLE CONTRIBUTIONS.**

(a) IN GENERAL.—Paragraph (2) of section 170(b) of the Internal Revenue Code of 1986 (relating to corporations) is amended by striking “10 percent” and inserting “the applicable percentage”.

(b) APPLICABLE PERCENTAGE.—Subsection (b) of section 170 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(3) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

<b>“For taxable years beginning</b>	<b>The applicable in calendar year—percentage is—</b>
2002 .....	13
2003 .....	15
2004 and thereafter .....	10.”.

(c) CONFORMING AMENDMENTS.—

(1) Sections 512(b)(10) and 805(b)(2)(A) of the Internal Revenue Code of 1986 are each amended by striking “10 percent” each place it occurs and inserting “the applicable percentage (determined under section 170(b)(3))”.

(2) Sections 545(b)(2) and 556(b)(2) of such Code are each amended by striking “10-percent limitation” and inserting “applicable percentage limitation”.

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

**SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD AND BOOK INVENTORIES AND BONDS.**

(a) FOOD INVENTORY.—Subsection (e) of section 170 of the Internal Revenue Code of 1986 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

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

“(A) IN GENERAL.—In the case of a charitable contribution of apparently wholesome food by a taxpayer—

“(i) paragraph (3)(A) shall be applied without regard to whether or not the contribution is made by a C corporation, and

“(ii) in the case of a taxpayer other than a C corporation, the total deductions under subsection (a) with respect to such contributions for any taxable year shall not exceed the applicable percentage under subsection (b)(2) of the taxpayer’s net income from the trade or business, computed without regard to this section.

“(B) LIMIT ON REDUCTION.—In the case of a charitable contribution of apparently wholesome food which is a qualified contribution (within the meaning of paragraph (3)(A), as modified by subparagraph (A) of this paragraph), the amount of the reduction determined under paragraph (3)(B) shall not ex-

ceed the amount determined under clause (ii) thereof (computed without taking into account the amount determined under clause (i) thereof).

“(C) DETERMINATION OF BASIS.—For purposes of this paragraph, if a taxpayer—

“(i) does not account for inventories under section 471, and

“(ii) is not required to capitalize indirect costs under section 263A,

the taxpayer may elect, solely for purposes of paragraph (3)(B)(ii), to treat the basis of any qualified contribution of such taxpayer as being equal to 25 percent of the fair market value of such contribution.

“(D) DETERMINATION OF FAIR MARKET VALUE.—In the case of a charitable contribution of apparently wholesome food which is a qualified contribution (within the meaning of paragraph (3), as modified by subparagraphs (A) and (B) of this paragraph) and which, solely by reason of internal standards of the taxpayer or lack of market, cannot or will not be sold, the fair market value of such contribution shall be determined—

“(i) without regard to such internal standards or such lack of market and

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

“(E) APPARENTLY WHOLESOME FOOD.—For purposes of this paragraph, the term ‘apparently wholesome food’ has the meaning given such term by section 22(b)(2) of the Bill Emerson Good Samaritan Food Donation Act (42 U.S.C. 1791(b)(2)), as in effect on the date of the enactment of this paragraph.

(b) BOOK INVENTORY.—Section 170(e)(3) of the Internal Revenue Code of 1986 (relating to certain contributions of ordinary income and capital gain property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

“(D) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.—

“(i) CONTRIBUTIONS OF BOOK INVENTORY.—In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether or not—

“(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

“(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

“(ii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified book contribution’ means a charitable contribution of books, but only if the requirements of clauses (iii) and (iv) are met.

“(iii) IDENTITY OF DONEE.—The requirement of this clause is met if the contribution is to an organization—

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) (other than a private foundation (as defined in section 509(a)) which is not an operating foundation defined in section 4942(j)(3)) which is organized primarily to make books available to the general public at no cost or to operate a literacy program.

“(iv) CERTIFICATION BY DONEE.—The requirement of this clause is met if the donee certifies in writing that—

“(I) the books are suitable, in terms of currency, content, and quantity, for use in the donee’s educational programs, and

“(II) the donee will use the books in its educational programs and will not transfer the books in exchange for money, property, or services.”.

(c) BONDS.—Section 170(e)(5) of the Internal Revenue Code of 1986 (relating to special rule for contributions of stock for which market quotations are readily available) is amended—

(1) by striking “stock.” in subparagraph (A) and inserting “stock or qualified appreciated bonds.”,

(2) by adding at the end the following new subparagraph:

“(D) QUALIFIED APPRECIATED BONDS.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘qualified appreciated bonds’ means United States Treasury securities and such other debt instruments as may be prescribed by the Secretary in regulations.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and before January 1, 2004.

#### SEC. 105. REFORM OF EXCISE TAX ON NET INVESTMENT INCOME OF PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Subsection (a) of section 4940 of the Internal Revenue Code of 1986 (relating to excise tax based on investment income) is amended by striking “2 percent” and inserting “1 percent (2 percent for any taxable year beginning after December 31, 2003)”.

(b) TEMPORARY REPEAL OF REDUCTION IN TAX WHERE PRIVATE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—Section 4940(e) of the Internal Revenue Code of 1986 is amended by inserting “beginning after December 31, 2003” after “any taxable year”.

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

#### SEC. 106. EXCISE TAX ON UNRELATED BUSINESS TAXABLE INCOME OF CHARITABLE REMAINDER TRUSTS.

(a) IN GENERAL.—Subsection (c) of section 664 of the Internal Revenue Code of 1986 (relating to exemption from income taxes) is amended to read as follows:

“(C) TAXATION OF TRUSTS.—

“(1) INCOME TAX.—A charitable remainder annuity trust and a charitable remainder unitrust shall, for any taxable year, not be subject to any tax imposed by this subtitle.

“(2) EXCISE TAX.—

“(A) IN GENERAL.—In the case of a charitable remainder annuity trust or a charitable remainder unitrust that has unrelated business taxable income (within the meaning of section 512, determined as if part III of subchapter F applied to such trust) for a taxable year, there is hereby imposed on such trust or unitrust an excise tax equal to the amount of such unrelated business taxable income.

“(B) CERTAIN RULES TO APPLY.—The tax imposed by subparagraph (A) shall be treated as imposed by chapter 42 for purposes of this title other than subchapter E of chapter 42.

“(C) TAX COURT PROCEEDINGS.—For purposes of this paragraph, the references in section 6212(c)(1) to section 4940 shall be deemed to include references to this paragraph.”.

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

#### SEC. 107. EXPANSION OF CHARITABLE CONTRIBUTION ALLOWED FOR SCIENTIFIC PROPERTY USED FOR RESEARCH AND FOR COMPUTER TECHNOLOGY AND EQUIPMENT USED FOR EDUCATIONAL PURPOSES.

(a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—Clause (ii) of section 170(e)(4)(B) of the Internal Revenue Code of 1986 (defining qualified research contributions) is amended by inserting “or assembled” after “constructed”.

(b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR EDUCATIONAL PURPOSES.—Clause (ii) of

section 170(e)(6)(B) of the Internal Revenue Code of 1986 is amended by inserting “or assembled” after “constructed” and “or assembling” after “construction”.

(c) CONFORMING AMENDMENT.—Subparagraph (D) of section 170(e)(6) of the Internal Revenue Code of 1986 is amended by inserting “or assembled” after “constructed” and “or assembling” after “construction”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and before January 1, 2004.

