

108TH CONGRESS
1ST SESSION

H. R. 7

AN ACT

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes.

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

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

2 (a) **SHORT TITLE.**—This Act may be cited as the
3 “Charitable Giving Act of 2003”.

4 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) **TABLE OF CONTENTS.**—

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1 **TITLE I—CHARITABLE GIVING** 2 **INCENTIVES**

3 **SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CON-** 4 **TRIBUTIONS TO BE ALLOWED TO INDIVID-** 5 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

6 (a) IN GENERAL.—Section 170 (relating to chari-
 7 table, etc., contributions and gifts) is amended by redesi-
 8 gnating subsection (m) as subsection (n) and by inserting
 9 after subsection (l) the following new subsection:

10 “(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
 11 DEDUCTIONS.—

12 “(1) IN GENERAL.—In the case of an individual
 13 who does not itemize deductions for a taxable year,
 14 there shall be taken into account as a direct chari-
 15 table deduction under section 63 an amount equal to
 16 the amount allowable under subsection (a) for the
 17 taxable year for cash contributions (determined
 18 without regard to any carryover), to the extent that
 19 such contributions exceed \$250 (\$500 in the case of

1 a joint return) but do not exceed \$500 (\$1,000 in
2 the case of a joint return).

3 “(2) TERMINATION.—Paragraph (1) shall not
4 apply to any taxable year beginning after December
5 31, 2005.”.

6 (b) DIRECT CHARITABLE DEDUCTION.—

7 (1) IN GENERAL.—Subsection (b) of section 63
8 (defining taxable income) is amended by striking
9 “and” at the end of paragraph (1), by striking the
10 period at the end of paragraph (2) and inserting “,
11 and”, and by adding at the end the following new
12 paragraph:

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

14 (2) DEFINITION.—Section 63 is amended by re-
15 designating subsection (g) as subsection (h) and by
16 inserting after subsection (f) the following new sub-
17 section:

18 “(g) DIRECT CHARITABLE DEDUCTION.—For pur-
19 poses of this section, the term ‘direct charitable deduction’
20 means that portion of the amount allowable under section
21 170(a) which is taken as a direct charitable deduction for
22 the taxable year under section 170(m).”.

23 (3) CONFORMING AMENDMENT.—Subsection (d)
24 of section 63 is amended by striking “and” at the
25 end of paragraph (1), by striking the period at the

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

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

4 (c) STUDY.—

5 (1) IN GENERAL.—The Secretary of the Treas-
6 ury shall study the effect of the amendments made
7 by this section on increased charitable giving and
8 taxpayer compliance, including a comparison of tax-
9 payer compliance between taxpayers who itemize
10 their charitable contributions and taxpayers who
11 claim a direct charitable deduction.

12 (2) REPORT.—Not later than December 31,
13 2006, the Secretary of the Treasury shall report on
14 the study required under paragraph (1) to the Com-
15 mittee on Finance of the Senate and the Committee
16 on Ways and Means of the House of Representa-
17 tives.

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2003.

1 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
2 **TIREMENT PLANS FOR CHARITABLE PUR-**
3 **POSES.**

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

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

9 “(A) IN GENERAL.—No amount shall be
10 includible in gross income by reason of a quali-
11 fied charitable distribution.

12 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
13 term ‘qualified charitable distribution’ means
14 any distribution from an individual retirement
15 plan other than a plan described in subsection
16 (k) or (p) of section 408—

17 “(i) which is made on or after the
18 date that the individual for whose benefit
19 the plan is maintained has attained age
20 70½, and
21

22 “(ii) which is made directly by the
23 trustee—

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

26 “(II) to a split-interest entity.

1 A distribution shall be treated as a qualified
2 charitable distribution only to the extent that
3 the distribution would be includible in gross in-
4 come without regard to subparagraph (A) and,
5 in the case of a distribution to a split-interest
6 entity, only if no person holds an income inter-
7 est in the amounts in the split-interest entity
8 attributable to such distribution other than one
9 or more of the following: the individual for
10 whose benefit such plan is maintained, the
11 spouse of such individual, or any organization
12 described in section 170(c).

13 “(C) CONTRIBUTIONS MUST BE OTHER-
14 WISE DEDUCTIBLE.—For purposes of this
15 paragraph—

16 “(i) DIRECT CONTRIBUTIONS.—A dis-
17 tribution to an organization described in
18 section 170(c) shall be treated as a quali-
19 fied charitable distribution only if a deduc-
20 tion for the entire distribution would be al-
21 lowable under section 170 (determined
22 without regard to subsection (b) thereof
23 and this paragraph).

24 “(ii) SPLIT-INTEREST GIFTS.—A dis-
25 tribution to a split-interest entity shall be

1 treated as a qualified charitable distribu-
2 tion only if a deduction for the entire value
3 of the interest in the distribution for the
4 use of an organization described in section
5 170(c) would be allowable under section
6 170 (determined without regard to sub-
7 section (b) thereof and this paragraph).

8 “(D) APPLICATION OF SECTION 72.—Not-
9 withstanding section 72, in determining the ex-
10 tent to which a distribution is a qualified chari-
11 table distribution, the entire amount of the dis-
12 tribution shall be treated as includible in gross
13 income without regard to subparagraph (A) to
14 the extent that such amount does not exceed
15 the aggregate amount which would have been so
16 includible if all amounts distributed from all in-
17 dividual retirement plans were treated as 1 con-
18 tract under paragraph (2)(A) for purposes of
19 determining the inclusion of such distribution
20 under section 72. Proper adjustments shall be
21 made in applying section 72 to other distribu-
22 tions in such taxable year and subsequent tax-
23 able years.

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

1 “(i) CHARITABLE REMAINDER
2 TRUSTS.—Notwithstanding section 664(b),
3 distributions made from a trust described
4 in subparagraph (G)(i) shall be treated as
5 ordinary income in the hands of the bene-
6 ficiary to whom is paid the annuity de-
7 scribed in section 664(d)(1)(A) or the pay-
8 ment described in section 664(d)(2)(A).

9 “(ii) POOLED INCOME FUNDS.—No
10 amount shall be includible in the gross in-
11 come of a pooled income fund (as defined
12 in subparagraph (G)(ii)) by reason of a
13 qualified charitable distribution to such
14 fund, and all distributions from the fund
15 which are attributable to qualified chari-
16 table distributions shall be treated as ordi-
17 nary income to the beneficiary.

18 “(iii) CHARITABLE GIFT ANNU-
19 ITIES.—Qualified charitable distributions
20 made for a charitable gift annuity shall not
21 be treated as an investment in the con-
22 tract.

23 “(F) DENIAL OF DEDUCTION.—Qualified
24 charitable distributions shall not be taken into

1 account in determining the deduction under sec-
2 tion 170.

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

6 “(i) a charitable remainder annuity
7 trust or a charitable remainder unitrust
8 (as such terms are defined in section
9 664(d)) which must be funded exclusively
10 by qualified charitable distributions,

11 “(ii) a pooled income fund (as defined
12 in section 642(c)(5)), but only if the fund
13 accounts separately for amounts attrib-
14 utable to qualified charitable distributions,
15 and

16 “(iii) a charitable gift annuity (as de-
17 fined in section 501(m)(5)).”.

18 (b) MODIFICATIONS RELATING TO INFORMATION RE-
19 TURNS BY CERTAIN TRUSTS.—

20 (1) RETURNS.—Section 6034 (relating to re-
21 turns by trusts described in section 4947(a)(2) or
22 claiming charitable deductions under section 642(e))
23 is amended to read as follows:

1 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
2 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
3 **TIONS UNDER SECTION 642(c).**

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

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

10 “(1) IN GENERAL.—Every trust not required to
11 file a return under subsection (a) but claiming a de-
12 duction under section 642(c) for the taxable year
13 shall furnish such information with respect to such
14 taxable year as the Secretary may by forms or regu-
15 lations prescribe, including—

16 “(A) the amount of the deduction taken
17 under section 642(c) within such year,

18 “(B) the amount paid out within such year
19 which represents amounts for which deductions
20 under section 642(c) have been taken in prior
21 years,

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

1 “(D) the amount paid out of principal in
2 the current and prior years for the purposes de-
3 scribed in section 642(c),

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

7 “(F) a balance sheet showing the assets, li-
8 abilities, and net worth of the trust as of the
9 beginning of such year.

10 “(2) EXCEPTIONS.—Paragraph (1) shall not
11 apply to a trust for any taxable year if—

12 “(A) all the net income for such year, de-
13 termined under the applicable principles of the
14 law of trusts, is required to be distributed cur-
15 rently to the beneficiaries, or

16 “(B) the trust is described in section
17 4947(a)(1).”.

18 (2) INCREASE IN PENALTY RELATING TO FIL-
19 ING OF INFORMATION RETURN BY SPLIT-INTEREST
20 TRUSTS.—Paragraph (2) of section 6652(c) (relating
21 to returns by exempt organizations and by certain
22 trusts) is amended by adding at the end the fol-
23 lowing new subparagraph:

24 “(C) SPLIT-INTEREST TRUSTS.—In the
25 case of a trust which is required to file a return

1 under section 6034(a), subparagraphs (A) and
2 (B) of this paragraph shall not apply and para-
3 graph (1) shall apply in the same manner as if
4 such return were required under section 6033,
5 except that—

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

9 “(ii) in the case of any trust with
10 gross income in excess of \$250,000, the
11 first sentence of paragraph (1)(A) shall be
12 applied by substituting ‘\$100’ for ‘\$20’,
13 and the second sentence thereof shall be
14 applied by substituting ‘\$50,000’ for
15 ‘\$10,000’, and

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

18 In addition to any penalty imposed on the trust
19 pursuant to this subparagraph, if the person re-
20 quired to file such return knowingly fails to file
21 the return, such penalty shall also be imposed
22 on such person who shall be personally liable
23 for such penalty.”.

24 (3) CONFIDENTIALITY OF NONCHARITABLE
25 BENEFICIARIES.—Subsection (b) of section 6104

1 (relating to inspection of annual information re-
2 turns) is amended by adding at the end the fol-
3 lowing new sentence: “In the case of a trust which
4 is required to file a return under section 6034(a),
5 this subsection shall not apply to information re-
6 garding beneficiaries which are not organizations de-
7 scribed in section 170(c).”.

8 (c) EFFECTIVE DATES.—

9 (1) SUBSECTION (a).—The amendment made
10 by subsection (a) shall apply to distributions made
11 after December 31, 2003.

12 (2) SUBSECTION (b).—The amendments made
13 by subsection (b) shall apply to returns for taxable
14 years beginning after December 31, 2003.

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

17 (a) IN GENERAL.—Paragraph (2) of section 170(b)
18 (relating to corporations) is amended by striking “10 per-
19 cent” and inserting “the applicable percentage”.

20 (b) APPLICABLE PERCENTAGE.—Subsection (b) of
21 section 170 is amended by adding at the end the following
22 new paragraph:

23 “(3) APPLICABLE PERCENTAGE DEFINED.—For
24 purposes of paragraph (2), the applicable percentage

1 shall be determined in accordance with the following
 2 table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2004	11
2005	12
2006	13
2007	14
2008 through 2011	15
2012 and thereafter	20.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Sections 512(b)(10) and 805(b)(2)(A) are
 5 each amended by striking “10 percent” each place
 6 it occurs and inserting “the applicable percentage
 7 (determined under section 170(b)(3))”.

8 (2) Sections 545(b)(2) and 556(b)(2) are each
 9 amended by striking “10-percent limitation” and in-
 10 sserting “applicable percentage limitation”.

11 (d) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 2003.

14 **SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
 15 **OF FOOD INVENTORY.**

16 (a) IN GENERAL.—Paragraph (3) of section 170(e)
 17 (relating to special rule for certain contributions of inven-
 18 tory and other property) is amended by redesignating sub-
 19 paragraph (C) as subparagraph (D) and by inserting after
 20 subparagraph (B) the following new subparagraph:

1 “(C) SPECIAL RULE FOR CONTRIBUTIONS
2 OF FOOD INVENTORY.—

3 “(i) GENERAL RULE.—In the case of
4 a charitable contribution of food from any
5 trade or business (or interest therein) of
6 the taxpayer, this paragraph shall be
7 applied—

8 “(I) without regard to whether
9 the contribution is made by a C cor-
10 poration, and

11 “(II) only to food that is appar-
12 ently wholesome food.

13 “(ii) LIMITATION.—In the case of a
14 taxpayer other than a C corporation, the
15 aggregate amount of such contributions for
16 any taxable year which may be taken into
17 account under this section shall not exceed
18 the applicable percentage (within the
19 meaning of subsection (b)(3)) of the tax-
20 payer’s aggregate net income for such tax-
21 able year from all trades or businesses
22 from which such contributions were made
23 for such year, computed without regard to
24 this section.

1 “(iii) DETERMINATION OF FAIR MAR-
2 KET VALUE.—In the case of a qualified
3 contribution of apparently wholesome food
4 to which this paragraph applies and which,
5 solely by reason of internal standards of
6 the taxpayer or lack of market, cannot or
7 will not be sold, the fair market value of
8 such food shall be determined by taking
9 into account the price at which the same
10 or substantially the same food items (as to
11 both type and quality) are sold by the tax-
12 payer at the time of the contribution (or,
13 if not so sold at such time, in the recent
14 past).

15 “(iv) APPARENTLY WHOLESOME
16 FOOD.—For purposes of this subpara-
17 graph, the term ‘apparently wholesome
18 food’ has the meaning given to such term
19 by section 22(b)(2) of the Bill Emerson
20 Good Samaritan Food Donation Act (42
21 U.S.C. 1791(b)(2)), as in effect on the
22 date of the enactment of this subpara-
23 graph.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2003.

4 **SEC. 105. REFORM OF CERTAIN EXCISE TAXES RELATED TO**
5 **PRIVATE FOUNDATIONS.**

6 (a) REDUCTION OF TAX ON NET INVESTMENT IN-
7 COME.—Section 4940(a) (relating to tax-exempt founda-
8 tions) is amended by striking “2 percent” and inserting
9 “1 percent”.

10 (b) REPEAL OF REDUCTION IN TAX WHERE PRI-
11 VATE FOUNDATION MEETS CERTAIN DISTRIBUTION RE-
12 QUIREMENTS.—Section 4940 (relating to excise tax based
13 on investment income) is amended by striking subsection
14 (e).

15 (c) MODIFICATION OF EXCISE TAX ON SELF-DEAL-
16 ING.—The second sentence of section 4941(a)(1) (relating
17 to initial excise tax imposed on self-dealer) is amended by
18 striking “5 percent” and inserting “25 percent”.

19 (d) MODIFICATION OF EXCISE TAX ON FAILURE TO
20 DISTRIBUTE INCOME.—

21 (1) CERTAIN ADMINISTRATIVE EXPENSES NOT
22 TREATED AS DISTRIBUTIONS.—Section 4942(g) is
23 amended by striking paragraph (4) and inserting the
24 following new paragraphs:

1 “(4) LIMITATION ON ADMINISTRATIVE EX-
2 PENSES TREATED AS DISTRIBUTIONS.—

3 “(A) IN GENERAL.—For purposes of para-
4 graph (1)(A), the following administrative ex-
5 penses shall not be treated as qualifying dis-
6 tributions:

7 “(i) Any administrative expense which
8 is not directly attributable to direct chari-
9 table activities, grant selection activities,
10 grant monitoring and administration ac-
11 tivities, compliance with applicable Fed-
12 eral, State, or local law, or furthering pub-
13 lic accountability of the private foundation.

14 “(ii) Any compensation paid to a dis-
15 qualified person to the extent that such
16 compensation exceeds an annual rate of
17 \$100,000.

18 “(iii) Any expense incurred for trans-
19 portation by air unless such transportation
20 is regularly-scheduled commercial air
21 transportation.

22 “(iv) Any expense incurred for regu-
23 larly-scheduled commercial air transpor-
24 tation to the extent that such expense ex-

1 ceeds the cost of such transportation in
2 coach-class accommodations.

3 “(B) ADJUSTMENT FOR INFLATION.—In
4 the case of a taxable year beginning after De-
5 cember 31, 2004, the \$100,000 amount in sub-
6 paragraph (A)(ii) shall be increased by an
7 amount equal to—

8 “(i) such dollar amount, multiplied by

9 “(ii) the cost-of-living adjustment de-
10 termined under section 1(f)(3) for the cal-
11 endar year in which the taxable year be-
12 gins, determined by substituting ‘calendar
13 year 2003’ for ‘calendar year 1992’ in sub-
14 paragraph (B) thereof.

15 If any amount as increased under the preceding
16 sentence is not a multiple of \$50, such amount
17 shall be rounded to the next lowest multiple of
18 \$50.

19 “(5) REGULATIONS.—The Secretary shall pre-
20 scribe such regulations as may be necessary to carry
21 out the purposes of paragraph (4). Such regulations
22 shall provide that administrative expenses which are
23 excluded from qualifying distributions solely by rea-
24 son of the limitations in paragraph (4) shall not for

1 such reason subject a private foundation to any
2 other excise taxes imposed by this subchapter.”.