#### SEC. 108. ADJUSTMENT TO BASIS OF S CORPORATION STOCK FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Paragraph (2) of section 1367(a) of the Internal Revenue Code of 1986 (relating to adjustments to basis of stock of shareholders, etc.) is amended by adding at the end the following new flush sentence:

“The decrease under subparagraph (B) by reason of a charitable contribution (as defined in section 170(c)) of property shall be the amount equal to the shareholder’s proportionate share of the adjusted basis of such property.”.

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

### TITLE II—INDIVIDUAL DEVELOPMENT ACCOUNTS

#### SEC. 201. SHORT TITLE.

This title may be cited as the “Savings for Working Families Act of 2002”.

#### SEC. 202. PURPOSES.

The purposes of this title are to provide for the establishment of individual development account programs that will—

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

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

(3) stabilize families and build communities, and

(4) support continued United States economic expansion.

#### SEC. 203. DEFINITIONS.

As used in this title:

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term “eligible individual” means, with respect to any taxable year, an individual who—

(i) has attained the age of 18 years but not the age of 61 as of the last day of such taxable year,

(ii) is a citizen or legal resident of the United States as of the last day of such taxable year,

(iii) was not a student (as defined in section 151(c)(4) of the Internal Revenue Code of 1986) for the immediately preceding taxable year,

(iv) is not an individual with respect to whom a deduction under section 151 of such Code is allowable to another taxpayer for a taxable year of the other taxpayer ending during the immediately preceding taxable year of the individual, and

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

(I) \$20,000, in the case of a taxpayer described in section 1(c) of such Code,

(II) \$30,000, in the case of a taxpayer described in section 1(b) of such Code,

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

(IV) zero in the case of a taxpayer described in section 1(d) of such Code.

(B) INFLATION ADJUSTMENT.—

(i) IN GENERAL.—In the case of any taxable year beginning after 2003, each dollar amount referred to in subparagraph (A)(v) shall be increased by an amount equal to—

(I) such dollar amount, multiplied by

(II) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, by substituting “2002” for “1992”.

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

(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of subparagraph (A)(v), the term “modified adjusted gross income” means adjusted gross income—

(i) determined without regard to sections 86, 893, 911, 931, and 933 of the Internal Revenue Code of 1986, and

(ii) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

(2) INDIVIDUAL DEVELOPMENT ACCOUNT.—The term “Individual Development Account” means an account established for an eligible individual as part of a qualified individual development account program, but only if the written governing instrument creating the account meets the following requirements:

(A) The owner of the account is the individual for whom the account was established.

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

(C) The holder of the account is a qualified financial institution.

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

(E) Except as provided in section 207(b), any amount in the account may be paid out only for the purpose of paying the qualified expenses of the account owner.

(3) PARALLEL ACCOUNT.—The term “parallel account” means a separate, parallel individual or pooled account for all matching funds and earnings dedicated to an Individual Development Account owner as part of a qualified individual development account program, the sole owner of which is a qualified financial institution, a qualified nonprofit organization, or an Indian tribe.

(4) QUALIFIED FINANCIAL INSTITUTION.—

(A) IN GENERAL.—The term “qualified financial institution” means any person authorized to be a trustee of any individual retirement account under section 408(a)(2) of the Internal Revenue Code of 1986.

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing a person described in subparagraph (A) from collaborating with 1 or more qualified nonprofit organizations or Indian tribes to carry out an individual development account program established under section 204.

(5) QUALIFIED NONPROFIT ORGANIZATION.—The term “qualified nonprofit organization” means—

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

(B) any community development financial institution certified by the Community Development Financial Institution Fund,

(C) any credit union chartered under Federal or State law, or

(D) any public housing agency as defined in section 3(b)(6) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(6)).

(6) INDIAN TRIBE.—The term “Indian tribe” means any Indian tribe as defined in section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(12)), and includes any tribally designated housing entity (as defined in section 4(21) of such Act (25 U.S.C. 4103(21))), tribal

subsidiary, subdivision, or other wholly owned tribal entity.

(7) **QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM.**—The term “qualified individual development account program” means a program established under section 204 after December 31, 2001, under which—

(A) Individual Development Accounts and parallel accounts are held by a qualified financial institution, and

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

(8) **QUALIFIED EXPENSE DISTRIBUTION.**—

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

(i) is used exclusively to pay the qualified expenses of the Individual Development Account owner or such owner's spouse or dependents,

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

(I) except as otherwise provided in this clause, directly to the unrelated third party to whom the amount is due,

(II) in the case of distributions for working capital under a qualified business plan (as defined in subparagraph (B)(iv)(IV)), directly to the Account owner,

(III) in the case of any qualified rollover, directly to another Individual Development Account and parallel account, or

(IV) in the case of a qualified final distribution, directly to the spouse, dependent, or other named beneficiary of the deceased Account owner, and

(iii) is paid after the Account owner has completed a financial education course if required under section 205(b).

(B) **QUALIFIED EXPENSES.**—

(I) **IN GENERAL.**—The term “qualified expenses” means any of the following expenses approved by the qualified financial institution, qualified nonprofit organization, or Indian tribe:

(I) Qualified higher education expenses.

(II) Qualified first-time homebuyer costs.

(III) Qualified business capitalization or expansion costs.

(IV) Qualified rollovers.

(V) Qualified final distribution.

(ii) **QUALIFIED HIGHER EDUCATION EXPENSES.**—

(I) **IN GENERAL.**—The term “qualified higher education expenses” has the meaning given such term by section 529(e)(3) of the Internal Revenue Code of 1986, determined by treating the Account owner, the owner's spouse, or one or more of the owner's dependents as a designated beneficiary, and reduced as provided in section 25A(g)(2) of such Code.

(II) **COORDINATION WITH OTHER BENEFITS.**—The amount of expenses which may be taken into account for purposes of section 135, 529, or 530 of such Code for any taxable year shall be reduced by the amount of any qualified higher education expenses taken into account as qualified expense distributions during such taxable year.

(iii) **QUALIFIED FIRST-TIME HOMEBUYER COSTS.**—The term “qualified first-time homebuyer costs” means qualified acquisition costs (as defined in section 72(t)(8)(C) of the Internal Revenue Code of 1986) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified

first-time homebuyer (as defined in section 72(b)(8)(D)(i) of such Code).

(iv) **QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.**—

(I) **IN GENERAL.**—The term “qualified business capitalization or expansion costs” means qualified expenditures for the capitalization or expansion of a qualified business pursuant to a qualified business plan.

(II) **QUALIFIED EXPENDITURES.**—The term “qualified expenditures” means expenditures included in a qualified business plan, including capital, plant, equipment, working capital, inventory expenses, attorney and accounting fees, and other costs normally associated with starting or expanding a business.

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

(IV) **QUALIFIED BUSINESS PLAN.**—The term “qualified business plan” means a business plan which has been approved by the qualified financial institution, qualified nonprofit organization, or Indian tribe and which meets such requirements as the Secretary may specify.

(V) **QUALIFIED ROLLOVERS.**—The term “qualified rollover” means the complete distribution of the amounts in an Individual Development Account and parallel account to another Individual Development Account and parallel account established in another qualified financial institution for the benefit of the Account owner.

(VI) **QUALIFIED FINAL DISTRIBUTION.**—The term “qualified final distribution” means, in the case of a deceased Account owner, the complete distribution of the amounts in the Individual Development Account and parallel account directly to the spouse, any dependent, or other named beneficiary of the deceased.