3 (2) DISALLOWANCE NOT TO APPLY TO CERTAIN
4 PRIVATE FOUNDATIONS.—

5 (A) IN GENERAL.—Section 4942(j)(3) (de-
6 fining operating foundation) is amended—

7 (i) by striking “(within the meaning
8 of paragraph (1) or (2) of subsection (g))”
9 each place it appears, and

10 (ii) by adding at the end the following
11 new sentence: “For purposes of this para-
12 graph, the term ‘qualifying distributions’
13 means qualifying distributions within the
14 meaning of paragraph (1) or (2) of sub-
15 section (g) (determined without regard to
16 subsection (g)(4)).”.

17 (B) CONFORMING AMENDMENT.—Section
18 4942(f)(2)(C)(i) is amended by inserting “(de-
19 termined without regard to subsection (g)(4))”
20 after “within the meaning of subsection
21 (g)(1)(A)”.

22 (e) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2003.

1 **SEC. 106. EXCISE TAX ON UNRELATED BUSINESS TAXABLE**
2 **INCOME OF CHARITABLE REMAINDER**
3 **TRUSTS.**

4 (a) IN GENERAL.—Subsection (c) of section 664 (re-
5 lating to exemption from income taxes) is amended to read
6 as follows:

7 “(c) TAXATION OF TRUSTS.—

8 “(1) INCOME TAX.—A charitable remainder an-
9 nuity trust and a charitable remainder unitrust
10 shall, for any taxable year, not be subject to any tax
11 imposed by this subtitle.

12 “(2) EXCISE TAX.—

13 “(A) IN GENERAL.—In the case of a chari-
14 table remainder annuity trust or a charitable
15 remainder unitrust that has unrelated business
16 taxable income (within the meaning of section
17 512, determined as if part III of subchapter F
18 applied to such trust) for a taxable year, there
19 is hereby imposed on such trust or unitrust an
20 excise tax equal to the amount of such unre-
21 lated business taxable income.

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

1 “(C) CHARACTER OF DISTRIBUTIONS AND
 2 COORDINATION WITH DISTRIBUTION REQUIRE-
 3 MENTS.—The amounts taken into account in
 4 determining unrelated business taxable income
 5 (as defined in subparagraph (A)) shall not be
 6 taken into account for purposes of—

7 “(i) subsection (b),

8 “(ii) determining the value of trust
 9 assets under subsection (d)(2), and

10 “(iii) determining income under sub-
 11 section (d)(3).

12 “(D) TAX COURT PROCEEDINGS.—For
 13 purposes of this paragraph, the references in
 14 section 6212(c)(1) to section 4940 shall be
 15 deemed to include references to this para-
 16 graph.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 2003.

20 **SEC. 107. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
 21 **LOWED FOR SCIENTIFIC PROPERTY USED**
 22 **FOR RESEARCH AND FOR COMPUTER TECH-**
 23 **NOLOGY AND EQUIPMENT USED FOR EDU-**
 24 **CATIONAL PURPOSES.**

25 (a) SCIENTIFIC PROPERTY USED FOR RESEARCH.—

1 (1) IN GENERAL.—Clause (ii) of section
2 170(e)(4)(B) (defining qualified research contribu-
3 tions) is amended by inserting “or assembled” after
4 “constructed”.

5 (2) CONFORMING AMENDMENT.—Clause (iii) of
6 section 170(e)(4)(B) is amended by inserting “or as-
7 sembling” after “construction”.

8 (b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR
9 EDUCATIONAL PURPOSES.—

10 (1) IN GENERAL.—Clause (ii) of section
11 170(e)(6)(B) is amended by inserting “or assem-
12 bled” after “constructed” and “or assembling” after
13 “construction”.

14 (2) SPECIAL RULE MADE PERMANENT.—Sec-
15 tion 170(e)(6) is amended by striking subparagraph
16 (G).

17 (3) CONFORMING AMENDMENTS.—Subpara-
18 graph (D) of section 170(e)(6) is amended by insert-
19 ing “or assembled” after “constructed” and “or as-
20 sembling” after “construction”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2003.

1 **SEC. 108. ADJUSTMENT TO BASIS OF S CORPORATION**
2 **STOCK FOR CERTAIN CHARITABLE CON-**
3 **TRIBUTIONS.**

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

8 “The decrease under subparagraph (B) by reason of
9 a charitable contribution (as defined in section
10 170(c)) of property shall be the amount equal to the
11 shareholder’s pro rata share of the adjusted basis of
12 such property.”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2003.

16 **SEC. 109. CHARITABLE ORGANIZATIONS PERMITTED TO**
17 **MAKE COLLEGIATE HOUSING AND INFRA-**
18 **STRUCTURE GRANTS.**

19 (a) IN GENERAL.—Section 501 (relating to exemp-
20 tion from tax on corporations, certain trusts, etc.), as
21 amended by section 201, is further amended by redesi-
22 gnating subsection (q) as subsection (r) and by inserting
23 after subsection (p) the following new subsection:

24 “(q) TREATMENT OF ORGANIZATIONS MAKING COL-
25 LEGIATE HOUSING AND INFRASTRUCTURE IMPROVEMENT
26 GRANTS.—

1 “(1) IN GENERAL.—For purposes of subsection
2 (c)(3) and sections 170(c)(2)(B), 2055(a), and
3 2522(a)(2), an organization shall not fail to be
4 treated as organized and operated exclusively for
5 charitable or educational purposes solely because
6 such organization makes collegiate housing and in-
7 frastructure grants to an organization described in
8 subsection (c)(7), so long as, at the time of the
9 grant, substantially all of the active members of the
10 recipient organization are full-time students at the
11 college or university with which such recipient orga-
12 nization is associated.

13 “(2) HOUSING AND INFRASTRUCTURE
14 GRANTS.—For purposes of paragraph (1), collegiate
15 housing and infrastructure grants are grants to pro-
16 vide, improve, operate, or maintain collegiate hous-
17 ing that may involve more than incidental social,
18 recreational, or private purposes, so long as such
19 grants are for purposes that would be permissible
20 for a dormitory of the college or university referred
21 to in paragraph (1). A grant shall not be treated as
22 a collegiate housing and infrastructure grant for
23 purposes of paragraph (1) to the extent that such
24 grant is used to provide physical fitness equipment.

1 “(3) GRANTS TO CERTAIN ORGANIZATIONS
2 HOLDING TITLE TO PROPERTY, ETC.—For purposes
3 of this subsection, a collegiate housing and infra-
4 structure grant to an organization described in sub-
5 section (c)(2) or (c)(7) holding title to property ex-
6 clusively for the benefit of an organization described
7 in subsection (c)(7) shall be considered a grant to
8 the organization described in subsection (c)(7) for
9 whose benefit such property is held.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to grants made after December
12 31, 2003.

13 **SEC. 110. CONDUCT OF CERTAIN GAMES OF CHANCE NOT**
14 **TREATED AS UNRELATED TRADE OR BUSI-**
15 **NESS.**

16 (a) IN GENERAL.—Paragraph (1) of section 513(f)
17 (relating to certain bingo games) is amended to read as
18 follows:

19 “(1) IN GENERAL.—The term ‘unrelated trade
20 or business’ does not include—

21 “(A) any trade or business which consists
22 of conducting bingo games, and

23 “(B) any trade or business which consists
24 of conducting qualified games of chance if the
25 net proceeds from such trade or business are

1 paid or set aside for payment for purposes de-
2 scribed in section 170(e)(2)(B), for the pro-
3 motion of social welfare (within the meaning of
4 section 501(c)(4)), or for a purpose for which
5 State law specifically authorizes the expenditure
6 of such proceeds.”.

7 (b) QUALIFIED GAMES OF CHANCE.—Subsection (f)
8 of section 513 is amended by adding at the end the fol-
9 lowing new paragraph:

10 “(3) QUALIFIED GAMES OF CHANCE.—For pur-
11 poses of paragraph (1), the term ‘qualified game of
12 chance’ means any game of chance (other than
13 bingo) conducted by an organization if—

14 “(A) such organization is licensed pursu-
15 ant to State law to conduct such game,

16 “(B) only organizations which are orga-
17 nized as nonprofit corporations or are exempt
18 from tax under section 501(a) may be so li-
19 censed to conduct such game within the State,
20 and

21 “(C) the conduct of such game does not
22 violate State or local law.”

23 (c) CLERICAL AMENDMENT.—The subsection head-
24 ing of section 513(f) is amended by striking “BINGO
25 GAMES” and inserting “GAMES OF CHANCE”.

1 (d) EFFECTIVE DATE.— The amendments made by
2 this section shall apply to games conducted after Decem-
3 ber 31, 2003.

4 **SEC. 111. EXCISE TAXES EXEMPTION FOR BLOOD COL-**
5 **LECTOR ORGANIZATIONS.**

6 (a) EXEMPTION FROM IMPOSITION OF SPECIAL
7 FUELS TAX.—Section 4041(g) (relating to other exemp-
8 tions) is amended by striking “and” at the end of para-
9 graph (3), by striking the period in paragraph (4) and
10 inserting “; and”, and by inserting after paragraph (4)
11 the following new paragraph:

12 “(5) with respect to the sale of any liquid to a
13 qualified blood collector organization (as defined in
14 section 7701(a)(48)) for such organization’s exclu-
15 sive use, or with respect to the use by a qualified
16 blood collector organization of any liquid as a fuel.”.

17 (b) EXEMPTION FROM MANUFACTURERS EXCISE
18 TAX.—

19 (1) IN GENERAL.—Section 4221(a) (relating to
20 certain tax-free sales) is amended by striking “or”
21 at the end of paragraph (4), by adding “or” at the
22 end of paragraph (5), and by inserting after para-
23 graph (5) the following new paragraph:

1 “(6) to a qualified blood collector organization
2 (as defined in section 7701(a)(48)) for such organi-
3 zation’s exclusive use,”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) The second sentence of section
6 4221(a) is amended by striking “Paragraphs
7 (4) and (5)” and inserting “Paragraphs (4),
8 (5), and (6)”.

9 (B) Section 6421(c) is amended by strik-
10 ing “or (5)” and inserting “(5), or (6)”.

11 (c) EXEMPTION FROM COMMUNICATION EXCISE
12 TAX.—

13 (1) IN GENERAL.—Section 4253 (relating to ex-
14 emptions) is amended by redesignating subsection
15 (k) as subsection (l) and inserting after subsection
16 (j) the following new subsection:

17 “(k) EXEMPTION FOR QUALIFIED BLOOD COL-
18 LECTOR ORGANIZATIONS.—Under regulations provided by
19 the Secretary, no tax shall be imposed under section 4251
20 on any amount paid by a qualified blood collector organi-
21 zation (as defined in section 7701(a)(48)) for services or
22 facilities furnished to such organization.”.

23 (2) CONFORMING AMENDMENT.—Section
24 4253(l), as redesignated by paragraph (1), is

1 amended by striking “or (j)” and inserting “(j), or
2 (k)”.

3 (d) CREDIT FOR REFUND FOR CERTAIN TAXES ON
4 SALES AND SERVICES.—

5 (1) DEEMED OVERPAYMENT.—

6 (A) IN GENERAL.—Section 6416(b)(2) is
7 amended by redesignating subparagraphs (E)
8 and (F) as subparagraphs (F) and (G), respec-
9 tively, and by inserting after subparagraph (D)
10 the following new subparagraph:

11 “(E) sold to a qualified blood collector or-
12 ganization (as defined in section 7701(a)(48))
13 for such organization’s exclusive use;”.

14 (B) CONFORMING AMENDMENTS.—Section
15 6416(b)(2) is amended—

16 (i) by striking “Subparagraphs (C)
17 and (D)” and inserting “Subparagraphs
18 (C), (D), and (E)”, and

19 (ii) by striking “(C), and (D)” and in-
20 serting “(C), (D), and (E)”.

21 (2) SALES OF TIRES.—Clause (ii) of section
22 6416(b)(4)(B) is amended by inserting “sold to a
23 qualified blood collector organization (as defined in
24 section 7701(a)(48)) for its exclusive use,” after
25 “for its exclusive use,”.

1 (e) DEFINITION OF QUALIFIED BLOOD COLLECTOR
2 ORGANIZATION.—Section 7701(a) is amended by inserting
3 at the end the following new paragraph:

4 “(48) QUALIFIED BLOOD COLLECTOR ORGANI-
5 ZATION.—The term ‘qualified blood collector organi-
6 zation’ means an organization which is—

7 “(A) described in section 501(c)(3) and ex-
8 empt from tax under section 501(a),

9 “(B) registered by the Food and Drug Ad-
10 ministration to collect blood, and

11 “(C) primarily engaged in the activity of
12 the collection of blood.”.

13 (f) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect on January 1, 2004.

15 **SEC. 112. NONRECOGNITION OF GAIN ON THE SALE OF**
16 **PROPERTY USED IN PERFORMANCE OF AN**
17 **EXEMPT FUNCTION.**

18 (a) IN GENERAL.—Subparagraph (D) of section
19 512(a)(3) is amended to read as follows:

20 “(D) NONRECOGNITION OF GAIN.—

21 “(i) IN GENERAL.—If property used
22 directly in the performance of the exempt
23 function of an organization described in
24 paragraph (7), (9), (17), or (20) of section
25 501(c) is sold by such organization, and

1 within a period beginning 1 year before the
2 date of such sale, and ending 3 years (10
3 years, in the case of an organization de-
4 scribed in section 501(c)(7)) after such
5 date, other property is purchased and used
6 by such organization directly in the per-
7 formance of its exempt function, gain (if
8 any) from such sale shall be recognized
9 only to the extent that such organization's
10 sales price of the old property exceeds the
11 organization's cost of purchasing the other
12 property.

13 “(ii) STATUTE OF LIMITATIONS.—If
14 an organization described in section
15 501(c)(7) sells property on which gain is
16 not recognized, in whole or in part, by rea-
17 son of clause (i), then the statutory period
18 for the assessment of any deficiency attrib-
19 utable to such gain shall not expire until
20 the end of the 3-year period beginning on
21 the date that the Secretary is notified by
22 such organization (in such manner as the
23 Secretary may prescribe) that—

1 “(I) the organization has met the
2 requirements of clause (i) with respect
3 to gain which was not recognized,

4 “(II) the organization does not
5 intend to meet such requirements, or

6 “(III) the organization failed to
7 meet such requirements within the
8 prescribed period.

9 For the purposes of this clause, any defi-
10 ciency may be assessed before the expira-
11 tion of such 3-year period notwithstanding
12 the provisions of any other law or rule of
13 law which would otherwise prevent such as-
14 sessment.

15 “(iii) DESTRUCTION AND LOSS.—For
16 purposes of this subparagraph, the de-
17 struction in whole or in part, theft, seizure,
18 requisition, or condemnation of property,
19 shall be treated as the sale of such prop-
20 erty, and rules similar to the rules pro-
21 vided by subsections (b), (c), (e), and (j) of
22 section 1034 (as in effect on the day be-
23 fore the date of the enactment of the Tax-
24 payer Relief Act of 1997) shall apply.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply with respect to the sale of any
3 property for which the 3-year period for offsetting gain
4 by purchasing other property under subparagraph (D) of
5 section 512(a)(3) of the Internal Revenue Code (as in ef-
6 fect on the day before the date of the enactment of this
7 Act) had not expired as of January 1, 2001.

8 **SEC. 113. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR**
9 **NURSING HOMES FROM FEDERAL GUAR-**
10 **ANTEE PROHIBITIONS.**

11 (a) IN GENERAL.—For purposes of section 149(b)(1)
12 of the Internal Revenue Code of 1986, any qualified
13 501(c)(3) bond (as defined in section 145 of such Code)
14 shall not be treated as federally guaranteed solely because
15 such bond is part of an issue supported by a letter of cred-
16 it, if such bond—

17 (1) is issued after December 31, 2003, and be-
18 fore the date which is 1 year after the date of the
19 enactment of this Act, and

20 (2) is part of an issue 95 percent or more of
21 the net proceeds of which are to be used to finance
22 1 or more of the following facilities primarily for the
23 benefit of the elderly:

24 (A) Licensed nursing home facility.

1 (B) Licensed or certified assisted living fa-
2 cility.

3 (C) Licensed personal care facility.

4 (D) Continuing care retirement commu-
5 nity.

6 (b) LIMITATION ON ISSUER.—Subsection (a) shall
7 not apply to any bond described in such subsection if the
8 aggregate authorized face amount of the issue of which
9 such bond is a part, when increased by the outstanding
10 amount of such bonds issued by the issuer during the pe-
11 riod described in subsection (a)(1) exceeds \$15,000,000.

12 (c) LIMITATION ON BENEFICIARY.—Rules similar to
13 the rules of section 144(a)(10) of the Internal Revenue
14 Code of 1986 shall apply for purposes of this section, ex-
15 cept that—

16 (1) “\$15,000,000” shall be substituted for
17 “\$40,000,000” in subparagraph (A) thereof, and

18 (2) such rules shall be applied—

19 (A) only with respect to bonds described in
20 this section, and

21 (B) with respect to the aggregate author-
22 ized face amount of all issues of such bonds
23 which are allocable to the beneficiary.