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

#### **SEC. 204. STRUCTURE AND ADMINISTRATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**

(a) **ESTABLISHMENT OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**—Any qualified financial institution, qualified nonprofit organization, or Indian tribe may establish 1 or more qualified individual development account programs which meet the requirements of this title.

(b) **BASIC PROGRAM STRUCTURE.**—

(I) **IN GENERAL.**—All qualified individual development account programs shall consist of the following 2 components:

(A) An Individual Development Account to which an eligible individual may contribute cash in accordance with section 205.

(B) A parallel account to which all matching funds shall be deposited in accordance with section 206.

(2) **TAILORED IDA PROGRAMS.**—A qualified financial institution, a qualified nonprofit organization, or an Indian tribe may tailor its qualified individual development account program to allow matching funds to be spent on 1 or more of the categories of qualified expenses.

(c) **COORDINATION WITH PUBLIC HOUSING AGENCY INDIVIDUAL SAVINGS ACCOUNTS.**—Section 3(e)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437a(e)(2)) is amended by inserting “or in any Individual Development Account established under the Savings for Working Families Act of 2002” after “subsection”.

(d) **TAX TREATMENT OF PARALLEL ACCOUNTS.**—

(I) **IN GENERAL.**—Chapter 77 of the Internal Revenue Code of 1986 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

#### **“SEC. 7525. TAX INCENTIVES FOR INDIVIDUAL DEVELOPMENT PARALLEL ACCOUNTS.**

“For purposes of this title—

“(1) any account described in section 204(b)(1)(B) of the Savings for Working Families Act of 2002 shall be exempt from taxation,

(2) except as provided in section 45G, no item of income, expense, basis, gain, or loss with respect to such an account may be taken into account, and

(3) any amount withdrawn from such an account shall not be includible in gross income.”.

(2) **CONFORMING AMENDMENT.**—The table of sections for chapter 77 of such Code is amended by adding at the end the following new item:

“Sec. 7525. Tax incentives for individual development parallel accounts.”.

#### **SEC. 205. PROCEDURES FOR OPENING AND MAINTAINING AN INDIVIDUAL DEVELOPMENT ACCOUNT AND QUALIFYING FOR MATCHING FUNDS.**

(a) **OPENING AN ACCOUNT.**—An eligible individual may open an Individual Development Account with a qualified financial institution, a qualified nonprofit organization, or an Indian tribe upon certification that such individual has never maintained any other Individual Development Account (other than an Individual Development Account to be terminated by a qualified rollover).

(b) **REQUIRED COMPLETION OF FINANCIAL EDUCATION COURSE.**—

(1) **IN GENERAL.**—Before becoming eligible to withdraw matching funds to pay for qualified expenses, owners of Individual Development Accounts must complete a financial education course offered by a qualified financial institution, a qualified nonprofit organization, an Indian tribe, or a government entity.

(2) **STANDARD AND APPLICABILITY OF COURSE.**—The Secretary, in consultation with representatives of qualified individual development account programs and financial educators, shall establish minimum quality standards for the contents of financial education courses and providers of such courses offered under paragraph (1) and a protocol to exempt individuals from the requirement under paragraph (1) in the case of hardship, lack of need, the attainment of age 61, or a qualified final distribution.

(c) **PROOF OF STATUS AS AN ELIGIBLE INDIVIDUAL.**—Federal income tax forms for the immediately preceding taxable year shall be presented to the qualified financial institution, qualified nonprofit organization, or Indian tribe at the time of the establishment of the Individual Development Account and in any taxable year in which contributions are made to the Account to qualify for matching funds under section 206(b)(1)(A).

(d) **DIRECT DEPOSITS.**—The Secretary may, under regulations, provide for the direct deposit of any portion (not less than \$1) of any overpayment of Federal tax of an individual as a contribution to the Individual Development Account of such individual.

#### **SEC. 206. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.**

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

(b) **REGULAR DEPOSITS OF MATCHING FUNDS.**—

(1) **IN GENERAL.**—Subject to paragraph (2), the qualified financial institution, qualified nonprofit organization, or Indian tribe shall deposit into the parallel account with respect to each eligible individual the following amounts:

(A) A dollar-for-dollar match for the first \$500 contributed by the eligible individual

into an Individual Development Account with respect to any taxable year of such individual.

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

(2) INFLATION ADJUSTMENT.—

(A) IN GENERAL.—In the case of any taxable year beginning after 2003, the dollar amount referred to in paragraph (1)(A) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year begins, by substituting “2002” for “1992”.

(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of \$20, such amount shall be rounded to the nearest multiple of \$20.

(3) TIMING OF DEPOSITS.—A deposit of the amounts described in paragraph (1) shall be made into a parallel account—

(A) in the case of amounts described in paragraph (1)(A), not later than 30 days after the end of the calendar quarter during which the contribution described in such paragraph was made, and

(B) in the case of amounts described in paragraph (1)(B), not later than 2 business days after such amounts were provided.

(4) CROSS REFERENCE.—

**For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 45G of the Internal Revenue Code of 1986.**

(c) DEPOSIT OF MATCHING FUNDS INTO INDIVIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO HAS ATTAINED AGE 61.—In the case of an Individual Development Account owner who attains the age of 61, the qualified financial institution, qualified nonprofit organization, or Indian tribe which owns the parallel account with respect to such individual shall deposit the funds in such parallel account into the Individual Development Account of such individual on the later of—

(1) the day which is the 1-year anniversary of the deposit of such funds in the parallel account, or

(2) the first business day of the taxable year of such individual following the taxable year in which such individual attained age 61.

(d) UNIFORM ACCOUNTING REGULATIONS.—To ensure proper recordkeeping and determination of the tax credit under section 45G of the Internal Revenue Code of 1986, the Secretary shall prescribe regulations with respect to accounting for matching funds in the parallel accounts.

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

#### SEC. 207. WITHDRAWAL PROCEDURES.

(a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

(1) IN GENERAL.—An Individual Development Account owner may withdraw funds in order to pay qualified expense distributions from such individual's—

(A) Individual Development Account, and

(B) parallel account, but only—

(i) from matching funds which have been on deposit in such parallel account for at least 1 year,

(ii) from earnings in such parallel account, after all matching funds described in clause (i) have been withdrawn, and

(iii) to the extent such withdrawal does not result in a remaining balance in such parallel account which is less than the remain-

ing balance in the Individual Development Account after such withdrawal.

(2) PROCEDURE.—Upon receipt of a withdrawal request which meets the requirements of paragraph (1), the qualified financial institution, qualified nonprofit organization, or Indian tribe shall directly transfer the funds electronically to the distributees described in section 203(8)(A)(ii). If a distributee is not equipped to receive funds electronically, the qualified financial institution, qualified nonprofit organization, or Indian tribe may issue such funds by paper check to the distributee.

(b) WITHDRAWALS FOR NONQUALIFIED EXPENSES.—An Individual Development Account owner may withdraw any amount of funds from the Individual Development Account for purposes other than to pay qualified expense distributions, but if, after such withdrawal, the amount in the parallel account of such owner (excluding earnings on matching funds) exceeds the amount remaining in such Individual Development Account, then such owner shall forfeit from the parallel account the lesser of such excess or the amount withdrawn.