24 (d) CONTINUING CARE RETIREMENT COMMUNITY.—
25 For purposes of this section, the term “continuing care

1 retirement community” means a community which pro-
 2 vides, on the same campus, a consortium of residential liv-
 3 ing options and support services to persons at least 60
 4 years of age under a written agreement. For purposes of
 5 the preceding sentence, the residential living options shall
 6 include independent living units, nursing home beds, and
 7 either assisted living units or personal care beds.

8 **TITLE II—TAX REFORM AND IM-**
 9 **PROVEMENTS RELATING TO**
 10 **CHARITABLE ORGANIZA-**
 11 **TIONS AND PROGRAMS**

12 **SEC. 201. SUSPENSION OF TAX-EXEMPT STATUS OF TER-**
 13 **RORIST ORGANIZATIONS.**

14 (a) IN GENERAL.—Section 501 (relating to exemp-
 15 tion from tax on corporations, certain trusts, etc.) is
 16 amended by redesignating subsection (p) as subsection (q)
 17 and by inserting after subsection (o) the following new
 18 subsection:

19 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF TER-
 20 RORIST ORGANIZATIONS.—

21 “(1) IN GENERAL.—The exemption from tax
 22 under subsection (a) with respect to any organiza-
 23 tion described in paragraph (2), and the eligibility of
 24 any organization described in paragraph (2) to apply
 25 for recognition of exemption under subsection (a),

1 shall be suspended during the period described in
2 paragraph (3).

3 “(2) TERRORIST ORGANIZATIONS.—An organi-
4 zation is described in this paragraph if such organi-
5 zation is designated or otherwise individually
6 identified—

7 “(A) under section 212(a)(3)(B)(vi)(II) or
8 219 of the Immigration and Nationality Act as
9 a terrorist organization or foreign terrorist or-
10 ganization,

11 “(B) in or pursuant to an Executive order
12 which is related to terrorism and issued under
13 the authority of the International Emergency
14 Economic Powers Act or section 5 of the
15 United Nations Participation Act of 1945 for
16 the purpose of imposing on such organization
17 an economic or other sanction, or

18 “(C) in or pursuant to an Executive order
19 issued under the authority of any Federal law
20 if—

21 “(i) the organization is designated or
22 otherwise individually identified in or pur-
23 suant to such Executive order as sup-
24 porting or engaging in terrorist activity (as
25 defined in section 212(a)(3)(B) of the Im-

1 migration and Nationality Act) or sup-
2 porting terrorism (as defined in section
3 140(d)(2) of the Foreign Relations Author-
4 ization Act, Fiscal Years 1988 and 1989);
5 and

6 “(ii) such Executive order refers to
7 this subsection.

8 “(3) PERIOD OF SUSPENSION.—With respect to
9 any organization described in paragraph (2), the pe-
10 riod of suspension—

11 “(A) begins on the later of—

12 “(i) the date of the first publication of
13 a designation or identification described in
14 paragraph (2) with respect to such organi-
15 zation, or

16 “(ii) the date of the enactment of this
17 subsection, and

18 “(B) ends on the first date that all des-
19 ignations and identifications described in para-
20 graph (2) with respect to such organization are
21 rescinded pursuant to the law or Executive
22 order under which such designation or identi-
23 fication was made.

24 “(4) DENIAL OF DEDUCTION.—No deduction
25 shall be allowed under section 170, 545(b)(2),

1 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for
2 any contribution to an organization described in
3 paragraph (2) during the period described in para-
4 graph (3).

5 “(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL
6 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
7 TION.—Notwithstanding section 7428 or any other
8 provision of law, no organization or other person
9 may challenge a suspension under paragraph (1), a
10 designation or identification described in paragraph
11 (2), the period of suspension described in paragraph
12 (3), or a denial of a deduction under paragraph (4)
13 in any administrative or judicial proceeding relating
14 to the Federal tax liability of such organization or
15 other person.

16 “(6) ERRONEOUS DESIGNATION.—

17 “(A) IN GENERAL.—If—

18 “(i) the tax exemption of any organi-
19 zation described in paragraph (2) is sus-
20 pended under paragraph (1),

21 “(ii) each designation and identifica-
22 tion described in paragraph (2) which has
23 been made with respect to such organiza-
24 tion is determined to be erroneous pursu-
25 ant to the law or Executive order under

1 which such designation or identification
2 was made, and

3 “(iii) the erroneous designations and
4 identifications result in an overpayment of
5 income tax for any taxable year by such
6 organization,

7 credit or refund (with interest) with respect to
8 such overpayment shall be made.

9 “(B) WAIVER OF LIMITATIONS.—If the
10 credit or refund of any overpayment of tax de-
11 scribed in subparagraph (A)(iii) is prevented at
12 any time by the operation of any law or rule of
13 law (including *res judicata*), such credit or re-
14 fund may nevertheless be allowed or made if the
15 claim therefor is filed before the close of the 1-
16 year period beginning on the date of the last
17 determination described in subparagraph
18 (A)(ii).

19 “(7) NOTICE OF SUSPENSIONS.—If the tax ex-
20 emption of any organization is suspended under this
21 subsection, the Internal Revenue Service shall up-
22 date the listings of tax-exempt organizations and
23 shall publish appropriate notice to taxpayers of such
24 suspension and of the fact that contributions to such

1 organization are not deductible during the period of
2 such suspension.”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to designations made before, on,
5 or after the date of the enactment of this Act.

6 **SEC. 202. CLARIFICATION OF DEFINITION OF CHURCH TAX**
7 **INQUIRY.**

8 Subsection (i) of section 7611 (relating to section not
9 to apply to criminal investigations, etc.) is amended by
10 striking “or” at the end of paragraph (4), by striking the
11 period at the end of paragraph (5) and inserting “, or”,
12 and by inserting after paragraph (5) the following:

13 “(6) information provided by the Secretary re-
14 lated to the standards for exemption from tax under
15 this title and the requirements under this title relat-
16 ing to unrelated business taxable income.”.

17 **SEC. 203. EXTENSION OF DECLARATORY JUDGMENT REM-**
18 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

19 (a) **IN GENERAL.**—Paragraph (1) of section 7428(a)
20 (relating to creation of remedy) is amended—

21 (1) in subparagraph (B) by inserting after
22 “509(a))” the following: “or as a private operating
23 foundation (as defined in section 4942(j)(3))”; and

24 (2) by amending subparagraph (C) to read as
25 follows:

1 “(C) with respect to the initial qualifica-
2 tion or continuing qualification of an organiza-
3 tion as an organization described in subsection
4 (c) (other than paragraph (3)) or (d) of section
5 501 which is exempt from tax under section
6 501(a), or”.

7 (b) COURT JURISDICTION.—Subsection (a) of section
8 7428 is amended in the material following paragraph (2)
9 by striking “United States Tax Court, the United States
10 Claims Court, or the district court of the United States
11 for the District of Columbia” and inserting the following:
12 “United States Tax Court (in the case of any such deter-
13 mination or failure) or the United States Claims Court
14 or the district court of the United States for the District
15 of Columbia (in the case of a determination or failure with
16 respect to an issue referred to in subparagraph (A) or (B)
17 of paragraph (1)),”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to pleadings filed with respect to
20 determinations (or requests for determinations) made
21 after the date of the enactment of this Act.

22 **SEC. 204. LANDOWNER INCENTIVES PROGRAMS.**

23 (a) IN GENERAL.—Subsection (a) of section 126 is
24 amended by redesignating paragraph (10) as paragraph

1 (11) and by inserting after paragraph (9) the following
 2 new paragraph:

3 “(10) Landowner initiatives programs to con-
 4 serve threatened, endangered, or imperiled species,
 5 or protect or restore habitat carried out under—

6 “(A) the Fish and Wildlife Coordination
 7 Act (16 U.S.C. 661 et seq.),

8 “(B) the Fish and Wildlife Act of 1956
 9 (16 U.S.C. 742f), or

10 “(C) section 6 of the Endangered Species
 11 Act (16 U.S.C. 11531 et seq.).”.

12 (b) EXCLUDABLE PORTION.—Subparagraph (A) of
 13 section 126(b)(1) is amended by inserting after “Secretary
 14 of Agriculture” the following: “(the Secretary of the Inte-
 15 rior, in the case of the landowner incentives programs de-
 16 scribed in subsection (a)(10) and the programs described
 17 in subsection (a)(11) that are implemented by the Depart-
 18 ment of the Interior)”.

19 (c) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to amounts received after Decem-
 21 ber 31, 2003, in taxable years ending after such date.

22 **SEC. 205. MODIFICATIONS TO SECTION 512(b)(13).**

23 (a) IN GENERAL.—Paragraph (13) of section 512(b)
 24 (relating to special rules for certain amounts received from
 25 controlled entities) is amended by redesignating subpara-

1 graph (E) as subparagraph (F) and by inserting after sub-
2 paragraph (D) the following new subparagraph:

3 “(E) PARAGRAPH TO APPLY ONLY TO EX-
4 CESS PAYMENTS.—

5 “(i) IN GENERAL.—Subparagraph (A)
6 shall apply only to the portion of a speci-
7 fied payment received or accrued by the
8 controlling organization that exceeds the
9 amount which would have been paid or ac-
10 crued if such payment met the require-
11 ments prescribed under section 482.

12 “(ii) ADDITION TO TAX FOR VALU-
13 ATION MISSTATEMENTS.—The tax imposed
14 by this chapter on the controlling organiza-
15 tion shall be increased by an amount equal
16 to 20 percent of the larger of—

17 “(I) such excess determined with-
18 out regard to any amendment or sup-
19 plement to a return of tax, or

20 “(II) such excess determined
21 with regard to all such amendments
22 and supplements.”.

23 (b) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendment made by
2 this section shall apply to payments received or ac-
3 crued after December 31, 2003.

4 (2) PAYMENTS SUBJECT TO BINDING CONTRACT
5 TRANSITION RULE.—If the amendments made by
6 section 1041 of the Taxpayer Relief Act of 1997 did
7 not apply to any amount received or accrued in the
8 first 2 taxable years beginning on or after the date
9 of the enactment of the Taxpayer Relief Act of 1997
10 under any contract described in subsection (b)(2) of
11 such section, such amendments also shall not apply
12 to amounts received or accrued under such contract
13 before January 1, 2001.

14 **SEC. 206. SIMPLIFICATION OF LOBBYING EXPENDITURE**
15 **LIMITATION.**

16 (a) REPEAL OF GRASSROOTS EXPENDITURE
17 LIMIT.—Paragraph (1) of section 501(h) (relating to ex-
18 penditures by public charities to influence legislation) is
19 amended to read as follows:

20 “(1) GENERAL RULE.—In the case of an orga-
21 nization to which this subsection applies, exemption
22 from taxation under subsection (a) shall be denied
23 because a substantial part of the activities of such
24 organization consists of carrying on propaganda, or
25 otherwise attempting, to influence legislation, but

1 only if such organization normally makes lobbying
2 expenditures in excess of the lobbying ceiling amount
3 for such organization for each taxable year.”.

4 (b) EXCESS LOBBYING EXPENDITURES.—Section
5 4911(b) is amended to read as follows:

6 “(b) EXCESS LOBBYING EXPENDITURES.—For pur-
7 poses of this section, the term ‘excess lobbying expendi-
8 tures’ means, for a taxable year, the amount by which the
9 lobbying expenditures made by the organization during the
10 taxable year exceed the lobbying nontaxable amount for
11 such organization for such taxable year.”.

12 (c) CONFORMING AMENDMENTS.—

13 (1) Section 501(h)(2) is amended by striking
14 subparagraphs (C) and (D).

15 (2) Section 4911(c) is amended by striking
16 paragraphs (3) and (4).

17 (3) Paragraph (1)(A) of section 4911(f) is
18 amended by striking “limits of section 501(h)(1)
19 have” and inserting “limit of section 501(h)(1)
20 has”.

21 (4) Paragraph (1)(C) of section 4911(f) is
22 amended by striking “limits of section 501(h)(1)
23 are” and inserting “limit of section 501(h)(1) is”.

24 (5) Paragraphs (4)(A) and (4)(B) of section
25 4911(f) are each amended by striking “limits of sec-

1 tion 501(h)(1)” and inserting “limit of section
2 501(h)(1)”.

3 (6) Paragraph (8) of section 6033(b) (relating
4 to certain organizations described in section
5 501(c)(3)) is amended by inserting “and” at the end
6 of subparagraph (A) and by striking subparagraphs
7 (C) and (D).

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2003.

11 **SEC. 207. PILOT PROJECT FOR FOREST CONSERVATION AC-**
12 **TIVITIES.**

13 (a) TAX-EXEMPT BOND FINANCING.—

14 (1) IN GENERAL.—For purposes of the Internal
15 Revenue Code of 1986, any qualified forest con-
16 servation bond shall be treated as an exempt facility
17 bond under section 142 of such Code.

18 (2) QUALIFIED FOREST CONSERVATION
19 BOND.—For purposes of this section, the term
20 “qualified forest conservation bond” means any bond
21 issued as part of an issue if—

22 (A) 95 percent or more of the net proceeds
23 (as defined in section 150(a)(3) of such Code)
24 of such issue are to be used for qualified project
25 costs,

1 (B) such bond is an obligation of the State
2 of Washington or any political subdivision
3 thereof, and

4 (C) such bond is issued for a qualified or-
5 ganization before December 31, 2006.

6 (3) LIMITATION ON AGGREGATE AMOUNT
7 ISSUED.—The maximum aggregate face amount of
8 bonds which may be issued under this subsection
9 shall not exceed \$250,000,000.

10 (4) QUALIFIED PROJECT COSTS.—For purposes
11 of this subsection, the term “qualified project costs”
12 means the sum of—

13 (A) the cost of acquisition by the qualified
14 organization from an unrelated person of for-
15 ests and forest land located in the State of
16 Washington which at the time of acquisition or
17 immediately thereafter are subject to a con-
18 servation restriction described in subsection
19 (c)(2),

20 (B) interest on the qualified forest con-
21 servation bonds for the 3-year period beginning
22 on the date of issuance of such bonds, and

23 (C) credit enhancement fees which con-
24 stitute qualified guarantee fees (within the
25 meaning of section 148 of such Code).

1 (5) SPECIAL RULES.—In applying the Internal
2 Revenue Code of 1986 to any qualified forest con-
3 servation bond, the following modifications shall
4 apply:

5 (A) Section 146 of such Code (relating to
6 volume cap) shall not apply.

7 (B) For purposes of section 147(b) of such
8 Code (relating to maturity may not exceed 120
9 percent of economic life), the land and standing
10 timber acquired with proceeds of qualified for-
11 est conservation bonds shall have an economic
12 life of 35 years.

13 (C) Subsections (c) and (d) of section 147
14 of such Code (relating to limitations on acquisi-
15 tion of land and existing property) shall not
16 apply.

17 (D) Section 57(a)(5) of such Code (relat-
18 ing to tax-exempt interest) shall not apply to
19 interest on qualified forest conservation bonds.

20 (6) TREATMENT OF CURRENT REFUNDING
21 BONDS.—Paragraphs (2)(C) and (3) shall not apply
22 to any bond (or series of bonds) issued to refund a
23 qualified forest conservation bond issued before De-
24 cember 31, 2006, if—

1 (A) the average maturity date of the issue
2 of which the refunding bond is a part is not
3 later than the average maturity date of the
4 bonds to be refunded by such issue,

5 (B) the amount of the refunding bond does
6 not exceed the outstanding amount of the re-
7 funded bond, and

8 (C) the net proceeds of the refunding bond
9 are used to redeem the refunded bond not later
10 than 90 days after the date of the issuance of
11 the refunding bond.

12 For purposes of subparagraph (A), average maturity
13 shall be determined in accordance with section
14 147(b)(2)(A) of such Code.

15 (7) EFFECTIVE DATE.—This subsection shall
16 apply to obligations issued on or after the date of
17 enactment of this Act.

18 (b) ITEMS FROM QUALIFIED HARVESTING ACTIVI-
19 TIES NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.—

20 (1) IN GENERAL.—Income, gains, deductions,
21 losses, or credits from a qualified harvesting activity
22 conducted by a qualified organization shall not be
23 subject to tax or taken into account under subtitle
24 A of the Internal Revenue Code of 1986.

1 (2) LIMITATION.—The amount of income ex-
2 cluded from gross income under paragraph (1) for
3 any taxable year shall not exceed the amount used
4 by the qualified organization to make debt service
5 payments during such taxable year for qualified for-
6 est conservation bonds.

7 (3) QUALIFIED HARVESTING ACTIVITY.—For
8 purposes of paragraph (1)—

9 (A) IN GENERAL.—The term “qualified
10 harvesting activity” means the sale, lease, or
11 harvesting, of standing timber—

12 (i) on land owned by a qualified orga-
13 nization which was acquired with proceeds
14 of qualified forest conservation bonds, and

15 (ii) pursuant to a qualified conserva-
16 tion plan adopted by the qualified organi-
17 zation.