(c) WITHDRAWALS FROM ACCOUNTS OF NON-ELIGIBLE INDIVIDUALS.—If the individual for whose benefit an Individual Development Account is established ceases to be an eligible individual, such account shall remain an Individual Development Account, but such individual shall not be eligible for any further matching funds under section 206(b)(1)(A) for contributions which are made to the Account during any taxable year when such individual is not an eligible individual.

(d) EFFECT OF PLEDGING ACCOUNT AS SECURITY.—If, during any taxable year of the individual for whose benefit an Individual Development Account is established, that individual uses the Account or any portion thereof as security for a loan, the portion so used shall be treated as a withdrawal of such portion for purposes other than to pay qualified expenses, and such individual shall forfeit an equal amount of matching funds from the individual's parallel account.

#### SEC. 208. CERTIFICATION AND TERMINATION OF QUALIFIED INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAMS.

(a) CERTIFICATION PROCEDURES.—Upon establishing a qualified individual development account program under section 204, a qualified financial institution, a qualified nonprofit organization, or an Indian tribe shall certify to the Secretary on forms prescribed by the Secretary and accompanied by any documentation required by the Secretary, that—

(1) the accounts described in subparagraphs (A) and (B) of section 204(b)(1) are operating pursuant to all the provisions of this title, and

(2) the qualified financial institution, qualified nonprofit organization, or Indian tribe agrees to implement an information system necessary to monitor the cost and outcomes of the qualified individual development account program.

(b) AUTHORITY TO TERMINATE QUALIFIED IDA PROGRAM.—If the Secretary determines that a qualified financial institution, a qualified nonprofit organization, or an Indian tribe under this title is not operating a qualified individual development account program in accordance with the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such institution's, nonprofit organization's, or Indian tribe's authority to conduct the program. If the Secretary is unable to identify a qualified financial institution, a qualified nonprofit organization, or an Indian tribe to assume the authority to conduct such program, then any funds in a par-

allel account established for the benefit of any individual under such program shall be deposited into the Individual Development Account of such individual as of the first day of such termination.

#### SEC. 209. REPORTING, MONITORING, AND EVALUATION.

(a) RESPONSIBILITIES OF QUALIFIED FINANCIAL INSTITUTIONS, QUALIFIED NONPROFIT ORGANIZATIONS, AND INDIAN TRIBES.—

(1) IN GENERAL.—Each qualified financial institution, qualified nonprofit organization, or Indian tribe that operates a qualified individual development account program under section 204 shall report annually to the Secretary within 90 days after the end of each calendar year on—

(A) the number of eligible individuals making contributions into Individual Development Accounts,

(B) the amounts contributed into Individual Development Accounts and deposited into parallel accounts for matching funds,

(C) the amounts withdrawn from Individual Development Accounts and parallel accounts, and the purposes for which such amounts were withdrawn,

(D) the balances remaining in Individual Development Accounts and parallel accounts, and

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

(2) ADDITIONAL REPORTING REQUIREMENTS.—Each qualified financial institution, qualified nonprofit organization, or Indian tribe that operates a qualified individual development account program under section 204 shall report at such time and in such manner as the Secretary may prescribe any additional information that the Secretary requires to be provided for purposes of administering and supervising the qualified individual development account program. This additional data may include, without limitation, identifying information about Individual Development Account holders, their Accounts, additions to the Accounts, and withdrawals from the Accounts.

(b) RESPONSIBILITIES OF THE SECRETARY.—

(1) MONITORING PROTOCOL.—Not later than 12 months after the date of the enactment of this Act, the Secretary, in consultation with the Secretary of Health and Human Services, shall develop and implement a protocol and process to monitor the cost and outcomes of the qualified individual development account programs established under section 204.

(2) ANNUAL REPORTS.—In each year after the date of the enactment of this Act, the Secretary shall submit a progress report to Congress on the status of such qualified individual development account programs. Such report shall, to the extent data is available, include from a representative sample of qualified individual development account programs information on—

(A) the characteristics of participants, including age, gender, race or ethnicity, marital status, number of children, employment status, and monthly income,

(B) deposits, withdrawals, balances, uses of Individual Development Accounts, and participant characteristics,

(C) the characteristics of qualified individual development account programs, including match rate, economic education requirements, permissible uses of accounts, staffing of programs in full time employees, and the total costs of programs, and

(D) process information on program implementation and administration, especially on problems encountered and how problems were solved.

(3) REAUTHORIZATION REPORT ON COST AND OUTCOMES OF IDAS.—

(A) IN GENERAL.—Not later than July 1, 2008, the Secretary of the Treasury shall submit a report to Congress and the chairmen and ranking members of the Committee on Finance, the Committee on Banking, Housing, and Urban Affairs, and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Ways and Means, the Committee on Banking and Financial Services, and the Committee on Education and the Workforce of the House of Representatives, in which the Secretary shall—

(i) summarize the previously submitted annual reports required under paragraph (2),

(ii) from a representative sample of qualified individual development account programs, include an analysis of—

(I) the economic, social, and behavioral outcomes,

(II) the changes in savings rates, asset holdings, and household debt, and overall changes in economic stability,

(III) the changes in outlooks, attitudes, and behavior regarding savings strategies, investment, education, and family,

(IV) the integration into the financial mainstream, including decreased reliance on alternative financial services, and increase in acquisition of mainstream financial products, and

(V) the involvement in civic affairs, including neighborhood schools and associations, associated with participation in qualified individual development account programs,

(iii) from a representative sample of qualified individual development account programs, include a comparison of outcomes associated with such programs with outcomes associated with other Federal Government social and economic development programs, including asset building programs, and

(iv) make recommendations regarding the reauthorization of the qualified individual development account programs, including—

(I) recommendations regarding reforms that will improve the cost and outcomes of the such programs, including the ability to help low income families save and accumulate productive assets,

(II) recommendations regarding the appropriate levels of subsidies to provide effective incentives to financial institutions and Account holders under such programs, and

(IV) recommendations regarding how such programs should be integrated into other Federal poverty reduction, asset building, and community development policies and programs.

(B) AUTHORIZATION.—There is authorized to be appropriated \$2,500,000, for carrying out the purposes of this paragraph.

#### SEC. 210. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to the Secretary \$1,000,000 for fiscal year 2003 and for each fiscal year through 2009, for the purposes of implementing this title, including the reporting, monitoring, and evaluation required under section 209, to remain available until expended.

#### SEC. 211. ACCOUNT FUNDS DISREGARDED FOR PURPOSES OF CERTAIN MEANS-TESTED FEDERAL PROGRAMS.

Notwithstanding any other provision of Federal law that requires consideration of 1 or more financial circumstances of an individual, for the purposes of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, an amount shall be disregarded for such purposes equal to the sum of—

(1) the lesser of—

(A) all amounts (including earnings thereon) in any Individual Development Account of such individual, or

(B) an amount equal to \$1,000 times the number of years (including the year in which such determination is made) that such Account (including any predecessor Account) has been open, plus

(2) the matching deposits made on behalf of such individual (including earnings thereon) in any parallel account.

#### SEC. 212. MATCHING FUNDS FOR INDIVIDUAL DEVELOPMENT ACCOUNTS PROVIDED THROUGH A TAX CREDIT FOR QUALIFIED FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

##### “SEC. 45G. INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT CREDIT.

“(a) DETERMINATION OF AMOUNT.—For purposes of section 38, the individual development account investment credit determined under this section with respect to any eligible entity for any taxable year is an amount equal to the individual development account investment provided by such eligible entity during the taxable year under an individual development account program established under section 204 of the Savings for Working Families Act of 2002.

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

“(1) the tax imposed under this chapter (other than the taxes imposed under the provisions described in subparagraphs (C) through (Q) of section 26(b)(2)), over

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

“(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVESTMENT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘individual development account investment’ means, with respect to an individual development account program of a qualified financial institution in any taxable year, an amount equal to the sum of—

“(A) the aggregate amount of dollar-for-dollar matches under such program under section 206(b)(1)(A) of the Savings for Working Families Act of 2002 for such taxable year, plus

“(B) \$50 with respect to each Individual Development Account maintained as of the end of such taxable year, with a balance of not less than \$100 (other than the taxable year in which such Account is opened).

“(2) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning after 2003, the \$50 amount referred to in paragraph (1)(B) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting ‘2002’ for ‘1992’.

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

“(d) ELIGIBLE ENTITY.—For purposes of this section, except as provided in regulations, the term ‘eligible entity’ means a qualified financial institution.

“(e) OTHER DEFINITIONS.—For purposes of this section, any term used in this section and also in the Savings for Working Families Act of 2002 shall have the meaning given such term by such Act.

“(f) DENIAL OF DOUBLE BENEFIT.—

“(1) IN GENERAL.—No deduction or credit (other than under this section) shall be allowed under this chapter with respect to any expense which—

“(A) is taken into account under subsection (c)(1)(A) in determining the credit under this section, or

“(B) is attributable to the maintenance of an Individual Development Account.

“(2) DETERMINATION OF AMOUNT.—Solely for purposes of paragraph (1)(B), the amount attributable to the maintenance of an Individual Development Account shall be deemed to be the dollar amount of the credit allowed under subsection (c)(1)(B) for each taxable year such Individual Development Account is maintained.

“(g) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including—

“(1) regulations allowing taxpayers other than qualified financial institutions to claim credits under this section, and

“(2) regulations providing for a recapture of the credit allowed under this section (notwithstanding any termination date described in subsection (h)) in cases where there is a forfeiture under section 207(b) of the Savings for Working Families Act of 2002 in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.

“(h) APPLICATION OF SECTION.—

“(1) IN GENERAL.—This section shall apply to any expenditure made in any taxable year ending after December 31, 2002, and beginning on or before January 1, 2010, with respect to any Individual Development Account which—

“(A) is opened before January 1, 2008, and

“(B) as determined by the Secretary, when added to all previously opened Individual Development Accounts, does not exceed 900,000 Accounts.

Notwithstanding the preceding sentence, this section shall apply to amounts which are described in subsection (c)(1)(A) and which are timely deposited into a parallel account during the 30-day period following the end of last taxable year beginning before January 1, 2010.

“(2) DETERMINATION OF LIMITATION.—The limitation on the number of Individual Development Accounts under paragraph (1)(B) shall be allocated by the Secretary among qualified individual development account programs selected by the Secretary.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 (relating to current year business credit) is amended by striking “plus” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “, plus”, and by adding at the end the following new paragraph:

“(16) the individual development account investment credit determined under section 45G(a).”

(c) NO CARRYBACKS.—Subsection (d) of section 39 of the Internal Revenue Code of 1986 (relating to carryback and carryforward of unused credits) is amended by adding at the end the following:

“(11) NO CARRYBACK OF SECTION 45G CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the individual development account investment credit determined under section 45G may be carried back to a taxable year ending before January 1, 2003.”

(d) CONFORMING AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

“Sec. 45G. Individual development account investment credit.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2002.

### TITLE III—EQUAL TREATMENT FOR NONGOVERNMENTAL PROVIDERS

#### SEC. 301. NONGOVERNMENTAL ORGANIZATIONS.

(a) GENERAL AUTHORITY.—For any social service program, a nongovernmental organization that is (or is applying to be) involved in the delivery of social services for the program shall not be required—

(1) to alter or remove art, icons, scripture, or other symbols, or to alter its name, because the symbols or name are religious;

(2) to alter or remove provisions in its chartering documents because the provisions are religious, except that no such charter provisions shall affect the application to a nongovernmental organization of any law that would (notwithstanding this paragraph) apply to the nongovernmental organization; or

(3) to alter or remove religious qualifications for membership on its governing boards.

(b) PRIOR EXPERIENCE.—A nongovernmental organization that has not previously been awarded a contract, grant, or cooperative agreement from an agency shall not, for that reason, be disadvantaged in a competition to secure a contract, grant, or cooperative agreement to deliver services under a social service program from the agency administering the program.

#### (c) INTERMEDIATE GRANTORS.—

(1) IN GENERAL.—An agency that administers a social service program, and that is authorized to award grants or cooperative agreements to nongovernmental organizations under the program, may award to a nongovernmental organization (referred to in this subsection as an “intermediate grantor”) a grant or cooperative agreement, the terms of which authorize the intermediate grantor—

(A) to award contracts or subgrants to nongovernmental providers, to administer and deliver social services for the program; and

(B) to administer the contracts or subgrants.

(2) RESPONSIBILITIES.—Except for those administrative responsibilities that the intermediate grantor fully performs on behalf of the recipient of such a contract or subgrant, the recipient of the contract or subgrant shall have the same responsibilities with respect to the program as the recipient would have if it were the intermediate grantor.

(3) RIGHTS.—The recipient of a contract or subgrant from an intermediate grantor shall have the same rights under this section as the recipient would have if it were the intermediate grantor.

(d) COMPLIANCE.—To enforce the provisions of this section against a Federal agency or official, a nongovernmental organization may bring an action for injunctive relief in an appropriate United States district court. To enforce the provisions of this section against a State or local agency or official, a nongovernmental organization may bring an action for injunctive relief in an appropriate State court of general jurisdiction.

#### (e) DEFINITIONS.—In this section:

(1) FEDERAL FINANCIAL ASSISTANCE.—The term “Federal financial assistance” does not include a tax credit, deduction, or exemption.

#### (2) SOCIAL SERVICE PROGRAM.—

(A) IN GENERAL.—The term “social service program” means a program that—

(i) is administered by the Federal Government, or by a State or local government using Federal financial assistance; and

(ii) provides services directed at helping people in need, reducing poverty, improving outcomes of low-income children, revitalizing low-income communities, and empowering low-income families and low-income individuals to become self-sufficient, including—

(I) child care services, protective services for children and adults, services for children and adults in foster care, adoption services, services related to the management and maintenance of the home, day care services for adults, and services to meet the special needs of children, older individuals, and individuals with disabilities (including physical, mental, or emotional disabilities);

(II) transportation services;

(III) job training and related services, and employment services;

(IV) information, referral, and counseling services;

(V) the preparation and delivery of meals, and services related to soup kitchens or food banks;

(VI) health support services;

(VII) literacy and mentoring programs;

(VIII) services for the prevention and treatment of juvenile delinquency and substance abuse, services for the prevention of crime and the provision of assistance to the victims and the families of criminal offenders, and services related to the intervention in, and prevention of, domestic violence; and

(IX) services related to the provision of assistance for housing under Federal law.

(B) EXCLUSIONS.—The term does not include a program having the purpose of delivering educational assistance under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) or under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

### TITLE IV—EZ PASS RECOGNITION OF SECTION 501(c)(3) STATUS

#### SEC. 401. EZ PASS RECOGNITION OF SECTION 501(c)(3) STATUS AND WAIVER OF APPLICATION FEE FOR EXEMPT STATUS FOR CERTAIN ORGANIZATIONS PROVIDING SOCIAL SERVICES FOR THE POOR AND NEEDY.

(a) IN GENERAL.—The Secretary of the Treasury or the Secretary's delegate (in this section, referred to as the “Secretary”) shall adopt procedures to expedite the consideration of applications for exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 by any organization that—

(1) is organized and operated for the primary purpose of providing social services;

(2) is seeking a contract or grant under a Federal, State, or local program that provides funding for social services programs;

(3) establishes that, under the terms and conditions of the contract or grant program, an organization is required to obtain such exempt status before the organization is eligible to apply for a contract or grant;

(4) includes with its exemption application a copy of its completed Federal, State, or local contract or grant application; and

(5) meets such other criteria as the Secretary deems appropriate for expedited consideration.

The Secretary may prescribe other similar circumstances in which such organizations may be entitled to expedited consideration.

(b) WAIVER OF APPLICATION FEE FOR EXEMPT STATUS.—Any organization that meets the conditions described in subsection (a) (without regard to paragraph (3) of that subsection) is entitled to a waiver of any fee for an application for exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 if the organization certifies that the organization has had (or expects to have) average annual gross receipts of not more than \$50,000 during the preceding 4 years (or during such organization's first 4 years).

(c) SOCIAL SERVICES DEFINED.—For purposes of this section, the term “social services” means services described in subparagraph (A)(ii) of section 301(e)(2) (except as described in subparagraph (B) of that section).

### TITLE V—COMPASSION CAPITAL FUND

#### SEC. 501. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF HEALTH AND HUMAN SERVICES.

(a) SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.—The Secretary of Health and Human Services (referred to in this section as “the Secretary”) may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of nonprofit community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

#### (b) SUPPORT FOR STATES.—The Secretary—

(1) may award grants to and enter into cooperative agreements with States and political subdivisions of States to provide seed money to establish State and local offices of faith-based and community initiatives; and

(2) shall provide technical assistance to States and political subdivisions of States in administering the provisions of this Act.

(c) APPLICATIONS.—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(d) LIMITATION.—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section \$85,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(f) DEFINITION.—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

**SEC. 502. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; CORPORATION FOR NATIONAL AND COMMUNITY SERVICE.**

(a) **SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.**—The Corporation for National and Community Service (referred to in this section as “the Corporation”) may award grants to and enter into cooperative agreements with nongovernmental organizations and State Commissions on National and Community Service established under section 178 of the National and Community Service Act of 1990 (42 U.S.C. 12638), to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) **APPLICATIONS.**—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State Commission, State, or political subdivision shall submit an application to the Corporation at such time, in such manner, and containing such information as the Corporation may require.

(c) **LIMITATION.**—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated to carry out this section \$15,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) **DEFINITION.**—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

**SEC. 503. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF JUSTICE.**

(a) **SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.**—The Attorney General may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of nonprofit community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) **APPLICATIONS.**—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Attorney General at such time, in such manner, and containing such information as the Attorney General may require.

(c) **LIMITATION.**—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Attorney General) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated to carry out this section \$35,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) **DEFINITION.**—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

**SEC. 504. SUPPORT FOR NONPROFIT COMMUNITY-BASED ORGANIZATIONS; DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.**

(a) **SUPPORT FOR NONGOVERNMENTAL ORGANIZATIONS.**—The Secretary of Housing and Urban Development (referred to in this section “the Secretary”) may award grants to and enter into cooperative agreements with nongovernmental organizations, to—

(1) provide technical assistance for community-based organizations, which may include—

(A) grant writing and grant management assistance, which may include assistance provided through workshops and other guidance;

(B) legal assistance with incorporation;

(C) legal assistance to obtain tax-exempt status; and

(D) information on, and referrals to, other nongovernmental organizations that provide expertise in accounting, on legal issues, on tax issues, in program development, and on a variety of other organizational topics;

(2) provide information and assistance for community-based organizations on capacity building;

(3) provide for community-based organizations information on and assistance in identifying and using best practices for delivering assistance to persons, families, and communities in need;

(4) provide information on and assistance in utilizing regional intermediary organizations to increase and strengthen the capabilities of community-based organizations;

(5) assist community-based organizations in replicating social service programs of demonstrated effectiveness; and

(6) encourage research on the best practices of social service organizations.

(b) **APPLICATIONS.**—To be eligible to receive a grant or enter into a cooperative agreement under this section, a nongovernmental organization, State, or political subdivision shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

(c) **LIMITATION.**—In order to widely disburse limited resources, no community-based organization (other than a direct recipient of a grant or cooperative agreement from the Secretary) may receive more than 1 grant or cooperative agreement under this section for the same purpose.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated to carry out this section \$15,000,000 for fiscal year 2003, and such sums as may be necessary for each of fiscal years 2004 through 2007.

(e) **DEFINITION.**—In this section, the term “community-based organization” means a nonprofit corporation or association that has—

(1) not more than 6 full-time equivalent employees who are engaged in the provision of social services; or

(2) a current annual budget (current as of the date the entity seeks assistance under this section) for the provision of social services, compiled and adopted in good faith, of less than \$450,000.

**SEC. 505. COORDINATION.**

The Secretary of Health and Human Services, the Corporation for National and Community Service, the Attorney General, and the Secretary of Housing and Urban Development shall coordinate their activities under this title to ensure—

(1) nonduplication of activities under this title; and

(2) an equitable distribution of resources under this title.

**TITLE VI—SOCIAL SERVICES BLOCK GRANT**

**SEC. 601. RESTORATION OF AUTHORITY TO TRANSFER UP TO 10 PERCENT OF TANF FUNDS TO THE SOCIAL SERVICES BLOCK GRANT.**

(a) **IN GENERAL.**—Section 404(d)(2) of the Social Security Act (42 U.S.C. 604(d)(2)) is amended to read as follows:

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

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) applies to amounts made available for fiscal year 2003 and each fiscal year thereafter.

**SEC. 602. RESTORATION OF FUNDS FOR THE SOCIAL SERVICES BLOCK GRANT.**

(a) **FINDINGS.**—Congress makes the following findings:

(1) On August 22, 1996, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193; 110 Stat. 2105) was signed into law.

(2) In enacting that law, Congress authorized \$2,800,000,000 for fiscal year 2003 and each fiscal year thereafter to carry out the Social Services Block Grant program established under title XX of the Social Security Act (42 U.S.C. 1397 et seq.).

(b) RESTORATION OF FUNDS.—Section 2003(c) of the Social Security Act (42 U.S.C. 1397b(c)) is amended—

(1) in paragraph (10), by striking “and” at the end;

(2) in paragraph (11), by striking “ and each fiscal year thereafter.” and inserting a semicolon; and

(3) by adding at the end the following:

“(12) \$1,975,000,000 for the fiscal year 2003; and

“(13) \$2,800,000,000 for the fiscal year 2004.”.

#### SEC. 603. REQUIREMENT TO SUBMIT ANNUAL REPORT ON STATE ACTIVITIES.

(a) IN GENERAL.—Section 2006(c) of the Social Security Act (42 U.S.C. 1397e(c)) is amended by adding at the end the following: “The Secretary shall compile the information submitted by the States and submit that information to Congress on an annual basis.”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to information submitted by States under section 2006 of the Social Security Act (42 U.S.C. 1397e) with respect to fiscal year 2002 and each fiscal year thereafter.

#### TITLE VII—MATERNITY GROUP HOMES

##### SEC. 701. MATERNITY GROUP HOMES.

(a) PERMISSIBLE USE OF FUNDS.—Section 322 of the Runaway and Homeless Youth Act (42 U.S.C. 5714-2) is amended—

(1) in subsection (a)(1), by inserting “(including maternity group homes)” after “group homes”; and

(2) by adding at the end the following:

“(c) MATERNITY GROUP HOME.—In this part, the term ‘maternity group home’ means a community-based, adult-supervised group home that provides young mothers and their children with a supportive and supervised living arrangement in which such mothers are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.”.

(b) CONTRACT FOR EVALUATION.—Part B of the Runaway and Homeless Youth Act (42 U.S.C. 5701 et seq.) is amended by adding at the end the following:

##### “SEC. 323. CONTRACT FOR EVALUATION.

“(a) IN GENERAL.—The Secretary shall enter into a contract with a public or private entity for an evaluation of the maternity group homes that are supported by grant funds under this Act.

“(b) INFORMATION.—The evaluation described in subsection (a) shall include the collection of information about the relevant characteristics of individuals who benefit from maternity group homes such as those that are supported by grant funds under this Act and what services provided by those maternity group homes are most beneficial to such individuals.

“(c) REPORT.—Not later than 2 years after the date on which the Secretary enters into a contract for an evaluation under subsection (a), and biennially thereafter, the entity conducting the evaluation under this section shall submit to Congress a report on the status, activities, and accomplishments of maternity group homes that are supported by grant funds under this Act.”.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 388 of the Runaway and Homeless Youth Act (42 U.S.C. 5751) is amended—

(1) in subsection(a)(1)—

(A) by striking “There” and inserting the following:

“(A) IN GENERAL.—There”;

(B) in subparagraph (A), as redesignated, by inserting “and the purpose described in subparagraph (B)” after “other than part E”;

and

(C) by adding at the end the following:

“(B) MATERNITY GROUP HOMES.—There is authorized to be appropriated, for maternity group homes eligible for assistance under section 322(a)(1)—

“(i) \$33,000,000 for fiscal year 2003; and

“(ii) such sums as may be necessary for fiscal year 2004.”; and

(2) in subsection (a)(2)(A), by striking “paragraph (1)” and inserting “paragraph (1)(A)”.

#### THE CHARITY AID, RECOVERY AND EMPOWERMENT, (“CARE”) ACT OF 2002—SECTION-BY-SECTION SUMMARY

##### OVERVIEW

The Lieberman-Santorum CARE Act aims to tap into America's renewed spirit of unity, community and responsibility in the wake of September 11th to better respond to pressing social problems and ultimately help more people in need. To do so, it would leverage new support and resources for a broad range of community and faith-based groups—including those that are already working cooperatively with government to provide critical services and improve people's lives, and those who want to become part of that partnership.

This diverse universe of charitable organizations—which proved once again after the terrorist attacks how effective they are in meeting real human needs—is uniquely American and forms the backbone of our civil society. The CARE Act would strengthen that backbone through a broad array of tools and strategies—(1) tax incentives to spur more private charitable giving; (2) innovative programs to promote savings and economic self-sufficiency for low-income families; (3) technical assistance to help smaller social services providers do more good works; (4) narrowly-targeted efforts to remove unfair barriers facing faith-based groups in competing fairly for federal aid; and (5) additional federal funding for essential social service programs.

##### TITLE I: CHARITABLE GIVING INCENTIVES

This section offers a series of targeted tax incentives to spur additional charitable giving and thereby bring increased resources to organizations helping those in need. Among other things, these provisions would:

Create a charitable tax deduction of up to \$400 for individual taxpayers and \$800 for couples who do not itemize on their tax returns;

Allow IRA holders to make charitable contributions from their accounts;

Provide an enhanced deduction for donations of food and books to charitable organizations;

Reduce and simplify the excise tax on foundations from 2 percent to 1 percent to encourage greater social investments;

Raise the contributions cap for subchapter C corporations and expand incentives for S corporations to increase corporate charitable giving; and

Modify the unrelated business income tax for charitable remainder trusts.

These provisions are designed to respond to the immediate challenges facing charities in the wake of the September 11th attacks and the weakened economy, which have put a significant drain on resources. These provisions, which are effective through 2003, have not been officially scored by the Joint Tax Committee, but are estimated to cost between \$8 billion and \$10 billion.

##### TITLE II: INDIVIDUAL DEVELOPMENT ACCOUNTS

This section encompasses the bipartisan legislation that Senators Lieberman and

Santorum have introduced to expand the use of Individual Development Accounts (IDAs) to encourage low-income working families to save and build assets. IDAs are special savings accounts that offer matching contributions from the sponsoring bank or community organization, on the condition that the proceeds go to buying a home, starting or expanding a small business, or to pay for post-secondary education—the assets necessary to provide stability and self-sufficiency.

Initial IDA demonstrations around the country have proven successful in changing the lives of account holders and reducing their dependency on governmental and other social services. The CARE Act aims to build on these successes and increase the availability of IDAs, by significantly reducing the cost for banks and community organizations to offer these innovative accounts. Specifically, it would provide a dollar-for-dollar tax credit to offset the matching contributions up to \$500 per account. This incentive, which is estimated to cost \$1.7 billion over the next 10 years, could help create as many as 900,000 new accounts over that time.

##### TITLE III: EQUAL TREATMENT FOR NON-GOVERNMENTAL PROVIDERS

This section addresses a recurring complaint of small faith-based organizations—that certain government agencies have refused to consider grant applicants with religious names or those who use facilities containing religious art or icons—with a narrowly-tailored solution. Specifically, it states that an applicant may not be disqualified from competing for government grants and contracts simply because the applicant imposes religious criteria for membership on its governing board, because the applicant's chartering provisions contain religious language, because the applicant has a religious name, or because the applicant uses facilities containing religious art, icons scriptures or other symbols. These provisions do not relieve any applicant from meeting all other grant criteria or address the issues of preemption or civil rights laws.

This section also addresses another problem many smaller community and faith-based grassroots organizations face in obtaining federal funding. These organizations often do not have the capacity or resources to seek and administer a government grant or contract, even though they may be best positioned to deliver the services. To help them overcome this hurdle, this section authorizes government agencies to give grants or enter into cooperative agreements with larger and more experienced organizations, who then will be authorized to award subcontracts or subgrants to smaller grassroots organizations, with whom they will work to administer the grant.

##### TITLE IV: 501(C)(3) EZ PASS

This section would make it easier for many charitable groups to obtain a 501(c)(3) designation, and thereby make it easier to qualify for Federal grants and contracts. 501(c)(3) status confirms that an organization is a tax-exempt charity, eligible to receive tax-exempt donations. Although any group that applies for that status can hold itself out as a 501(c)(3) once it sends the IRS its application, a number of government programs won't consider applications from any group that hasn't yet received approval of its application from the IRS—a process that sometimes can take several months.

To help facilitate that process, the bill requires the IRS to expedite the 501(c)(3) application of any group that needs that status to apply for a government grant or contract. And, in an effort to help the smallest of these groups, it requires the IRS to waive the application fee for groups whose annual revenues don't exceed \$50,000.

## TITLE V: COMPASSION CAPITAL FUND

To help small community and faith-based organizations better partner with the government and serve communities in need, the bill creates a Compassion Capital Fund and authorizes four agencies to distribute its resources. HHS, DOJ, HUD and the Corporation for National and Community Service will collectively have over \$150 million to offer technical assistance to community-based organizations for activities such as writing and managing grants, assistance in incorporating and gaining tax-exempt status, information on capacity building and help researching and replicating model social service programs.

## TITLE VI: SOCIAL SERVICES BLOCK GRANT

This section would increase Federal funding for the Social Services Block Grant (SSBG), which most charitable organizations agree is a critically important and effective program for meeting the needs of disadvantaged communities and families. SSBG provides flexible funds to states for such vital programs as Meals on Wheels, child and elderly protective services, and support services for the disabled. Over the last five years, however, the program has seen its funding reduced by more than \$1 billion.

The bill aims to restore funding for SSBG over the next two years to its authorized level as dictated in the 1996 welfare reform law. It would first increase the funding level to \$1.975 billion for fiscal year 2003; the program is currently funded at \$1.7 billion. It would then raise the funding level to its full authorized level—\$2.8 billion—for fiscal year 2004. This would represent an increase of \$275 million for the coming fiscal year, and more than \$800 million for the following year.

## TITLE VII: MATERNITY GROUP HOMES

This section is designed to advance one of the key goals of welfare reform—helping teenage mothers achieve self-sufficiency—by strengthening federal support for locally-run maternity group home programs. The 1996 welfare reform law requires that minors live at home under adult supervision or in one of these maternity group homes in order to receive benefits. Teenagers who are provided the opportunity to live in these homes are more likely to continue their education or receive job training, less likely to have a second teenage pregnancy, and more likely to find gainful employment that allows them to leave welfare. To help give more teenage mothers this kind of opportunity, the bill creates a separate funding stream for maternity group home programs and authorizes \$33 million in additional funding.

By Mr. KERRY (for himself, Mr. KENNEDY, and Mr. GREGG):

S. 1925. A bill to establish the Freedom's Way National Heritage Area in the States of Massachusetts and New Hampshire, and for other purposes; to the Committee on Energy and Natural Resources.

• Mr. KERRY. Mr. President, I rise to introduce legislation to establish the Freedom's Way National Heritage Area in New Hampshire and Massachusetts. The bill is cosponsored by Senator KENNEDY and Senator GREGG.

The bill proposes to establish a national heritage area including 36 communities in Massachusetts and six communities in New Hampshire. The area has important cultural and natural legacies that are important to New England and the entire Nation. I want to highlight just a few of the reasons I believe this designation makes sense.

The Freedom's Way is an ideal candidate because it is rich in historic sites, trails, landscapes and views. The land and the area's resources are pieces of American history and culture. The entire region, and especially places like Lexington and Concord, is important to our country's founding and our political and philosophical principles. Within the 42 communities are truly special places. These include the Minute Man National Historic Park, more than 40 National Register Districts and National Historic Landmarks, the Great Meadows National Wildlife Refuge, Walden Pond State Reservation, Gardener State Park, Harvard Shaker Village and the Shirley Shaker Village.

In addition, there is strong grassroots support for this designation. The people of these communities organized themselves in this effort and have now turned to us for assistance. I hope we can provide it. Supporters include elected officials, people dedicated to preserving a small piece of American and New England history, and local business leaders. It is an honor to help their cause.

Finally, I am very pleased that Senators from both Massachusetts and New Hampshire have embraced this proposal. I thank Senators KENNEDY and GREGG. •

## STATEMENTS ON SUBMITTED RESOLUTIONS

## SENATE RESOLUTION 206—DESIGNATING THE WEEK OF MARCH 17 THROUGH MARCH 23, 2002 AS "NATIONAL INHALANTS AND POISON PREVENTION WEEK"

Mr. MURKOWSKI submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 206

Whereas according to the National Institute on Drug Abuse, inhalant use ranks third in popularity behind use of alcohol and tobacco for all youths through the eighth grade;

Whereas the over 1,000 products that are being inhaled to get high are legal, inexpensive, and found in nearly every home and corner market;

Whereas using inhalants even once to get high can lead to kidney failure, brain damage, or even death;

Whereas inhalants are considered a gateway drug, 1 that leads to the use of harder, more deadly drugs; and

Whereas because inhalant use is difficult to detect, the products used are accessible and affordable, and abuse is so common, increased education of young people and their parents regarding the dangers of inhalants is an important step in our Nation's battle against drug abuse: Now, therefore, be it

Resolved, That the Senate—

(1) designates the week of March 17 through March 23, 2002, as "National Inhalants and Poison Prevention Week";

(2) encourages parents to learn about the dangers of inhalant abuse and discuss those dangers with their children; and

(3) requests that the President issue a proclamation calling upon the people of the United States to observe the week with appropriate activities.

Mr. MURKOWSKI. Mr. President, today I rise to submit a resolution to designate March 17 to March 23, 2002 as "National Inhalants and Poison Prevention Week."

What exactly are inhalants? Inhalants are the intentional breathing of gas or vapors for the purpose of reaching a high. Over 1,400 common products can be abused—such as lighter fluid, pressurized whipped cream, hair spray, and gasoline, the abused product of choice in rural Alaska. These products are inexpensive, easily obtained and legal. An inhalant abuse counselor told me, "If it smells like a chemical, it can be abused." It's a "silent epidemic" because few adults really appreciate the severity of the problem. One in five students has tried inhalants by the time they reach the eighth grade. The use of inhalants by children has nearly doubled in the last 10 years. Further, inhalants are the third most abused substances among teenagers, behind alcohol and tobacco.

These are facts that should trouble every parent, and every American. Inhalants are deadly. Inhalant vapors react with fatty tissues in the brain, literally dissolving them. One time use of inhalants can cause instant and permanent brain, heart, kidney, liver or other organ damage. The user can also suffer from instant heart failure known as "Sudden Sniffing Death Syndrome", this means an abuser can die the first, tenth or hundredth time he or she uses an inhalant. In fact, according to a recent study by the Alaska Native Health Consortium, inhaling has a higher risk of "instant death" than any other abused substance.

That's what happened to Theresa, an 18-year-old who lived in rural Western Alaska. Theresa was inhaling gasoline, shortly thereafter her heart stopped. She was found alone and outside in near zero degree temperatures. Theresa, who was the youngest of five children and just a month shy of graduation, was flown to Fairbanks Memorial Hospital where she was pronounced dead on arrival.

To help combat this, the Yukon-Kuskokwim Health Corporation opened Alaska's first inhalant treatment center last year. It is my hope that someday our treatment facility will only have empty beds. But, if this dream is to be realized, we must stop the abuse before the kids have to go into treatment. My experience has been that prevention through education is the key. As such awareness must be promoted among young people, parents and educators. I hope that a national week of awareness will encourage programs throughout the country, alerting parents and children to the dangers of inhalants.

## AMENDMENTS SUBMITTED AND PROPOSED

SA 2836. Mr. CONRAD (for himself and Mr. CRAPO) proposed an amendment to amendment SA 2471 submitted by Mr. DASCHLE and