18 (B) EXCEPTIONS.—

19 (i) CESSATION AS QUALIFIED ORGANI-
20 ZATION.—The term “qualified harvesting
21 activity” shall not include any sale, lease,
22 or harvesting for any period during which
23 the organization ceases to qualify as a
24 qualified organization.

1 (ii) EXCEEDING LIMITS ON HAR-
2 VESTING.—The term “qualified harvesting
3 activity” shall not include any sale, lease,
4 or harvesting of standing timber on land
5 acquired with proceeds of qualified forest
6 conservation bonds to the extent that—

7 (I) the average annual area of
8 timber harvested from such land ex-
9 ceeds 2.5 percent of the total area of
10 such land, or

11 (II) the quantity of timber re-
12 moved from such land exceeds the
13 quantity which can be removed from
14 such land annually in perpetuity on a
15 sustained-yield basis with respect to
16 such land.

17 The limitations under subclauses (I) and
18 (II) shall not apply to post-fire restoration
19 and rehabilitation or sanitation harvesting
20 of timber stands which are substantially
21 damaged by fire, windthrow, or other ca-
22 tastrophes, or which are in imminent dan-
23 ger from insect or disease attack.

24 (4) TERMINATION.—This subsection shall not
25 apply to any qualified harvesting activity occurring

1 after the date on which there is no outstanding
2 qualified forest conservation bond or any such bond
3 ceases to be a tax-exempt bond.

4 (5) PARTIAL RECAPTURE OF BENEFITS IF HAR-
5 VESTING LIMIT EXCEEDED.—If, as of the date that
6 this subsection ceases to apply under paragraph (4),
7 the average annual area of timber harvested from
8 the land exceeds the requirement of paragraph
9 (3)(B)(ii)(I), the tax imposed by chapter 1 of such
10 Code shall be increased, under rules prescribed by
11 the Secretary of the Treasury, by the sum of the tax
12 benefits attributable to such excess and interest at
13 the underpayment rate under section 6621 of such
14 Code for the period of the underpayment.

15 (c) DEFINITIONS.—For purposes of this section—

16 (1) QUALIFIED CONSERVATION PLAN.—The
17 term “qualified conservation plan” means a multiple
18 land use program or plan which—

19 (A) is designed and administered primarily
20 for the purposes of protecting and enhancing
21 wildlife and fish, timber, scenic attributes,
22 recreation, and soil and water quality of the
23 forest and forest land,

1 (B) mandates that conservation of forest
2 and forest land is the single-most significant
3 use of the forest and forest land, and

4 (C) requires that timber harvesting be con-
5 sistent with—

6 (i) restoring and maintaining ref-
7 erence conditions for the region's ecotype,

8 (ii) restoring and maintaining a rep-
9 resentative sample of young, mid, and late
10 successional forest age classes,

11 (iii) maintaining or restoring the re-
12 sources' ecological health for purposes of
13 preventing damage from fire, insect, or dis-
14 ease,

15 (iv) maintaining or enhancing wildlife
16 or fish habitat, or

17 (v) enhancing research opportunities
18 in sustainable renewable resource uses.

19 (2) CONSERVATION RESTRICTION.—The con-
20 servation restriction described in this paragraph is a
21 restriction which—

22 (A) is granted in perpetuity to an unre-
23 lated person which is described in section
24 170(h)(3) of such Code and which, in the case

1 of a nongovernmental unit, is organized and op-
2 erated for conservation purposes,

3 (B) meets the requirements of clause (ii)
4 or (iii)(II) of section 170(h)(4)(A) of such
5 Code,

6 (C) obligates the qualified organization to
7 pay the costs incurred by the holder of the con-
8 servation restriction in monitoring compliance
9 with such restriction, and

10 (D) requires an increasing level of con-
11 servation benefits to be provided whenever cir-
12 cumstances allow it.

13 (3) QUALIFIED ORGANIZATION.—The term
14 “qualified organization” means an organization—

15 (A) which is a nonprofit organization sub-
16 stantially all the activities of which are chari-
17 table, scientific, or educational, including ac-
18 quiring, protecting, restoring, managing, and
19 developing forest lands and other renewable re-
20 sources for the long-term charitable, edu-
21 cational, scientific and public benefit,

22 (B) more than half of the value of the
23 property of which consists of forests and forest
24 land acquired with the proceeds from qualified
25 forest conservation bonds,

1 (C) which periodically conducts educational
2 programs designed to inform the public of envi-
3 ronmentally sensitive forestry management and
4 conservation techniques,

5 (D) which has at all times a board of
6 directors—

7 (i) at least 20 percent of the members
8 of which represent the holders of the con-
9 servation restriction described in para-
10 graph (2),

11 (ii) at least 20 percent of the mem-
12 bers of which are public officials, and

13 (iii) not more than one-third of the
14 members of which are individuals who are
15 or were at any time within 5 years before
16 the beginning of a term of membership on
17 the board, an employee of, independent
18 contractor with respect to, officer of, direc-
19 tor of, or held a material financial interest
20 in, a commercial forest products enterprise
21 with which the qualified organization has a
22 contractual or other financial arrangement,

23 (E) the bylaws of which require at least
24 two-thirds of the members of the board of direc-
25 tors to vote affirmatively to approve the quali-

1 fied conservation plan and any change thereto,
2 and

3 (F) upon dissolution, is required to dedi-
4 cate its assets to—

5 (i) an organization described in sec-
6 tion 501(c)(3) of such Code which is orga-
7 nized and operated for conservation pur-
8 poses, or

9 (ii) a governmental unit described in
10 section 170(c)(1) of such Code.

11 (4) UNRELATED PERSON.—The term “unre-
12 lated person” means a person who is not a related
13 person.

14 (5) RELATED PERSON.—A person shall be
15 treated as related to another person if—

16 (A) such person bears a relationship to
17 such other person described in section 267(b)
18 (determined without regard to paragraph (9)
19 thereof), or 707(b)(1), of such Code, deter-
20 mined by substituting “25 percent” for “50
21 percent” each place it appears therein, and

22 (B) in the case such other person is a non-
23 profit organization, if such person controls di-
24 rectly or indirectly more than 25 percent of the
25 governing body of such organization.

1 (d) REPORT.—

2 (1) IN GENERAL.—The Comptroller General of
3 the United States shall conduct a study on the pilot
4 project for forest conservation activities under this
5 section. Such study shall examine the extent to
6 which forests and forest lands were managed during
7 the 5-year period beginning on the date of the enact-
8 ment of this Act to achieve the goals of such project.

9 (2) SUBMISSION OF REPORT TO CONGRESS.—
10 Not later than six years after the date of the enact-
11 ment of this Act, the Comptroller General shall sub-
12 mit a report of such study to the Committee on
13 Ways and Means and the Committee on Resources
14 of the House of Representatives and the Committee
15 on Finance and the Committee on Energy and Nat-
16 ural Resources of the Senate.

17 **TITLE III—OTHER PROVISIONS**

18 **SEC. 301. COMPASSION CAPITAL FUND.**

19 Title IV of the Social Security Act (42 U.S.C. 601–
20 679b) is amended by adding at the end the following:

21 **“PART F—COMPASSION CAPITAL FUND**

22 **“SEC. 481. SECRETARY’S FUND TO SUPPORT AND REP-**
23 **LICATE PROMISING SOCIAL SERVICE PRO-**
24 **GRAMS.**

25 “(a) GRANT AUTHORITY.—

1 “(1) IN GENERAL.—The Secretary may make
2 grants to support any private entity that operates a
3 promising social services program.

4 “(2) APPLICATIONS.—An entity desiring to re-
5 ceive a grant under paragraph (1) shall submit to
6 the Secretary an application for the grant, which
7 shall contain such information as the Secretary may
8 require.

9 “(b) CONTRACT AUTHORITY, ETC.—The Secretary
10 may enter into a grant, contract, or cooperative agreement
11 with any entity under which the entity would provide tech-
12 nical assistance to another entity to operate a social serv-
13 ice program that assists persons and families in need, in-
14 cluding by—

15 “(1) providing the other entity with—

16 “(A) technical assistance and information,
17 including legal assistance and other business as-
18 sistance;

19 “(B) information on capacity-building;

20 “(C) information and assistance in identi-
21 fying and using best practices for serving per-
22 sons and families in need; or

23 “(D) assistance in replicating programs
24 with demonstrated effectiveness in assisting
25 persons and families in need; or

1 “(2) supporting research on the best practices
2 of social service organizations.

3 “(c) GUIDANCE AND TECHNICAL ASSISTANCE.—The
4 Secretary may use not more than 25 percent of the
5 amount appropriated under this section for a fiscal year
6 to provide guidance and technical assistance to States and
7 political subdivisions of States with respect to the imple-
8 mentation of any social service program.

9 “(d) SOCIAL SERVICES PROGRAM DEFINED.—In this
10 section, the term ‘social services program’ means a pro-
11 gram that provides benefits or services of any kind to per-
12 sons and families in need.

13 “(e) LIMITATIONS ON AUTHORIZATION OF APPRO-
14 PRIATIONS.—To carry out this section, there are author-
15 ized to be appropriated to the Secretary \$150,000,000 for
16 fiscal year 2004, and such sums as may be necessary for
17 fiscal years 2005 through 2008.”.

18 **SEC. 302. REAUTHORIZATION OF ASSETS FOR INDEPEND-**
19 **ENCE DEMONSTRATION.**

20 (a) IN GENERAL.—Section 416 of the Assets for
21 Independence Act (title IV of Public Law 105–285; 42
22 U.S.C. 604 note) is amended by striking “and 2003” and
23 inserting “2003, 2004, 2005, 2006, 2007, and 2008”.

24 (b) REMOVAL OF ECONOMIC LITERACY ACTIVITIES
25 FROM LIMITATION ON USE OF AMOUNTS IN THE RE-

1 SERVE FUND.—Section 407(c)(3) of such Act (title IV of
2 Public Law 105–285; 42 U.S.C. 604 note) is amended by
3 adding at the end the following: “The preceding sentences
4 of this paragraph shall not apply to amounts used by an
5 entity for any activity described in paragraph (1)(A).”.

6 (c) ELIGIBILITY EXPANDED TO INCLUDE INDIVID-
7 UALS IN HOUSEHOLDS WITH INCOME NOT EXCEEDING
8 50 PERCENT OF AREA MEDIAN INCOME.—Section
9 408(a)(1) of such Act (title IV of Public Law 105–285;
10 42 U.S.C. 604 note) is amended to read as follows:

11 “(1) INCOME TEST.—The adjusted gross in-
12 come of the household—

13 “(A) does not exceed 200 percent of the
14 poverty line (as determined by the Office of
15 Management and Budget) or the earned income
16 amount described in section 32 of the Internal
17 Revenue Code of 1986 (taking into account the
18 size of the household); or

19 “(B) does not exceed 50 percent of the
20 area median income (as determined by the Sec-
21 retary of Housing and Urban Development) for
22 the area in which the household is located.”.

23 (d) EXTENSION OF TIME FOR ACCOUNT HOLDERS
24 TO ACCESS FEDERAL FUNDS.—Section 407(d) of such

1 Act (title IV of Public Law 105–285; 42 U.S.C. 604 note)
2 is amended—

3 (1) in the subsection heading, by striking
4 “WHEN PROJECT TERMINATES”; and

5 (2) by striking “upon” and inserting “on the
6 date that is 6 months after”.

7 (e) VERIFICATION OF POSTSECONDARY EDUCATION
8 EXPENSES.—Section 404(8)(A) of such Act (title IV of
9 Public Law 105–285; 42 U.S.C. 604 note) is amended in
10 the 1st sentence by inserting “or a vendor, but only to
11 the extent that the expenses are described in a document
12 which explains the educational items to be purchased, and
13 the document and the expenses are approved by the quali-
14 fied entity” before the period.

15 (f) AUTHORITY TO USE EXCESS INTEREST TO FUND
16 OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section
17 410 of such Act (title IV of Public Law 105–285; 42
18 U.S.C. 604 note) is amended—

19 (1) in subsection (a)(3)—

20 (A) by striking “any interest that has ac-
21 cued” and inserting “interest that has accrued
22 during that period”; and

23 (B) by striking the period and inserting “,
24 but only to the extent that the amount of the
25 interest does not exceed the amount of interest

1 that has accrued during that period on amounts
2 deposited in the account by that individual.”;
3 and

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

5 “(f) USE OF EXCESS INTEREST TO FUND OTHER IN-
6 DIVIDUAL DEVELOPMENT ACCOUNTS.—To the extent that
7 a qualified entity has an amount that, but for the limita-
8 tion in subsection (a)(3), would be required by that sub-
9 section to be deposited into the individual development ac-
10 count of an individual or into a parallel account main-
11 tained by the qualified entity, the qualified entity may de-
12 posit the amount into the individual development account
13 of any individual or into any such parallel account main-
14 tained by the qualified entity.”.

15 **SEC. 303. SENSE OF THE CONGRESS REGARDING COR-**
16 **PORATE CONTRIBUTIONS TO FAITH-BASED**
17 **ORGANIZATIONS, ETC.**

18 (a) FINDINGS.—The Congress finds as follows:

19 (1) America’s community of faith has long
20 played a leading role in dealing with difficult societal
21 problems that might otherwise have gone
22 unaddressed.

23 (2) President Bush has called upon Americans
24 “to revive the spirit of citizenship . . . to marshal

1 the compassion of our people to meet the continuing
2 needs of our Nation”.

3 (3) Although the work of faith-based organiza-
4 tions should not be used by government as an excuse
5 for backing away from its historic and rightful com-
6 mitment to help those who are disadvantaged and in
7 need, such organizations can and should be seen as
8 a valuable partner with government in meeting soci-
9 etal challenges.

10 (4) Every day faith-based organizations in the
11 United States help people recover from drug and al-
12 cohol addiction, provide food and shelter for the
13 homeless, rehabilitate prison inmates so that they
14 can break free from the cycle of recidivism, and
15 teach people job skills that will allow them to move
16 from poverty to productivity.

17 (5) Faith-based organizations are often more
18 successful in dealing with difficult societal problems
19 than government and non-sectarian organizations.

20 (6) As President Bush has stated, “It is not
21 sufficient to praise charities and community groups;
22 we must support them. And this is both a public ob-
23 ligation and a personal responsibility.”.

1 (7) Corporate foundations contribute billions of
2 dollars each year to a variety of philanthropic
3 causes.

4 (8) According to a study produced by the Cap-
5 ital Research Center, the 10 largest corporate foun-
6 dations in the United States contributed
7 \$1,900,000,000 to such causes.

8 (9) According to the same study, faith-based or-
9 ganizations only receive a small fraction of the con-
10 tributions made by corporations in the United
11 States, and 6 of the 10 corporations that give the
12 most to philanthropic causes explicitly ban or re-
13 strict contributions to faith-based organizations.

14 (b) CORPORATIONS ENCOURAGED TO CONTRIBUTE
15 TO FAITH-BASED ORGANIZATIONS.—The Congress calls
16 on corporations in the United States, in the words of the
17 President, “to give more and to give better” by making
18 greater contributions to faith-based organizations that are
19 on the front lines battling some of the great societal chal-
20 lenges of our day.

21 (c) SENSE OF THE CONGRESS.—It is the sense of
22 Congress that—

23 (1) corporations in the United States are im-
24 portant partners with government in efforts to over-
25 come difficult societal problems; and

1 (2) no corporation in the United States should
2 adopt policies that prohibit the corporation from
3 contributing to an organization that is successfully
4 advancing a philanthropic cause merely because such
5 organization is faith based.

6 **SEC. 304. MATERNITY GROUP HOMES.**

7 Section 322 of the Runaway and Homeless Youth Act
8 (42 U.S.C. 5714–2) is amended—

9 (1) in subsection (a)(1), by inserting “(includ-
10 ing maternity group homes)” after “group homes”;
11 and

12 (2) by adding at the end the following:

13 “(c) MATERNITY GROUP HOME.—In this part, the
14 term ‘maternity group home’ means a community-based,
15 adult-supervised group home that provides—

16 “(1) young mothers and their children with a
17 supportive and supervised living arrangement in
18 which such mothers are required to learn parenting
19 skills, including child development, family budgeting,
20 health and nutrition, and other skills to promote
21 their long-term economic independence and the well-
22 being of their children; and

23 “(2) pregnant women with—

1 “(A) information regarding the option of
2 placing children for adoption through licensed
3 adoption service providers;

4 “(B) assistance with prenatal care and
5 child birthing; and

6 “(C) pre- and post-placement adoption
7 counseling.”.

8 **SEC. 305. AUTHORITY OF STATES TO USE 10 PERCENT OF**
9 **THEIR TANF FUNDS TO CARRY OUT SOCIAL**
10 **SERVICES BLOCK GRANT PROGRAMS.**

11 Section 404(d)(2) of the Social Security Act (42
12 U.S.C. 604(d)(2)) is amended to read as follows:

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

 Passed the House of Representatives September 17,
2003.

Attest:

Clerk.

108TH CONGRESS
1ST SESSION

H. R. 7

AN ACT

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes.