hearings on that issue—I want to caution my colleagues who believe that leveling the playing field between offline and online sellers is a quick and easy policy decision. We need to be very careful that we do not create a precedent that would allow States and localities to tax a transaction, simply because the seller sells something to a purchaser in their jurisdiction.

One of the fundamental principles motivating America's struggle for independence from Britain was the idea that citizens should to face taxation without representation. To require that sellers pay taxes to a governmental body that in no way represents its interests is contrary to that basic premise of our democracy. In continuing to pursue a resolut8inon of the streamlined State sales tax issue, it is important that we continue to be guided by that principle.

Mr. LANGEVIN. Mr. Speaker. Today, I rise in support of H.R. 49, the Internet Tax Nondiscrimination Act. This bill is the result of a bipartisan compromise to the benefit of consumers in Rhode Island and around the country.

H.R. 49 makes permanent the current moratorium on Internet access taxes, which was scheduled to expire on November 1, 2003. This moratorium, in effect since October 1998, has greatly contributed to the rapid expansion of the Internet.

For the second quarter of 2003, e-commerce accounted for only 1.5 percent of total goods and services sold in the country, but this is an increase of 28 percent from the previous year. By 2005, worldwide online sales are expected to total $8.6 trillion online, up from $3.6 trillion this year. This bill will maintain the United States' position as a leader in online commerce because H.R. 49 protects consumers from double taxation of online purchases, which would slow the growth of Internet sales.

I am pleased to see that the Judiciary Committee adopted the Watts-Cannon amendment, which ensures that all technologies, including traditional modem, cable modem, DSL, wireless, and future access methods, are subject to the same tax treatment. In addition, this bill ensures a nondiscriminatory tax system, which neither encourages nor discourages purchases online. The legislation is fair to existing brick and mortar businesses, while continuing to foster the expansion of e-commerce.

I urge my colleagues to support H.R. 49, this bipartisan legislation that benefits consumers and businesses.

Mr. KIND. Mr. Speaker, I am pleased to support H.R. 49, the Internet Tax Non-Discrimination Act. This bill would make permanent the national moratorium on Internet access taxes and multiple and discriminatory taxes on e-commerce.

The United States has made great strides in the goal of achieving Internet access for all Americans. As I travel throughout my district in western Wisconsin, I am constantly amazed to see the continued use of the Internet in public libraries, schools and hospitals, as well as individual homes and businesses. As the telephone did 100 years ago, the Internet is improving our lives and bringing us closer together as a world community.

Mr. Speaker, the previous legislation dealing with Internet taxation grandfathered existing laws in 10 states, including Wisconsin that imposed taxes on Internet access. The revenue from the taxes was used to pay for police officers, firefighters, hospital personnel, and elementary and secondary school teachers.

In these times of tight state budgets and fiscal uncertainty, every tax dollar is crucial to deliver needed services to citizens throughout the country. However, when the Federal Government unilaterally removes tax revenue by superceding state laws, state budgets take the hit. Congress must take state government needs and budget schedules when passing laws that supercede state taxation laws.

Mr. Speaker, the language in the Senate version of this bill includes a provision providing for a 3-year delay in the implementation of the law in those states with previous Internet access tax laws. This provision will afford those states the opportunity to plan for the loss of revenue from H.R. 49.

I am voting for H.R. 49 because I believe it is important to keep Internet access affordable so all Americans across the economic spectrum. However, I think it is only fair to state governments that they have proper notice about the lost of tax revenue dollars. Thus, I will be urging conferees to adopt the Senate language allowing for a 3-year delay of this law in those 10 states with Internet access tax laws.

Mr. SENSENBRENNER. Mr. Speaker, I urge support for the bill and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 49, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

CHARITABLE GIVING ACT OF 2003

Mr. LINDER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 370 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 370

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 7) to amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes. The bill shall be considered as read for amendment. The amendment in the nature of a substitute recommended by the Committee on Ways and Means now printed in the bill, modified by the amendment printed in part A of the report of the Committee on Rules accompanying this resolution, shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, and on any further amendment thereto to final passage without intervening motion except: (1) one hour of debate on the bill, as amended, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means; (2) the amendment printed in part B of the report of the Committee on Rules, if offered by Representative Cardin of Maryland or his designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

The SPEAKER pro tempore. The gentleman from Georgia (Mr. LINDER) is recognized for 1 hour.

Mr. LINDER. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentlewoman from New York (Ms. SLAUGHTER), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

Mr. Speaker, H. Res. 370 is a modified, closed rule that provides one hour of debate in the House, equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. H. Res. 370 waives all points of order against consideration of the bill. It provides that the amendment in the nature of a substitute recommended by the Committee on Ways and Means, as modified by the amendment printed in Part A of the Committee on Rules report accompanying the resolution, shall be considered as adopted.

The rule also provides for the consideration of the amendment in the nature of a substitute printed in Part B of the Committee on Rules report, if offered by the gentleman from Maryland (Mr. CARDIN) or his designee, which shall be considered as read, shall be debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment printed in Part B of the report.

Finally, H. Res. 370 provides one motion to recommit, with or without instructions.

Mr. Speaker, I urge my colleagues to join me in approving this fair and balanced rule, so that the full House can proceed to consider the underlying bipartisan charitable giving legislation.

The basic thrust of H.R. 7 is to make a number of changes to the Tax Code in order to provide incentives for individuals and businesses to make charitable contributions. I suspect that we would all agree that the Tax Code should not discourage taxpayers or businesses from seeking to help others. H.R. 7 is designed to ensure that charitable contributions of many different kinds can flourish by providing a variety of tax incentives for people and employers to help those in need. I applaud the hard work and leadership of my friend and colleague, the majority whip, the gentleman from Missouri (Mr. BLUNT), and his principal Democrat cosponsor, the gentleman from Tennessee (Mr. FORD), in bringing this legislation to the House floor today.

I urge my colleagues on both sides of the aisle to join me in voting for this rule so that we can move on to consideration of the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman from Georgia (Mr. LINDER) for yielding me the customary 30 minutes, and I yield myself such time as I may consume.

(Ms. SLAUGHTER asked and was given permission to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, I am pleased the body is considering legislation to increase tax incentives for charitable donations. Charitable organizations across the country are responsible for improving the lives of individuals and entire communities. These dedicated, hard-working groups provide shelter to those without homes, provide food and clothing to families in need, and care for the sick and the dying. They work with our children, providing opportunities for them to develop through art and music programs, teaching them to read, and so much more.

In east Buffalo, the tenacity and leadership of Sister Mary Johnice and others created the Response to Love Center. This community outreach center is a family center. The thrift shop clothes the needy. The kitchen feeds the hungry. The food pantry stretches families' thin budgets. The food stamp worker helps those in need to fill out the applications. The visiting nurse takes blood pressures and addresses health care issues with a client. It is right and good that this body seeks to support these great works by increasing the donations of individuals and community-minded companies.

I am also gratified that the bill before us today is without provisions allowing religious organizations that receive Federal funds to discriminate. Discrimination is not charitable. Discrimination should neither be allowed nor encouraged, particularly by the Federal Government. The invidious evil of discrimination erodes groups' charitable mission.

During these bad economic times, when millions of jobs have been lost and millions of people suffer unemployment, the demand for the charitable work rises.

It is my hope that this legislation will provide additional assistance to meet the additional demand. The women and men who lost jobs at local manufacturing plants are not the only ones suffering. The Federal Government's fiscal house is in complete disorder. The enormous tax giveaways to millionaires and the mounting costs of rebuilding Iraq are draining the Federal coffers, and the ailing economy has yet to generate enough revenue. In fact, the budget deficit for this fiscal year is going to be over $400 billion, and the deficit for next year should be around $500 billion, one-half trillion. The predicted $5.6 billion surplus has become an anticipated $2.3 trillion deficit.

So how are we going to pay for the $12.7 billion cost of this bill? H.R. 7 does not address this issue, but the Democrat substitute does, fortunately. The substitute amendment would add revenue offsets by closing tax loopholes and curtailing abusive tax shelters. It would even increase funding for community programs that, among other things, prevent child abuse and provide child care to low-income families. This is a fiscally responsible approach for encouraging charitable giving and providing assistance to vulnerable families during these particularly difficult times.

Mr. Speaker, I want to express my personal displeasure and sorrow that the Committee on Rules did not make in order the amendment by my colleague, the gentlewoman from New York (Mrs. MALONEY) that would have forgiven the one-time tax on the CDBG grants for the businesses in Lower Manhattan who suffered so much on 9/11.

Mr. Speaker, I reserve the balance of my time.

Mr. LINDER. Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I yield 6 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY. Mr. Speaker, I thank the gentlewoman for yielding me this time and for her leadership on so many important issues before this body.

I rise in strong support of the underlying bill, but in opposition to this closed rule, a rule that does not allow a straight up-or-down vote on an amendment that the New York delegation supported that would not have taxed grants to individuals and businesses that suffered because of 9/11. It is really beyond me to understand why the majority continues to block efforts to correct what is an injustice and why they continue to unfairly tax the victims of 9/11. We have heard many discussions before this body on taxes, taxes that they want to eliminate and make permanent, on estate taxes, on this, that, and the other. Well, now the majority has found a tax that they do like, and that is taxing the people who took a hit for the country, the victims of 9/11.

I want to share with my colleagues that this is the latest in a series of actions by the New York delegation. The New York delegation has written the IRS and the Secretary of the Treasury. We have written the President. We have written to the Speaker of the House, the gentleman from Illinois (Mr. HASTERT), and the leadership of the other body. We have introduced bipartisan legislation. The Committee on Ways and Means is aware of the challenge, and the Congressional Research Service has issued a memo on this unfair tax.

We went in front of the Committee on Rules before and tried to add it as an amendment to H.R. 1308, the increased child tax credit bill. And just last week, the gentleman from New York (Mr. NADLER) and myself tried to add this amendment to the Transportation-Treasury bill, and it was ruled not germane. But in the Committee on Rules last night, when they discussed it, the Parliamentarian had made a statement that it was entirely germane and could have been taken up by this body.

□ 1145

So the end results continue to remain that the victims of 9/11 are still being taxed, and it is just unfair for these cash-strapped individuals and businesses to take another financial hit from this disaster, a financial hit that the Joint Committee on Taxation estimated to be over $268 million.

The IRS is taking back $268 million in Federal aid that the President pledged to New York City and Congress appropriated. We should be sending aid to victims, not taking it away.

The IRS decision has also had a ripple effect on other Federal benefits that survivors of 9/11 may receive. Since many agencies rely on the IRS's definition of gross income, some recipients' eligibility for programs like Medicare, Medicaid and Social Security, these programs likewise may be in jeopardy and taxed.

I would like to bring it down to what it means to an individual life with my constituents. I would like to take the example of Olga Diaz. She was the owner of a hair salon in the World Trade Center. She estimates that she lost $300,000 in the attacks and received a Federal grant of $37,000, a fraction of her loss. She now owes over $10,000. She owes a third of her grant of $37,000 back to the Federal Government. And she states that she learned about the taxation of the grant ''after I invested it in rebuilding my business and I am now struggling to find ways to pay.''

Mr. STARK. Mr. Speaker, will the gentlewoman yield?

Mrs. MALONEY. I yield to the gentleman from California.

Mr. STARK. Mr. Speaker, I would ask, how much was the New York delegation asking, does the gentlewoman recall, for the help of the 9/11 victims?

Mrs. MALONEY. We, as a body, as the gentleman knows, appropriated and approved with the President $21.4 billion.

My office issued a report along with the Speaker of the City Council last week that 7 billion of those dollars have come to New York City, and that allocated or planned is roughly $19 billion. So we are short from the $21 billion.

Mr. STARK. So that was over 10?

Mrs. MALONEY. Yes.

Mr. STARK. So that would be about 200 million a year that you are short. I wondered if the gentlewoman was aware that in this bill there is $61 million for the State of Washington and the Weyerhaeuser Timber Corporation to do a kind of experiment in how to save trees by cutting them down, and none of the other States were allowed to participate in this, including New York State where they have major timber and pulp. So all through this bill

there are special little interests gifts. Think of the Weyerhaeuser Timber Corporation and how badly they need an extra $61 million as compared to the people of 9/11.

Mrs. MALONEY. Reclaiming my time, I am outraged by this information. I thank the gentleman for letting me know about it. Certainly investing in human lives and trying to make them whole again after they have lost so much, in my opinion, is far more important than a timber subsidy.

I repeat, $268 million is being taken from the individuals and the businesses, most of which are small businesses, back into the Federal government. And to make matters worse, the IRS did not tell these people until the eve of the tax date so that they spent the money, as Mrs. Olga Diaz did, investing in trying to get her business going again. Now they are coming in and taking a third of her grant, which is just a fraction of the grant that was owed to her in her $300,000 loss.

So this is very unfair, and I do not believe that it is the intent of this body to tax these grants. I hope that in a subsequent bill or amendment it will be made in order or the bill from the delegation may come to the floor to correct this.

Mr. LINDER. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DREIER), the chairman of the Committee on Rules.

(Mr. DREIER asked and was given permission to revise and extend his remarks.)

Mr. DREIER. Mr. Speaker, I thank my friend for yielding me time and I rise in strong support of this rule.

As we all know, this rule does in fact make in order the Democratic substitute, which was offered by the gentleman from Maryland (Mr. CARDIN), and I believe that the rule itself should enjoy broad bipartisan support as I hope at the end of the day the legislation will.

This is bipartisan legislation authored by our good friend, the gentleman from Missouri (Mr. BLUNT), the distinguished majority whip, and the gentleman from Tennessee (Mr. FORD), who have worked forming a bipartisan compromise on this. I will say that the goal is a very simple one, and that is to encourage greater philanthropy in contribution.

My friend, the gentleman from Georgia (Mr. LINDER), regularly points to the fact that people in this country were contributing large amounts before the Internal Revenue Code was put into place in 1913, and we do have many people who do step up and voluntarily provide large contributions. We have a lot of foundations that, frankly, do not take the tax ramifications of their contributions into consideration. But there are also incentives that do exist and we need to recognize that and the idea of saying to people who do not itemize, meaning those who are lower, middle income taxpayers, that they should have an opportunity to qualify for a deduction for their charitable contribution is the right thing to do.

This measure also goes a long way towards encouraging corporate philanthropy by increasing from 10 to 20 percent the cap on corporate contributions, so we want to see even greater support from the business community.

Also, the legislation does go a long way towards addressing private foundations, and I think that is an important thing and it deals with the 5 percent minimum for contributions and distributions from those private foundations.

Mr. Speaker, I think that we have here a piece of legislation which will allow us to do something that is very important. We have so many people looking to the Federal Government to provide assistance in a wide range of areas and we, according to Article I, Section 7 of the Constitution, have the responsibility to appropriate dollars. It seems to me that rather than constantly focusing on appropriating the hard earned tax dollars of the American people, what we should do is we should provide an incentive for every American to participate philanthropically by making contributions to meet societal needs that are out there, and I believe that H.R. 7 will go a long way in our quest to do just that.

I urge my colleagues to support the rule and to support the underlying legislation at the end of the day so that we once again can get even more and more people involved in the very, very important decision making process of meeting the needs in their communities and in our Nation.

Ms. SLAUGHTER. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina (Mr. WATT).

Mr. WATT. Mr. Speaker, I thank the gentlewoman for yielding me time.

Mr. Speaker, I will say that I am not a member of the Committee on Ways and Means so I thought I would take this opportunity to say what I have to say on the rule itself.

There are some things in this bill that cause me some heartburn and there are some things in this bill that I think are very valuable. And I am not sure exactly which one is taking precedence for me on the bill itself, but I did want to thank the Committee on Ways and Means for addressing a concern that had been raised about the administrative expense part of this bill by the Morehead Foundation, which is a major scholarship giving foundation in North Carolina. The Committee on Ways and Means addressed their concern, and I wanted to acknowledge that and thank them for doing that.

Mr. LINDER. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. HOUGHTON), our colleague on the Committee on Ways and Means.

Mr. HOUGHTON. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I want to encourage my fellow Members to support H.R. 7. There are lots of provisions in the bill which I think are good and I appreciate the comments by the former speaker in terms of what the Committee on Ways and Means has done; but there is a particular provision that would help many Americans who are literally struggling to stay alive.

This provision would expand the current deductions to all businesses, not just C corporations, and I believe this expansion would substantially increase the donation of food to food banks and other organizations. It is that simple.

What these groups do is to provide the obviously daily nourishment to homeless and others that are down on their luck and just cannot provide for all their needs themselves.

The bill also includes the provisions of H.R. 807. This is something that I introduced with the gentleman from Georgia (Mr. LEWIS) and previous to last year Tony Hall. As many know, Tony Hall is now in Rome doing a wonderful job for the United Nations agencies for food and agriculture.

But this bill would open up the deduction for all businesses, as I mentioned earlier, not just the larger corporations, and allow those businesses a deduction for the fair-market value of the food at the time they donate it.

This is a good provision. I urge everybody to support the bill.

Ms. SLAUGHTER. Mr. Speaker, I yield 2 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the distinguished gentlewoman for yielding me time. I thank the members of the Committee of Ways and Means for bringing this debate of H.R. 7 to the floor of the House.

Let me first of all add my support to the Cardin substitute. It is an equalizing substitute in terms of adding to this legislation a provision to restore the Social Services block grant funding level to $2.8 billion from $1.7 billion. It helps to support the State, local government and community based organization programs intended for the same population as the foundations benefiting from the tax provision that we are now providing or discussing on the floor of the House; additionally, as the entire cost is offset with a set of corporate loophole closures similar to those included in other House Democratic substitutes.

Let me also say that I would hope that in the weeks to come that we could discuss on the floor of the House the repeal of the President's very, if you will, misdirected tax cut in the light of the need for funding for our soldiers in Iraq and as well in light of the very huge budget crisis that we have.

We are bringing this bill to the floor because we are trying to help people. We are trying to create an opportunity for smaller businesses and others to be able to give monies to these social agencies in order to provide for a better quality of life.

Well, Mr. Speaker, I think we can start right here in the United States

Congress to create an opportunity for a better quality of life by immediately repealing the President's tax cut so that we can in fact fund the necessary resources that are needed for our troops, and, as well, that we can provide the social services that our appropriators are now struggling to provide because they are in a crisis as to the amount of dollars that we will have.

Mr. Speaker, I think that the Cardin substitute is a great enhancement of H.R. 7. I rise to support that substitute and certainly will consider its impact on H.R. 7 as I consider my vote on this legislation dealing with the Charitable Giving Act of 2003.

Mr. LINDER. Mr. Speaker, does the gentlewoman from New York (Ms. SLAUGHTER) have any further speakers?

Ms. SLAUGHTER. Mr. Speaker, I did have speakers requesting time but they are not on the floor.

Mr. LINDER. Is the gentlewoman prepared to yield back?

Ms. SLAUGHTER. Mr. Speaker, I yield back the balance of my time.

Mr. LINDER. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

□ 1200

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 370, I call up the bill (H.R. 7) to amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. THORNBERRY). Pursuant to House Resolution 370, the bill is considered read for amendment.

The text of H.R. 7 is, as follows:

H.R. 7

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Charitable Giving Act of 2003''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—CHARITABLE GIVING INCENTIVES

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

(a) IN GENERAL.—Section 170 (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.—

''(1) IN GENERAL.—In the case of an individual who does not itemize deductions for any taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the amount allowable under subsection (a) for the taxable year for cash contributions (determined without regard to any carryover), to the extent that such contributions exceed $250 ($500 in the case of a joint return) but do not exceed $500 ($1,000 in the case of a joint return).

''(2) TERMINATION.—This subsection shall not apply to any taxable year beginning after December 31, 2005.''.

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 (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 the following new paragraph:

''(3) the direct charitable deduction.''.

(2) DEFINITION.—Section 63 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 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 the following new paragraph:

''(3) the direct charitable deduction.''.

(c) STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury shall study the effect of the amendments made by this section on increased charitable giving and taxpayer compliance, including a comparison of taxpayer compliance between taxpayers who itemize their charitable contributions and taxpayers who claim a direct charitable deduction.

(2) REPORT.—By not later than December 31, 2005, the Secretary of the Treasury shall report on the study required under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

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

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

(a) IN GENERAL.—Subsection (d) of section 408 (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 plan—

''(i) which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70 ½, and

''(ii) which is made directly by the trustee—

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

''(II) to a split-interest entity.

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 plan 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 have been so includible if all amounts were distributed from all individual retirement plans treated as 1 contract under paragraph (2)(A) for purposes of 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 beneficiary to whom is paid 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 beneficiary.

''(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 must be 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 (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 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 deduction taken under section 642(c) within such year,

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

''(C) the amount for which such 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 the purposes described in section 642(c),

''(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 to a trust for any taxable year if—

''(A) 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, or

''(B) the trust is 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) (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.

In addition to any penalty imposed on the trust pursuant to this subparagraph, if the person required to file such return knowingly fails to file the return, such penalty shall also be imposed on such person who shall be personally liable for such penalty.''.

(3) CONFIDENTIALITY OF NONCHARITABLE BENEFICIARIES.—Subsection (b) of section 6104 (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 distributions made after December 31, 2003.

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

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

(a) IN GENERAL.—Paragraph (2) of section 170(b) (relating to corporations) is amended by striking ''10 percent'' and inserting ''the applicable percentage''.

(b) APPLICABLE PERCENTAGE.—Subsection (b) of section 170 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:

''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.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 512(b)(10) and 805(b)(2)(A) 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) 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, 2003.

SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Paragraph (3) of section 170(e) (relating to special rule for certain contributions of inventory and other property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—

''(i) GENERAL RULE.—In the case of a charitable contribution of food, this paragraph shall be applied—

''(I) without regard to whether the contribution is made by a C corporation, and

''(II) only for food that is apparently wholesome food.

''(ii) LIMITATION.—In the case of taxpayer other than a C corporation, clause (i) shall not apply to any contribution of apparently wholesome food from a trade or business of the taxpayer to the extent that such contribution exceeds the applicable percentage (within the meaning of subsection (b)(3)) of the amount of net income of the taxpayer from the trade or business with respect to which such food is inventory. For purposes of the preceding sentence, the amount of net income of the taxpayer from a trade or business is the excess of—

''(I) the aggregate amount of gross income from such trade or business received or accrued by the taxpayer during the taxable year, over

''(II) the aggregate amount of any deductions allocable to such trade or business allowed to the taxpayer under this chapter for the taxable year.

''(iii) DETERMINATION OF FAIR MARKET VALUE.—In the case of a qualified contribution of apparently wholesome food to which this paragraph applies 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 food shall be determined by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

''(iv) APPARENTLY WHOLESOME FOOD.—For purposes of this subparagraph, the term 'apparently wholesome food' shall have the meaning given to 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 subparagraph.''.

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

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

(a) REDUCTION OF TAX ON NET INVESTMENT INCOME.—Subsection (a) of section 4940 (relating to excise tax based on investment income) is amended by striking ''2 percent'' and inserting ''1 percent''.

(b) REPEAL OF REDUCTION IN TAX WHERE PRIVATE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—Section 4940 is amended by striking subsection (e).

(c) MODIFICATION OF EXCISE TAX ON FAILURE TO DISTRIBUTE INCOME.—

(1) ADMINISTRATIVE EXPENSES NOT TREATED AS DISTRIBUTIONS.—Subparagraph (A) of section 4942(g)(1) is amended by striking ''including that portion of reasonable and necessary administrative expenses'' and inserting ''excluding administrative expenses''.

(2) EXCLUSION NOT TO APPLY TO CERTAIN PRIVATE FOUNDATIONS.—Paragraph (3) of section 4942(j) is amended—

(A) by striking ''(within the meaning of paragraph (1) or (2) of subsection (g))'' each place it appears, and

(B) by inserting at the end the following: ''For purposes of this paragraph, the term 'qualifying distributions' means qualifying distributions within the meaning of paragraph (1) or (2) of subsection (g), except that 'including that portion of reasonable and necessary administrative expenses' shall be substituted for 'excluding administrative expenses' in subsection (g)(1)(A).''.

(3) CONFORMING AMENDMENT.—Subsection (g) of section 4942 is amended by striking paragraph (4).

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

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

(a) IN GENERAL.—Subsection (c) of section 664 (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) CHARACTER OF DISTRIBUTIONS AND COORDINATION WITH DISTRIBUTION REQUIREMENTS.—The amounts taken into account in determining unrelated business taxable income (as defined in subparagraph (A)) shall not be taken into account for purposes of—

''(i) subsection (b),

''(ii) determining the value of trust assets under subsection (d)(2), and

''(iii) determining income under subsection (d)(3).

''(D) 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, 2003.

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.—

(1) IN GENERAL.—Clause (ii) of section 170(e)(4)(B) (defining qualified research contributions) is amended by inserting ''or assembled'' after ''constructed''.

(2) CONFORMING AMENDMENT.—Clause (iii) of section 170(e)(4)(B) is amended by inserting ''or assembling'' after ''construction''.

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

(1) IN GENERAL.—Clause (ii) of section 170(e)(6)(B) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

(2) SPECIAL RULE EXTENDED.—Section 170(e)(6)(G) is amended by striking ''2003'' and inserting ''2005''.

(3) CONFORMING AMENDMENTS.—Subparagraph (D) of section 170(e)(6) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

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

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

(a) IN GENERAL.—Paragraph (2) of section 1367(a) (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 pro rata 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, 2003.

TITLE II—TAX REFORM AND IMPROVEMENTS RELATING TO CHARITABLE ORGANIZATIONS AND PROGRAMS

SEC. 201. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

''(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

''(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

''(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

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

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

''(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

''(ii) such Executive order refers to this subsection.

''(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

''(A) begins on the later of—

''(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

''(ii) the date of the enactment of this subsection, and

''(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

''(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

''(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

''(6) ERRONEOUS DESIGNATION.—

''(A) IN GENERAL.—If—

''(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

''(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

''(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

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

''(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

''(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.''.

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

SEC. 202. CLARIFICATION OF DEFINITION OF CHURCH TAX INQUIRY.

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

''(6) information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.''.

SEC. 203. EXPANSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

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

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

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

''(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in subsection (c) (other than paragraph (3)) or (d) of section 501 which is exempt from tax under section 501(a), or''.

(b) COURT JURISDICTION.—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking ''United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia'' and inserting the following: ''United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)),''.

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

SEC. 204. LANDOWNER INCENTIVES PROGRAMS.

(a) IN GENERAL.—Subsection (a) of section 126 is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following new paragraph:

''(10) Landowner initiatives programs to conserve threatened, endangered, or imperiled species, or protect or restore habitat carried out under—

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

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

''(C) section 6 of the Endangered Species Act (16 U.S.C. 11531 et seq.).''.

(b) EXCLUDABLE PORTION.—Subparagraph (A) of section 126(b)(1) is amended by inserting after ''Secretary of Agriculture'' the following: ''(the Secretary of the Interior, in the case of the landowner incentives programs described in subsection (a)(10) and the programs described in subsection (a)(11) that are implemented by the Department of the Interior)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts received after the date of the enactment of this Act, in taxable years ending after such date.

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

(a) IN GENERAL.—Paragraph (13) of section 512(b) (relating to special rules for certain amounts received from controlled entities) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new subparagraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received or accrued by the controlling organization that exceeds the amount which would have been paid or accrued if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of the larger of—

''(I) such excess determined without regard to any amendment or supplement to a return of tax, or

''(II) such excess determined with regard to all such amendments and supplements.''.

(b) EFFECTIVE DATE.—

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

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

SEC. 206. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:

''(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.''.

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

''(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term 'excess lobbying expenditures' means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.''.

(c) CONFORMING AMENDMENTS.—

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

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

(3) Paragraph (1)(A) of section 4911(f) is amended by striking ''limits of section 501(h)(1) have'' and inserting ''limit of section 501(h)(1) has''.

(4) Paragraph (1)(C) of section 4911(f) is amended by striking ''limits of section 501(h)(1) are'' and inserting ''limit of section 501(h)(1) is''.

(5) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking ''limits of section 501(h)(1)'' and inserting ''limit of section 501(h)(1)''.

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

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

SEC. 207. PERMITTED HOLDINGS OF PRIVATE FOUNDATION WHERE CORPORATION IS PUBLICLY TRADED AND PUBLICLY CONTROLLED.

(a) IN GENERAL.—Paragraph (2) of section 4943(c) (relating to the permitted holdings in a corporation) is amended by adding at the end the following new subparagraphs:

''(D) PERMITTED HOLDINGS WHERE CORPORATION IS PUBLICLY-TRADED AND PUBLICLY CONTROLLED.—A private foundation shall not be treated as having excess business holdings in any corporation in any calendar year in which it (together with all other private foundations which are described in section 4946(a)(1)(H)) owns not more than 5 percent of the voting stock and not more than 5 percent in value of all outstanding shares of all classes of stock if—

''(i) the common stock of the corporation, and any other class of stock of which shares are held by the private foundation, are regularly traded on an established securities market (within the meaning of section 897(c)(3)),

''(ii) more than 50 percent of—

''(I) the total combined voting power of all classes of stock of such corporation entitled to vote, and

''(II) the total value of the stock of such corporation,

is owned directly or indirectly by persons other than the private foundation and persons who are disqualified persons with respect to the private foundation,

''(iii) the Board of Directors of such corporation consists of a majority of persons who are not disqualified persons with respect to the private foundation, and

''(iv) any undistributed income (within the meaning of section 4942(c)) of the private foundation for such year (determined after substituting '6 percent' for '5 percent' in section 4942(e)(1)) shall have been distributed within the required period under section 4942(a) so as to avoid application of the initial tax on such undistributed income.

''(E) EXCEPTION TO PERMITTED HOLDINGS WHERE CORPORATION IS PUBLICLY-TRADED AND PUBLICLY CONTROLLED.—No stock of a corporation held by the private foundation shall be considered permitted holdings pursuant to subparagraph (D) to the extent such stock was acquired by the private foundation by purchase in a taxable transaction or was acquired from a disqualified person who acquired such stock by purchase in a taxable transaction within the 5 years immediately preceding the transfer of such stock to the private foundation. Solely for purposes of applying the preceding sentence—

''(i) any such stock acquired by purchase in a taxable transaction by such disqualified person within such 5 year period shall be treated as included in such transfer to the extent of such transfer,

''(ii) all stock acquired by such disqualified person by purchase in a taxable transaction during the 24 month period beginning on the date of the transfer to the private foundation shall be treated as held by such disqualified person on the date of such transfer and included in such transfer, and

''(iii) the private foundation may specifically designate any shares of stock not considered permitted holdings for purposes of allowing such private foundation to dispose of such stock.''.

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

TITLE III—OTHER PROVISIONS

SEC. 301. COMPASSION CAPITAL FUND.

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

''PART F—COMPASSION CAPITAL FUND

''SEC. 481. SECRETARY'S FUND TO SUPPORT AND REPLICATE PROMISING SOCIAL SERVICE PROGRAMS.

''(a) GRANT AUTHORITY.—

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

''(2) APPLICATIONS.—An entity desiring to receive a grant under paragraph (1) shall submit to the Secretary an application for the grant, which shall contain such information as the Secretary may require.

''(b) CONTRACT AUTHORITY, ETC.—The Secretary may enter into a grant, contract, or cooperative agreement with any entity under which the entity would provide technical assistance to another entity to operate a social service program that assists persons and families in need, including by—

''(1) providing the other entity with—

''(A) technical assistance and information, including legal assistance and other business assistance;

''(B) information on capacity-building;

''(C) information and assistance in identifying and using best practices for serving persons and families in need; or

''(D) assistance in replicating programs with demonstrated effectiveness in assisting persons and families in need; or

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

''(c) GUIDANCE AND TECHNICAL ASSISTANCE.—The Secretary may use not more than 25 percent of the amount appropriated under this section for a fiscal year to provide guidance and technical assistance to States and political subdivisions of States with respect to the implementation of any social service program.

''(d) SOCIAL SERVICES PROGRAM DEFINED.—In this section, the term 'social services program' means a program that provides benefits or services of any kind to persons and families in need.

''(e) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Secretary $150,000,000 for fiscal year 2003, and such sums as may be necessary for fiscal years 2004 through 2007.''.

SEC. 302. REAUTHORIZATION OF ASSETS FOR INDEPENDENCE DEMONSTRATION.

Section 416 of the Assets for Independence Act (title IV of Public Law 105–285; 42 U.S.C. 604 note) is amended by striking ''and 2003'' and inserting ''2003, 2004, 2005, 2006, 2007, and 2008''.

SEC. 303. SENSE OF THE CONGRESS REGARDING CORPORATE CONTRIBUTIONS TO FAITH-BASED ORGANIZATIONS, ETC.

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

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

(2) President Bush has called upon Americans ''to revive the spirit of citizenship . . . to marshal the compassion of our people to meet the continuing needs of our Nation''.

(3) Although the work of faith-based organizations should not be used by government as an excuse for backing away from its historic and rightful commitment to help those who are disadvantaged and in need, such organizations can and should be seen as a valuable partner with government in meeting societal challenges.

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

(5) Faith-based organizations are often more successful in dealing with difficult societal problems than government and nonsectarian organizations.

(6) As President Bush has stated, ''It is not sufficient to praise charities and community groups; we must support them. And this is both a public obligation and a personal responsibility.''.

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

(8) According to a study produced by the Capital Research Center, the 10 largest corporate foundations in the United States contributed $1,900,000,000 to such causes.

(9) According to the same study, faith-based organizations only receive a small fraction of the contributions made by corporations in the United States, and 6 of the 10 corporations that give the most to philanthropic causes explicitly ban or restrict contributions to faith-based organizations.

(b) CORPORATIONS ENCOURAGED TO CONTRIBUTE TO FAITH-BASED ORGANIZATIONS.—The Congress calls on corporations in the United States, in the words of the President, ''to give more and to give better'' by making greater contributions to faith-based organizations that are on the front lines battling some of the great societal challenges of our day.

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

(1) corporations in the United States are important partners with government in efforts to overcome difficult societal problems; and

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

SEC. 304. 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—

''(1) 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; and

''(2) pregnant women with—

''(A) information regarding the option of placing children for adoption through licensed adoption service providers;

''(B) assistance with prenatal care and child birthing; and

''(C) pre- and post-placement adoption counseling.''.

(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 SPEAKER pro tempore. The amendment printed in the bill, modified by the amendment printed in part A of House Report 108–273, is adopted.

The committee amendment in the nature of a substitute, as modified, is as follows:

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Charitable Giving Act of 2003''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—CHARITABLE GIVING INCENTIVES

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

(a) IN GENERAL.—Section 170 (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.—

''(1) IN GENERAL.—In the case of an individual who does not itemize deductions for a taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the amount allowable under subsection (a) for the taxable year for cash contributions (determined without regard to any carryover), to the extent that such contributions exceed $250 ($500 in the case of a joint return) but do not exceed $500 ($1,000 in the case of a joint return).

''(2) TERMINATION.—Paragraph (1) shall not apply to any taxable year beginning after December 31, 2005.''.

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 (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 the following new paragraph:

''(3) the direct charitable deduction.''.

(2) DEFINITION.—Section 63 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 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 the following new paragraph:

''(3) the direct charitable deduction.''.

(c) STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury shall study the effect of the amendments made by this section on increased charitable giving and taxpayer compliance, including a comparison of taxpayer compliance between taxpayers who itemize their charitable contributions and taxpayers who claim a direct charitable deduction.

(2) REPORT.—Not later than December 31, 2006, the Secretary of the Treasury shall report on the study required under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

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

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

(a) IN GENERAL.—Subsection (d) of section 408 (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 plan other than a plan described in subsection (k) or (p) of section 408—

''(i) which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70½, and

''(ii) which is made directly by the trustee—

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

''(II) to a split-interest entity.

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 plan 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 have been so includible if all amounts distributed from all individual retirement plans were treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion of 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 beneficiary to whom is paid 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 beneficiary.

''(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 must be 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 (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 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 deduction taken under section 642(c) within such year,

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

''(C) the amount for which such 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 the purposes described in section 642(c),

''(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 to a trust for any taxable year if—

''(A) 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, or

''(B) the trust is 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) (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.

In addition to any penalty imposed on the trust pursuant to this subparagraph, if the person required to file such return knowingly fails to file the return, such penalty shall also be imposed on such person who shall be personally liable for such penalty.''.

(3) CONFIDENTIALITY OF NONCHARITABLE BENEFICIARIES.—Subsection (b) of section 6104 (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 distributions made after December 31, 2003.

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

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

(a) IN GENERAL.—Paragraph (2) of section 170(b) (relating to corporations) is amended by striking ''10 percent'' and inserting ''the applicable percentage''.

(b) APPLICABLE PERCENTAGE.—Subsection (b) of section 170 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:

''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.''.*

(c) CONFORMING AMENDMENTS.—

(1) Sections 512(b)(10) and 805(b)(2)(A) 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) 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, 2003.

SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Paragraph (3) of section 170(e) (relating to special rule for certain contributions of inventory and other property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—

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

''(I) without regard to whether the contribution is made by a C corporation, and

''(II) only to food that is apparently wholesome food.

''(ii) LIMITATION.—In the case of a taxpayer other than a C corporation, the aggregate amount of such contributions for any taxable year which may be taken into account under this section shall not exceed the applicable percentage (within the meaning of subsection (b)(3)) of the taxpayer's aggregate net income for such taxable year from all trades or businesses from which such contributions were made for such year, computed without regard to this section.

''(iii) DETERMINATION OF FAIR MARKET VALUE.—In the case of a qualified contribution of apparently wholesome food to which this paragraph applies 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 food shall be determined by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

''(iv) APPARENTLY WHOLESOME FOOD.—For purposes of this subparagraph, the term 'apparently wholesome food' has the meaning given to 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 subparagraph.''.

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

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

(a) REDUCTION OF TAX ON NET INVESTMENT INCOME.—Section 4940(a) (relating to tax-exempt foundations) is amended by striking ''2 percent'' and inserting ''1 percent''.

(b) REPEAL OF REDUCTION IN TAX WHERE PRIVATE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—Section 4940 (relating to excise tax based on investment income) is amended by striking subsection (e).

(c) MODIFICATION OF EXCISE TAX ON SELF-DEALING.—The second sentence of section 4941(a)(1) (relating to initial excise tax imposed on self-dealer) is amended by striking ''5 percent'' and inserting ''25 percent''.

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

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

''(4) LIMITATION ON ADMINISTRATIVE EXPENSES TREATED AS DISTRIBUTIONS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the following administrative expenses shall not be treated as qualifying distributions:

''(i) Any administrative expense which is not directly attributable to direct charitable activities, grant selection activities, grant monitoring and administration activities, compliance with applicable Federal, State, or local law, or furthering public accountability of the private foundation.

''(ii) Any compensation paid to a disqualified person to the extent that such compensation exceeds an annual rate of $100,000.

''(iii) Any expense incurred for transportation by air unless such transportation is regularly-scheduled commercial air transportation.

''(iv) Any expense incurred for regularly-scheduled commercial air transportation to the extent that such expense exceeds the cost of such transportation in coach-class accommodations.

''(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after December 31, 2004, the $100,000 amount in subparagraph (A)(ii) 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, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

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

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of paragraph (4). Such regulations shall provide that administrative expenses which are excluded from qualifying distributions solely by reason of the limitations in paragraph (4) shall not for such reason subject a private foundation to any other excise taxes imposed by this subchapter.''.

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

(A) IN GENERAL.—Section 4942(j)(3) (defining operating foundation) is amended—

(i) by striking ''(within the meaning of paragraph (1) or (2) of subsection (g))'' each place it appears, and

(ii) by adding at the end the following new sentence: ''For purposes of this paragraph, the term 'qualifying distributions' means qualifying distributions within the meaning of paragraph (1) or (2) of subsection (g) (determined without regard to subsection (g)(4)).''.

(B) CONFORMING AMENDMENT.—Section 4942(f)(2)(C)(i) is amended by inserting ''(determined without regard to subsection (g)(4))'' after ''within the meaning of subsection (g)(1)(A)''.

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

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

(a) IN GENERAL.—Subsection (c) of section 664 (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) CHARACTER OF DISTRIBUTIONS AND COORDINATION WITH DISTRIBUTION REQUIREMENTS.—The amounts taken into account in determining unrelated business taxable income (as defined in subparagraph (A)) shall not be taken into account for purposes of—

''(i) subsection (b),

''(ii) determining the value of trust assets under subsection (d)(2), and

''(iii) determining income under subsection (d)(3).

''(D) 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, 2003.

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.—

(1) IN GENERAL.—Clause (ii) of section 170(e)(4)(B) (defining qualified research contributions) is amended by inserting ''or assembled'' after ''constructed''.

(2) CONFORMING AMENDMENT.—Clause (iii) of section 170(e)(4)(B) is amended by inserting ''or assembling'' after ''construction''.

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

(1) IN GENERAL.—Clause (ii) of section 170(e)(6)(B) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

(2) SPECIAL RULE MADE PERMANENT.—Section 170(e)(6) is amended by striking subparagraph (G).

(3) CONFORMING AMENDMENTS.—Subparagraph (D) of section 170(e)(6) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

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

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

(a) IN GENERAL.—Paragraph (2) of section 1367(a) (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 pro rata 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, 2003.

SEC. 109. CHARITABLE ORGANIZATIONS PERMITTED TO MAKE COLLEGIATE HOUSING AND INFRASTRUCTURE GRANTS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.), as amended by section 201, is further amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) TREATMENT OF ORGANIZATIONS MAKING COLLEGIATE HOUSING AND INFRASTRUCTURE IMPROVEMENT GRANTS.—

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

''(2) HOUSING AND INFRASTRUCTURE GRANTS.—For purposes of paragraph (1), collegiate housing and infrastructure grants are grants to provide, improve, operate, or maintain collegiate housing that may involve more than incidental social, recreational, or private purposes, so long as such grants are for purposes that would be permissible for a dormitory of the college or university referred to in paragraph (1). A grant shall not be treated as a collegiate housing and infrastructure grant for purposes of paragraph (1) to the extent that such grant is used to provide physical fitness equipment.

''(3) GRANTS TO CERTAIN ORGANIZATIONS HOLDING TITLE TO PROPERTY, ETC.—For purposes of this subsection, a collegiate housing and infrastructure grant to an organization described in subsection (c)(2) or (c)(7) holding title to property exclusively for the benefit of an organization described in subsection (c)(7) shall be considered a grant to the organization described in subsection (c)(7) for whose benefit such property is held.''.

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

SEC. 110. CONDUCT OF CERTAIN GAMES OF CHANCE NOT TREATED AS UNRELATED TRADE OR BUSINESS.

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

''(1) IN GENERAL.—The term 'unrelated trade or business' does not include—

''(A) any trade or business which consists of conducting bingo games, and

''(B) any trade or business which consists of conducting qualified games of chance if the net proceeds from such trade or business are paid or set aside for payment for purposes described in section 170(c)(2)(B), for the promotion of social welfare (within the meaning of section 501(c)(4)), or for a purpose for which State law specifically authorizes the expenditure of such proceeds.''.

(b) QUALIFIED GAMES OF CHANCE.—Subsection (f) of section 513 is amended by adding at the end the following new paragraph:

''(3) QUALIFIED GAMES OF CHANCE.—For purposes of paragraph (1), the term 'qualified game of chance' means any game of chance (other than bingo) conducted by an organization if—

''(A) such organization is licensed pursuant to State law to conduct such game,

''(B) only organizations which are organized as nonprofit corporations or are exempt from tax under section 501(a) may be so licensed to conduct such game within the State, and

''(C) the conduct of such game does not violate State or local law.''

(c) CLERICAL AMENDMENT.—The subsection heading of section 513(f) is amended by striking ''BINGO GAMES'' and inserting ''GAMES OF CHANCE''.

(d) EFFECTIVE DATE.— The amendments made by this section shall apply to games conducted after December 31, 2003.

SEC. 111. EXCISE TAXES EXEMPTION FOR BLOOD COLLECTOR ORGANIZATIONS.

(a) EXEMPTION FROM IMPOSITION OF SPECIAL FUELS TAX.—Section 4041(g) (relating to other exemptions) is amended by striking ''and'' at the end of paragraph (3), by striking the period in paragraph (4) and inserting ''; and'', and by inserting after paragraph (4) the following new paragraph:

''(5) with respect to the sale of any liquid to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use, or with respect to the use by a qualified blood collector organization of any liquid as a fuel.''.

(b) EXEMPTION FROM MANUFACTURERS EXCISE TAX.—

(1) IN GENERAL.—Section 4221(a) (relating to certain tax-free sales) is amended by striking ''or'' at the end of paragraph (4), by adding ''or'' at the end of paragraph (5), and by inserting after paragraph (5) the following new paragraph:

''(6) to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use,''.

(2) CONFORMING AMENDMENTS.—

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

(B) Section 6421(c) is amended by striking ''or (5)'' and inserting ''(5), or (6)''.

(c) EXEMPTION FROM COMMUNICATION EXCISE TAX.—

(1) IN GENERAL.—Section 4253 (relating to exemptions) is amended by redesignating subsection (k) as subsection (l) and inserting after subsection (j) the following new subsection:

''(k) EXEMPTION FOR QUALIFIED BLOOD COLLECTOR ORGANIZATIONS.—Under regulations provided by the Secretary, no tax shall be imposed under section 4251 on any amount paid by a qualified blood collector organization (as defined in section 7701(a)(48)) for services or facilities furnished to such organization.''.

(2) CONFORMING AMENDMENT.—Section 4253(l), as redesignated by paragraph (1), is amended by striking ''or (j)'' and inserting ''(j), or (k)''.

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

(1) DEEMED OVERPAYMENT.—

(A) IN GENERAL.—Section 6416(b)(2) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

''(E) sold to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use;''.

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

(i) by striking ''Subparagraphs (C) and (D)'' and inserting ''Subparagraphs (C), (D), and (E)'', and

(ii) by striking ''(C), and (D)'' and inserting ''(C), (D), and (E)''.

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

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

''(48) QUALIFIED BLOOD COLLECTOR ORGANIZATION.—The term 'qualified blood collector organization' means an organization which is—

''(A) described in section 501(c)(3) and exempt from tax under section 501(a),

''(B) registered by the Food and Drug Administration to collect blood, and

''(C) primarily engaged in the activity of the collection of blood.''.

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

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

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

''(D) NONRECOGNITION OF GAIN.—

''(i) IN GENERAL.—If property used directly in the performance of the exempt function of an organization described in paragraph (7), (9), (17), or (20) of section 501(c) is sold by such organization, and within a period beginning 1 year before the date of such sale, and ending 3 years (10 years, in the case of an organization described in section 501(c)(7)) after such date, other property is purchased and used by such organization directly in the performance of its exempt function, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of the old property exceeds the organization's cost of purchasing the other property.

''(ii) STATUTE OF LIMITATIONS.—If an organization described in section 501(c)(7) sells property on which gain is not recognized, in whole or in part, by reason of clause (i), then the statutory period for the assessment of any deficiency attributable to such gain shall not expire until the end of the 3-year period beginning on the date that the Secretary is notified by such organization (in such manner as the Secretary may prescribe) that—

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

''(II) the organization does not intend to meet such requirements, or

''(III) the organization failed to meet such requirements within the prescribed period.

For the purposes of this clause, any deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

''(iii) DESTRUCTION AND LOSS.—For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property, shall be treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) shall apply.''.

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

SEC. 113. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR NURSING HOMES FROM FEDERAL GUARANTEE PROHIBITIONS.

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

(1) is issued after December 31, 2003, and before the date which is 1 year after the date of the enactment of this Act, and

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

(A) Licensed nursing home facility.

(B) Licensed or certified assisted living facility.

(C) Licensed personal care facility.

(D) Continuing care retirement community.

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

(c) LIMITATION ON BENEFICIARY.—Rules similar to the rules of section 144(a)(10) of the Internal Revenue Code of 1986 shall apply for purposes of this section, except that—

(1) ''$15,000,000'' shall be substituted for ''$40,000,000'' in subparagraph (A) thereof, and

(2) such rules shall be applied—

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

(B) with respect to the aggregate authorized face amount of all issues of such bonds which are allocable to the beneficiary.

(d) CONTINUING CARE RETIREMENT COMMUNITY.—For purposes of this section, the term ''continuing care retirement community'' means a community which provides, on the same campus, a consortium of residential living options and support services to persons at least 60 years of age under a written agreement. For purposes of the preceding sentence, the residential living options shall include independent living units, nursing home beds, and either assisted living units or personal care beds.

TITLE II—TAX REFORM AND IMPROVEMENTS RELATING TO CHARITABLE ORGANIZATIONS AND PROGRAMS

SEC. 201. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

''(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

''(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

''(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

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

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

''(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

''(ii) such Executive order refers to this subsection.

''(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

''(A) begins on the later of—

''(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

''(ii) the date of the enactment of this subsection, and

''(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

''(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

''(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

''(6) ERRONEOUS DESIGNATION.—

''(A) IN GENERAL.—If—

''(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

''(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

''(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

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

''(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

''(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.''.

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

SEC. 202. CLARIFICATION OF DEFINITION OF CHURCH TAX INQUIRY.

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

''(6) information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.''.

SEC. 203. EXTENSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

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

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

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

''(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in subsection (c) (other than paragraph (3)) or (d) of section 501 which is exempt from tax under section 501(a), or''.

(b) COURT JURISDICTION.—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking ''United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia'' and inserting the following: ''United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)),''.

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

SEC. 204. LANDOWNER INCENTIVES PROGRAMS.

(a) IN GENERAL.—Subsection (a) of section 126 is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following new paragraph:

''(10) Landowner initiatives programs to conserve threatened, endangered, or imperiled species, or protect or restore habitat carried out under—

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

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

''(C) section 6 of the Endangered Species Act (16 U.S.C. 11531 et seq.).''.

(b) EXCLUDABLE PORTION.—Subparagraph (A) of section 126(b)(1) is amended by inserting after ''Secretary of Agriculture'' the following: ''(the Secretary of the Interior, in the case of the landowner incentives programs described in subsection (a)(10) and the programs described in subsection (a)(11) that are implemented by the Department of the Interior)''.

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

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

(a) IN GENERAL.—Paragraph (13) of section 512(b) (relating to special rules for certain amounts received from controlled entities) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new subparagraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received or accrued by the controlling organization that exceeds the amount which would have been paid or accrued if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of the larger of—

''(I) such excess determined without regard to any amendment or supplement to a return of tax, or

''(II) such excess determined with regard to all such amendments and supplements.''.

(b) EFFECTIVE DATE.—

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

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

SEC. 206. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:

''(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.''.

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

''(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term 'excess lobbying expenditures' means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.''.

(c) CONFORMING AMENDMENTS.—

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

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

(3) Paragraph (1)(A) of section 4911(f) is amended by striking ''limits of section 501(h)(1) have'' and inserting ''limit of section 501(h)(1) has''.

(4) Paragraph (1)(C) of section 4911(f) is amended by striking ''limits of section 501(h)(1) are'' and inserting ''limit of section 501(h)(1) is''.

(5) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking ''limits of section 501(h)(1)'' and inserting ''limit of section 501(h)(1)''.

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

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

SEC. 207. PILOT PROJECT FOR FOREST CONSERVATION ACTIVITIES.

(a) TAX-EXEMPT BOND FINANCING.—

(1) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any qualified forest conservation bond shall be treated as an exempt facility bond under section 142 of such Code.

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

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

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

(C) such bond is issued for a qualified organization before December 31, 2006.

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

(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection, the term ''qualified project costs'' means the sum of—

(A) the cost of acquisition by the qualified organization from an unrelated person of forests and forest land located in the State of Washington which at the time of acquisition or immediately thereafter are subject to a conservation restriction described in subsection (c)(2),

(B) interest on the qualified forest conservation bonds for the 3-year period beginning on the date of issuance of such bonds, and

(C) credit enhancement fees which constitute qualified guarantee fees (within the meaning of section 148 of such Code).

(5) SPECIAL RULES.—In applying the Internal Revenue Code of 1986 to any qualified forest conservation bond, the following modifications shall apply:

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

(B) For purposes of section 147(b) of such Code (relating to maturity may not exceed 120 percent of economic life), the land and standing timber acquired with proceeds of qualified forest conservation bonds shall have an economic life of 35 years.

(C) Subsections (c) and (d) of section 147 of such Code (relating to limitations on acquisition of land and existing property) shall not apply.

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

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

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

(B) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

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

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

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

(b) ITEMS FROM QUALIFIED HARVESTING ACTIVITIES NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.—

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

(2) LIMITATION.—The amount of income excluded from gross income under paragraph (1) for any taxable year shall not exceed the amount used by the qualified organization to make debt service payments during such taxable year for qualified forest conservation bonds.

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

(A) IN GENERAL.—The term ''qualified harvesting activity'' means the sale, lease, or harvesting, of standing timber—

(i) on land owned by a qualified organization which was acquired with proceeds of qualified forest conservation bonds, and

(ii) pursuant to a qualified conservation plan adopted by the qualified organization.

(B) EXCEPTIONS.—

(i) CESSATION AS QUALIFIED ORGANIZATION.—The term ''qualified harvesting activity'' shall not include any sale, lease, or harvesting for any period during which the organization ceases to qualify as a qualified organization.

(ii) EXCEEDING LIMITS ON HARVESTING.—The term ''qualified harvesting activity'' shall not include any sale, lease, or harvesting of standing timber on land acquired with proceeds of qualified forest conservation bonds to the extent that—

(I) the average annual area of timber harvested from such land exceeds 2.5 percent of the total area of such land, or

(II) the quantity of timber removed from such land exceeds the quantity which can be removed from such land annually in perpetuity on a sustained-yield basis with respect to such land.

The limitations under subclauses (I) and (II) shall not apply to post-fire restoration and rehabilitation or sanitation harvesting of timber stands which are substantially damaged by fire, windthrow, or other catastrophes, or which are in imminent danger from insect or disease attack.

(4) TERMINATION.—This subsection shall not apply to any qualified harvesting activity occurring after the date on which there is no outstanding qualified forest conservation bond or any such bond ceases to be a tax-exempt bond.

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

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

(1) QUALIFIED CONSERVATION PLAN.—The term ''qualified conservation plan'' means a multiple land use program or plan which—

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

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

(C) requires that timber harvesting be consistent with—

(i) restoring and maintaining reference conditions for the region's ecotype,

(ii) restoring and maintaining a representative sample of young, mid, and late successional forest age classes,

(iii) maintaining or restoring the resources' ecological health for purposes of preventing damage from fire, insect, or disease,

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

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

(2) CONSERVATION RESTRICTION.—The conservation restriction described in this paragraph is a restriction which—

(A) is granted in perpetuity to an unrelated person which is described in section 170(h)(3) of such Code and which, in the case of a nongovernmental unit, is organized and operated for conservation purposes,

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

(C) obligates the qualified organization to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction, and

(D) requires an increasing level of conservation benefits to be provided whenever circumstances allow it.

(3) QUALIFIED ORGANIZATION.—The term ''qualified organization'' means an organization—

(A) which is a nonprofit organization substantially all the activities of which are charitable, scientific, or educational, including acquiring, protecting, restoring, managing, and developing forest lands and other renewable resources for the long-term charitable, educational, scientific and public benefit,

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

(C) which periodically conducts educational programs designed to inform the public of environmentally sensitive forestry management and conservation techniques,

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

(i) at least 20 percent of the members of which represent the holders of the conservation restriction described in paragraph (2),

(ii) at least 20 percent of the members of which are public officials, and

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

(E) the bylaws of which require at least two-thirds of the members of the board of directors to vote affirmatively to approve the qualified conservation plan and any change thereto, and

(F) upon dissolution, is required to dedicate its assets to—

(i) an organization described in section 501(c)(3) of such Code which is organized and operated for conservation purposes, or

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

(4) UNRELATED PERSON.—The term ''unrelated person'' means a person who is not a related person.

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

(A) such person bears a relationship to such other person described in section 267(b) (determined without regard to paragraph (9) thereof), or 707(b)(1), of such Code, determined by substituting ''25 percent'' for ''50 percent'' each place it appears therein, and

(B) in the case such other person is a nonprofit organization, if such person controls directly or indirectly more than 25 percent of the governing body of such organization.

(d) REPORT.—

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

(2) SUBMISSION OF REPORT TO CONGRESS.—Not later than six years after the date of the enactment of this Act, the Comptroller General shall submit a report of such study to the Committee on Ways and Means and the Committee on Resources of the House of Representatives and the Committee on Finance and the Committee on Energy and Natural Resources of the Senate.

TITLE III—OTHER PROVISIONS

SEC. 301. COMPASSION CAPITAL FUND.

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

''PART F—COMPASSION CAPITAL FUND

''SEC. 481. SECRETARY'S FUND TO SUPPORT AND REPLICATE PROMISING SOCIAL SERVICE PROGRAMS.

''(a) GRANT AUTHORITY.—

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

''(2) APPLICATIONS.—An entity desiring to receive a grant under paragraph (1) shall submit to the Secretary an application for the grant, which shall contain such information as the Secretary may require.

''(b) CONTRACT AUTHORITY, ETC.—The Secretary may enter into a grant, contract, or cooperative agreement with any entity under which the entity would provide technical assistance to another entity to operate a social service program that assists persons and families in need, including by—

''(1) providing the other entity with—

''(A) technical assistance and information, including legal assistance and other business assistance;

''(B) information on capacity-building;

''(C) information and assistance in identifying and using best practices for serving persons and families in need; or

''(D) assistance in replicating programs with demonstrated effectiveness in assisting persons and families in need; or

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

''(c) GUIDANCE AND TECHNICAL ASSISTANCE.—The Secretary may use not more than 25 percent of the amount appropriated under this section for a fiscal year to provide guidance and technical assistance to States and political subdivisions of States with respect to the implementation of any social service program.

''(d) SOCIAL SERVICES PROGRAM DEFINED.—In this section, the term 'social services program' means a program that provides benefits or services of any kind to persons and families in need.

''(e) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Secretary $150,000,000 for fiscal year 2004, and such sums as may be necessary for fiscal years 2005 through 2008.''.

SEC. 302. REAUTHORIZATION OF ASSETS FOR INDEPENDENCE DEMONSTRATION.

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

(b) REMOVAL OF ECONOMIC LITERACY ACTIVITIES FROM LIMITATION ON USE OF AMOUNTS IN THE RESERVE FUND.—Section 407(c)(3) of such Act (title IV of Public Law 105–285; 42 U.S.C. 604 note) is amended by adding at the end the following: ''The preceding sentences of this paragraph shall not apply to amounts used by an entity for any activity described in paragraph (1)(A).''.

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

''(1) INCOME TEST.—The adjusted gross income of the household—

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

''(B) does not exceed 50 percent of the area median income (as determined by the Secretary of Housing and Urban Development) for the area in which the household is located.''.

(d) EXTENSION OF TIME FOR ACCOUNT HOLDERS TO ACCESS FEDERAL FUNDS.—Section 407(d) of such Act (title IV of Public Law 105–285; 42 U.S.C. 604 note) is amended—

(1) in the subsection heading, by striking ''WHEN PROJECT TERMINATES''; and

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

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

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

(1) in subsection (a)(3)—

(A) by striking ''any interest that has accrued'' and inserting ''interest that has accrued during that period''; and

(B) by striking the period and inserting '', but only to the extent that the amount of the interest does not exceed the amount of interest that has accrued during that period on amounts deposited in the account by that individual.''; and

(2) by adding at the end the following:

''(f) USE OF EXCESS INTEREST TO FUND OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—To the extent that a qualified entity has an amount that, but for the limitation in subsection (a)(3), would be required by that subsection to be deposited into the individual development account of an individual or into a parallel account maintained by the qualified entity, the qualified entity may deposit the amount into the individual development account of any individual or into any such parallel account maintained by the qualified entity.''.

SEC. 303. SENSE OF THE CONGRESS REGARDING CORPORATE CONTRIBUTIONS TO FAITH-BASED ORGANIZATIONS, ETC.

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

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

(2) President Bush has called upon Americans ''to revive the spirit of citizenship . . . to marshal the compassion of our people to meet the continuing needs of our Nation''.

(3) Although the work of faith-based organizations should not be used by government as an excuse for backing away from its historic and rightful commitment to help those who are disadvantaged and in need, such organizations can and should be seen as a valuable partner with government in meeting societal challenges.

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

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

(6) As President Bush has stated, ''It is not sufficient to praise charities and community groups; we must support them. And this is both a public obligation and a personal responsibility.''.

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

(8) According to a study produced by the Capital Research Center, the 10 largest corporate foundations in the United States contributed $1,900,000,000 to such causes.

(9) According to the same study, faith-based organizations only receive a small fraction of the contributions made by corporations in the United States, and 6 of the 10 corporations that give the most to philanthropic causes explicitly ban or restrict contributions to faith-based organizations.

(b) CORPORATIONS ENCOURAGED TO CONTRIBUTE TO FAITH-BASED ORGANIZATIONS.—The Congress calls on corporations in the United States, in the words of the President, ''to give

more and to give better'' by making greater contributions to faith-based organizations that are on the front lines battling some of the great societal challenges of our day.

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

(1) corporations in the United States are important partners with government in efforts to overcome difficult societal problems; and

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

SEC. 304. MATERNITY GROUP HOMES.

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—

''(1) 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; and

''(2) pregnant women with—

''(A) information regarding the option of placing children for adoption through licensed adoption service providers;

''(B) assistance with prenatal care and child birthing; and

''(C) pre- and post-placement adoption counseling.''.

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

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.''.

The SPEAKER pro tempore. After one hour of debate on the bill, as amended, it shall be in order to consider the further amendment printed in part B of the report, if offered by the gentleman from Maryland (Mr. CARDIN), or his designee, which shall be considered read, and shall be debatable for one hour, equally divided and controlled by the proponent and an opponent.

The gentleman from California (Mr. THOMAS) and the gentleman from California (Mr. STARK) each will control 30 minutes of debate on the bill.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

First of all, I want to compliment the cosponsors of the bill, the gentleman from Missouri (Mr. BLUNT) and the gentleman from Tennessee (Mr. FORD). The fact that they decided on a bipartisan approach, I think set the tone for the changes that result in the bill we have before us.

The President had indicated that one of his top priorities, as he said, to rally the armies of compassion, to help the underprivileged in the United States is, in fact, to a certain extent a uniquely American structure dealing with the creation of foundations, charitable trusts and other structures to assist those in need in a private plan from those who have wealth.

These plans, approaches and foundations are governed, especially in terms of a privileged position, under the tax code as those who, when they conduct these activities, are exempt from various taxable consequences. Periodically, we really do need to review the structure, the relationships and the way in which these foundations and other structures relate to the tax code.

In addition to that, there is nothing wrong with this society, through the tax code, influencing in a positive way a people's willingness to carry on contributions and charitable acts. That really is the core of H.R. 7, and I am pleased to say, notwithstanding the fact that the minority will offer a substitute for the bill, those portions that I have just discussed are identical between H.R. 7 and the substitute that will be offered.

The difference is about other actions, other money, other funding arguments. Those will be examined in terms of the substitute versus the underlying bill, but I want to underscore, this bill came out of the Committee on Ways and Means by a voice vote. What that means is that, basically, it was supported by all of the Members. The compromise that was achieved that produced this result is an excellent example of people who are going to be governed working with those people who are empowered to do the governing and resolving differences.

I do believe the core portion of H.R. 7 is not controversial and should be passed.

Mr. Speaker, last week H.R. 7, the Charitable Giving Act of 2003 passed the Committee on Ways and Means, as amended, by voice vote.

The Charitable Giving Act is one of President Bush's top priorities, and will—as he has said—"rally the armies of compassion" to help the underprivileged in the United States. The bill encourages charitable contributions by individuals, businesses and foundations, while improving the effectiveness and efficacy of the government's delivery program for these important donations. The tax incentives in H.R. 7 will encourage and promote philanthropic donations by removing barriers that restrict giving.

H.R. 7 allows those taxpayers who do not itemize, which accounts for roughly two-thirds of returns, the opportunity to deduct a portion of their charitable contributions.

The bill provides an exclusion from gross income for otherwise taxable withdrawals from traditional or Roth IRAs that are made for charitable purposes. IRAs represent a major untapped source of charitable contributions, and it is estimated that Americans have used these plans to save roughly $2.3 trillion. By allowing taxpayers who have reached age 70½ to make tax-free transfers of IRA assets for charitable purposes, this provision represents a key source of increased charitable giving while also providing safeguards to ensure that IRA owners have ample assets for retirement.

H.R. 7 increases incentives that encourage benevolent contributions by corporations and other business. The bill increases the cap on corporate charitable contributions from 10 to 20 percent of modified taxable income and allows all businesses, rather than just C corporations, to take advantage of an extension of enhanced deductions for donations of food inventory. In addition, H.R. 7 better allows corporations to donate scientific property, computer technology and equipment to enhance research, and allows a shareholder in an S corporation to receive the benefit of a full charitable deduction for charitable contributions made by the S corporation.

In addition, this bill includes legislation to authorize a new compassion capital fund to support propitious social programs while extending and strengthening current efforts that urge low-income families to save in hopes to pay for school, start a business, or purchase a home. Furthermore, the enhanced State flexibility outlined in H.R. 7 allows States to transfer 10 percent of annual Federal cash welfare funds to the Social Services Block Grant in order to better help low-income families.

Mr. Speaker, this legislation is very important for two reasons: (1) it will help Americans help those who need it the most—whether it is through initiatives to end substance abuse and gang related violence, or to improve the health of the neediest; and (2) it will ensure uniformity exists in how charitable foundations operate. I urge my colleagues to vote in support of H.R. 7.

Mr. Speaker, I yield the balance of my time to the gentleman from Missouri (Mr. BLUNT) and ask unanimous consent that he control the balance of the time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. STARK. Mr. Speaker, I yield myself such time as I may consume to address not just this bill but all the things that the bill either ignores or demeans by suggesting that these charitable acts will solve some of the major problems in our country.

The bill suggests that it is going to spend $13 billion, when any reasonable assessment would suggest that it is a $23-billion bill because it sunsets the tax deduction in the second year, and we know that as night follows day, the next request will be to make it permanent, and I think it is rather deceptive to suggest to the public that it is, in fact, 13 when it is arguably substantially more, if one believes that the bill does the right thing to begin with.

The bill ought to be noted for what it does not do. What it does not do is deal with 12 million children whose parents will not receive a tax credit, which the President supports, the other body supports, and for some reason, my Republican colleagues in this House feel that because their parents pay little or no income tax, while they may pay substantial payroll taxes, they ought not to receive this money.

So many of the parents who are such low income, including the parents of 250,000 or more children who are children of our brave troops who will not

receive this money, many of those same families will be importuned and given $6 a month in tax deduction for contributing to various causes. One imagines the United Crusade or whatever.

Many of us suspect that that will not generate very much charitable giving, and it would seem to me to be much more direct to deal with tax credits for families under $25,000 a year who have children to raise wherein health care is limited, wherein there is no help for housing or clothing or school subsidies which we have talked about on this floor. So, again, this bill is notable for what it does not do.

Then it has a certain amount of arrogance in what it does do. For example, it is almost cute, there is a college housing project, as it is called, in this bill, and what that basically does is help Delta Kappa Epsilon and Phi Beta Kappa and Kappa Kappa Alpha. It is a gift to fraternity and sorority houses on college campuses.

□ 1215

Now, I have no quarrel with fraternities and sororities; but they are, indeed, private social clubs; and it seems to me that we are taking the first step in giving taxpayer dollars to private clubs that have every right to restrict their membership by race, by religion, by ethnicity, or any other reason. And there is no quarrel, but we have never before in the history of our Tax Code of our country given taxpayer dollars to golf clubs or tennis clubs or any other types of clubs.

And then we are going to go and have an experiment, and this is an experiment for a very limited group of Americans. We are going to give $61 million to create experiments to show that by cutting down trees we are going to save trees. Now that may work, but if it works, it is only going to work in the State of Washington because the $61 million in experiments cannot be used in any one of the other 49 States.

I noticed that the two distinguished sponsors of this bill are from Tennessee. To my knowledge, there is a timber industry in Tennessee. What is so shabby about the timber industry in Tennessee that we cannot help them do an experiment in ecological management of our forests? There happens to be a timber industry in California where the chairman of the Committee on Ways and Means resides. Why would we not like to help preserve the redwoods in California with some of this money, or the State of Oregon or the State of Maine? Why is it that only one State gets to participate in this experiment? And I might add it adds up to one timber company, the Weyerhaeuser timber company, which is owned by a very rich family, so we maybe could say it is only one family that participates. That is not right. It is not the proper thing to do.

If these programs are good, in every other experiment, we let people apply and we try and award these not as pork and a reward to some individual politician, but we try to reward them to the program which shows they have the most potential for benefiting the most Americans. That is the way a democracy ought to work; and in this new administration which tends to interpret democracy any way that the Attorney General chooses on that particular day, we seem to be redefining in this bill how we should apply charity and what are charitable organizations, how we should apply the largess of the Federal Government with rifle-shot approaches to individual corporations.

Mr. Speaker, this is a bill that is fraught with help for individual companies and individual interests; and it is most notable, as I would like to repeat once again, for what it does not do. It does not help those 12 million children in low-income families who most need assistance and which this House has repeatedly turned its back on due to the Republican leadership's refusal to bring up the child tax credit extension.

So it is with heavy heart, Mr. Speaker, that I say that charitable giving here has been politicized to the extent that under the guise of helping low-income people with $6 a month, we are giving humongous rewards to fraternities and sororities, to the Weyerhaeuser timber company in the State of Washington, and to people who arguably do not need that charity today.

Mr. Speaker, I reserve the balance of my time.

Mr. BLUNT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am glad to be here to talk about this bill. This is a tax bill. It is a tax bill that really is an important step toward what we do for charities in this country. It is an important step in the President's faith-based agenda; but certainly as a tax bill that encourages charitable giving, all that giving is not necessarily done to faith-based institutions. This has broad bipartisan support. I am pleased with the way the Committee on Ways and Means dealt with this bill and brought this bill to the floor without any dissenting votes on Tuesday of last week.

The gentleman from Tennessee (Mr. FORD), a cosponsor of the bill, worked hard on this bill; and we have over 80 bipartisan House cosponsors working with us on this bill.

The truth is our charities need some encouragement. They have faced some difficult times. 2001 was the first year that charitable giving in this country was lower than the year before. Giving in 2002 seems to continue to reflect that trend. Corporate giving fell by almost 15 percent between 2000 and 2001.

As we look towards what this does for charities generally, we can also look at what it does for faith-based charities which are so important in providing services in the country. Seventy-five percent of the food pantries in America are run by religious organizations, 71 percent of the food kitchens are faith based, 43 percent of the shelters are run by the faith-based community.

This act really allows those who give to charity more ways to give and encourages them to give in new ways. This is a change in the Tax Code that has impact. In fact, the Congressional Budget Office estimate of the impact of this bill would indicate that $45 to $50 billion more will be given to charities over the next 10 years if this bill becomes law than would be given to charities if this bill does not become law.

There are many things, particularly as charities reach out to individuals in need, food kitchens, shelters, food pantries, where the charity has proved to be such a compassionate way to deal with this problem with the most impact. Clearly the family unit intact is the best way to provide services to people. After that I think we could have a debate that my side would win advocating that when charities step in, they are almost always more compassionate, quicker, more cost effective, and get out more of the money available to them, and get help sooner and quicker and more effectively than any other way to do this. Of course, where both the family has failed, where individuals through the church and community have not been able to do the job, there is a place for government programs. But there is a clear place for charities.

Let me talk about two or three things in this bill that make a difference in terms of how millions of Americans are affected. Eighty-six million Americans do not itemize their taxes, but of those 86 million Americans, many give money every week, every month, every year to a church or charity. The bill of the gentleman from Tennessee (Mr. FORD) and my bill changes the Tax Code in a way that lets those people who give to church and charity have credit for some of the giving that they do to church and charity. Just like people who itemize their taxes, they have to demonstrate that they did make that gift, but this treats them differently from the people who do not itemize their taxes and do not give. This really does reward giving for individuals and couples.

The second big area of impact of the bill, I believe, will be the changes we make in those resources and how we deal with those resources that people have in IRAs. There are $2.5 trillion in the country today in IRAs. Many people, as they begin to utilize their IRAs, suddenly realize they do not have enough money in their IRAs to do all of the things that they would like to do; but many people realize through some good fortune in investing, an extraordinary commitment to funding their IRA, through that and the other things they have done providing for their retirement, their IRA is a big resource of money that they do not need or are not likely to need all of.

Today, the tax consequences of gifting IRAs are such that almost none of that money is given to charity or

faith-based charities. The change in this bill removes the tax obstacle from giving that money. After people reach the age of 70½ and begin to evaluate their resources and the need for those resources, suddenly that $2.5 trillion out there in IRAs is available for gifting potential.

If we talk to our friends who raise money for their local college or university, for the Red Cross, for the blood center, for whatever it would be, they would say that this portion of the bill is the portion that they look to which has the greatest opportunity to change giving in the future.

We raise the cap on corporate charitable contributions over the next 10 years from 10 percent that could be gifted of profits to 20 percent of profits. We extend current incentives for food donations to apply to even more farmers, more restaurants, more retailers, more wholesalers. We allow value added to those products to have a greater value in gifting than it has today.

This bill reauthorizes a program which allows low-income working Americans the opportunity to build assets through matching savings accounts, known as IDAs, which can be used to purchase a home, expand educational opportunity, or to start a small business.

This bill provides $150 million a year for a compassion capital fund to assist small community and faith-based organizations who want to start a charitable outreach to do that, to set up their organization or to expand their capacity to serve. This encourages conservation by private landowners by requiring certain Federal grant money for conservation be treated as tax free.

Mr. Speaker, I yield 1⅓ minutes to the gentleman from Wisconsin (Mr. RYAN) to respond to one statement made by the gentleman from California (Mr. STARK).

Mr. RYAN of Wisconsin. Mr. Speaker, I thank the gentleman for his tireless work on a bipartisan basis to bring this bill to the floor.

I want to quickly address some of the inaccuracies dealing with the collegiate housing issue. The claim is the collegiate housing issue only helps sororities and fraternities. Let me tell Members exactly what this does and does not do. Number one, for many of us who represent colleges and universities in our districts, we realize that there is an undersupply of off-campus housing and an overcrowding on campus in our Nation's colleges and universities.

What this simply does is it allows off-campus housing be built by nonprofit organizations to address this need, to bring up to code, to fire code, off-campus housing because right now if you are going to invest tax-deductible dollars into a nonprofit, you can deduct those and invest them on campus for university housing; but you cannot take tax-deductible dollars to invest in building collegiate housing off campus even though they are nonprofit, not-for-profit foundations.

So this goes well beyond sororities and fraternities. It goes to religious organizations, Hillel; it goes to nonprofits and fraternities and sororities, and only to university students who have academic careers, not to country clubs or anything else. It is tightly defined, and it puts the need where it is required and that is to address this critical shortage of bringing buildings up to code and addressing this housing shortage need.

Mr. STARK. Mr. Speaker, I yield 5½ minutes to the gentleman from Maryland (Mr. CARDIN), the author of our proposed Democratic substitute, who can speak to the issue of how we might pay for this bill.

□ 1230

Mr. CARDIN. Mr. Speaker, first let me compliment the gentleman from Missouri (Mr. BLUNT), the sponsor of this legislation, and the gentleman from Tennessee (Mr. FORD) for reaching, I think, a fair compromise on some very controversial issues so that we really do have a chance to enact a bill this year that can help our faith-based institutions, our nonprofit institutions in carrying out their very important responsibility. Major compromises were reached along with Senator LIEBERMAN and Senator SANTORUM in the Senate that would provide our sponsors in the House to eliminate from the bill a very controversial provision dealing with employment discrimination. I know that many of our Members have been concerned about that. Those provisions are not included in this legislation, and I want to compliment all involved who were responsible for the removal of that provision.

I also want to compliment the architects of this legislation for working out a fair compromise as it relates to a foundation's administrative costs. We have a fair compromise on that issue that puts some Federal controls on administrative costs but also allows the foundations to be able to do their business in the most cost-effective way.

In my view, this legislation is a positive help to faith-based institutions, nonprofit institutions and is consistent with the tradition of our country to maintain the church-state separation. There is help here for those who want to privately give, whether they be individuals or corporations, to our nonprofit community through the use of direct contributions or their IRAs.

Mr. Speaker, let me also agree with the gentleman from Wisconsin (Mr. RYAN) in regards to the provisions relating to housing.

I think this bill is a positive bill. I agree with the distinguished Republican whip that this bill has moved in a bipartisan way through this body and through the other body and we therefore have a good bill before us. I would urge my good friend to continue that process and let Members vote their convictions on the amendment that I will be offering a little bit later.

It includes two more provisions. It builds on the underlying bill but adds two more provisions that has strong bipartisan support not only in this body but also the other body. It provides an extra $1.1 billion for the social services block grant program. In 1996, we were financing the social services block grant program at $2.8 billion a year. We cut it in the welfare bill to $2.38 billion a year but we made a commitment in that legislation that we would restore that cut in 2003. That is exactly what the Cardin amendment will do. And it has strong bipartisan support. Many Members on the Republican side of the Committee on Ways and Means support that change. I hope they will vote that way today. It is vitally important to our faith-based institutions.

Let me just give my colleagues one example. Catholic Charities relies upon public programs for 62 percent of their support. The social services block grant program is a very important part of that. It provides day care for low-income families, offers counseling services to at-risk youth, provides nutritional assistance to the elderly and provides community-based care to the disabled. This is their number one priority as far as help in order to be able to carry out their very important mission.

The second change is that the bill is fully paid for by closing corporate loopholes through tax shelters. I know that a document was sent out that says this is extremely controversial. If it is extremely controversial, why did 95 members of the other body vote in favor of it? It passed 95 to 3 or 4 in the Senate. It is not controversial. It is controversial to add $13 billion more to the national debt and not pay for it. So this amendment pays for the cost of the bill through a provision that is good tax policy.

Our deficit this year is projected to grow by over $500 billion. That does not even include the $87 billion that the President has asked us to pass by a supplemental appropriation to prosecute the war in Iraq and Afghanistan. What my amendment will do is close tax shelters by codifying the practice of the courts that will bring in moneys from activities that have no economic value. It is what the other body did to pay for it.

There is one more thing I might add. We are in the closing days of this first session of this Congress. Major differences between the House and Senate will have difficult times being reconciled in conference. The adoption of my amendment gives us a much better chance to get this bill to the President this year. I urge my colleagues not only to support the underlying bill, support the Cardin amendment so that we can get a bill to the President and that we can also accomplish two more important factors that I think are supported on a bipartisan basis. I urge support for the amendment that will be offered later and I hope that we can continue to work in a bipartisan way to get this bill to the President's desk.

Mr. BLUNT. Mr. Speaker, I appreciate the gentleman from Maryland's work on getting this bill out of committee unanimously and the fact that it is totally included in his substitute.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington (Ms. DUNN).

Ms. DUNN. Mr. Speaker, I rise in support of H.R. 7 and I call for its swift adoption by the House. I think this is a piece of legislation that shows that all of us care and we are delighted to have it before the body today.

I do want to respond to a mistaken and outdated characterization that came up in previous comments about one of the provisions on forestry bonds in this piece of legislation. This is a provision that was passed by this House last March. Forestry bonds as included in H.R. 7 are a new and collaborative approach to preserving sensitive lands that are close to major population areas. Instead of wasting millions of dollars on lawsuits, which has been the case often in the past between members of the conservation community and timber owners, this proposal enables a board of trustees made up of timber executives, of conservationists and people representing the Contract Logging Association to purchase property through tax-free bonds from a willing seller. Twenty percent of the property is immediately put into conservation easements, probably the most sensitive portion of the property, around lakes and rivers and streams, for example. There is a continuation, however, of timber harvests, because the purpose of the harvests must be to pay off the bonds that are granted by an organization within the involved State. It is a broadly supported provision, broadly supported by the conservation community and also the timber community. I think it is an ideal way to provide a collaborative approach, one that will be an experiment and I think will yield great returns certainly out of this experiment, perhaps eventually something that could be used by folks all over the United States to preserve these important properties.

Mr. STARK. Mr. Speaker, I am pleased to yield 5 minutes to the gentleman from Wisconsin (Mr. KLECZKA).

Mr. KLECZKA. Mr. Speaker, I always thought that charitable giving came from the heart and not through tax breaks in the Federal Tax Code. I come to the floor today to oppose this bill and I feel somewhat like the skunk at the picnic, but I think it is time that this Congress act more responsibly.

Let me give my colleagues a little background as to where we are as far as the Federal deficit. This administration took over and inherited a $236 billion surplus. In 4 short years, they have turned it into a deficit, and the Congressional Budget Office indicates that deficit will be $580 billion. Yes, there has been a downturn in the economy, but more importantly over the last few years, this Congress has given almost $3 trillion in tax cuts. If these cuts were affordable, one would say fine. But they are not, my friends. For every tax cut we give today, it goes on the deficit and your kids and your grandkids are going to pay for it. Not us, your kids and grandkids will.

So here we have a bill that costs $13 billion and it is geared to enhance charitable giving. What a noble purpose. If the economy was different, if the fiscal picture for the country was different, I probably would be supporting the bill, also. But, my friends, the plain, simple fact is, it is nice but we cannot afford it. My constituents would like to go and buy a new car and a new refrigerator, and those things are nice, but they cannot afford it, so they do not do it. But this Congress just cannot stop giving away money.

Let us look at the bill itself. In the bill, we double the corporate charitable giving deduction. Currently corporations can give away and take a tax credit for 10 percent of their gross income. This bill doubles it. Are the corporations so overtaxed? A lot of them are running offshore to escape all taxation. In 1996, corporate taxes made up 12 percent of all the revenue the Federal Government takes in. In 2002, that shrunk to 8 percent. So do not tell me corporations are in need of another tax break. Their liability is drastically being reduced. And to tell me that if we do not double their charitable giving to 20 percent, instead of 10, they are not going to give the excess food to the food pantry, they are going to throw it in the dumpster, that is nonsense.

Another provision in the bill tells nonitemizers, those people who do the short form, that they can, after giving individually $500, take a $250 above-the-line credit. That seems well and good. However, the standard deduction that filer gets already includes a portion for charitable giving. So if we want to increase it, let us increase the standard deduction. But know full well 80 to 90 percent of those filers are going to claim the $250 credit and that is why we do not trust them because that provision is only good for 2 years. They are going to have a little study. But we do not have enough auditors to audit that and I suspect that almost all the filers will take that credit.

Mr. Speaker, it is a great bill, but the fact of the matter is the taxpayers cannot afford this bill. And as I look at the various portions of it, even including the lumber company giveaway, those might be nice in better times. Another portion of the bill decreases the taxes for charitable foundations in half. That costs some $2.8 billion. Today charitable corporations pay 2 percent Federal tax on their income. That is not a heck of a lot. Boy, I wish my constituents only paid 2 percent. But we feel so generous today, we are going to cut that in half to 1 percent. And that $2.8 billion goes smack on to the deficit.

One other item I think we should mention, I indicated that the Federal deficit is slated by the Congressional Budget Office to be $580 billion. That is without the $87 billion the President has asked for the war in Iraq. That goes right on it. That means the deficit is going to be over $650 billion.

Mr. BLUNT. Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. FEENEY), the former Speaker of the House of Florida.

Mr. FEENEY. Mr. Speaker, I rise in support of this great bill. I want to thank and congratulate the gentleman from Missouri (Mr. BLUNT) and the gentleman from Tennessee (Mr. FORD) for this bipartisan effort.

America is the most charitable country in the history of planet Earth. We ought to rejoice in the American great tradition of charity. The problem is that unfortunately, taxpayers, businesses and individuals, are punished through the Tax Code even when they use after-tax dollars to contribute to the well-being of their fellow citizens. For all of the reasons that the critics dislike this bill, one critic suggested he is opposed to this bill because it does not do everything that we should be doing to help America. The last speaker just suggested that what we have is a problem in that the Federal Government is losing money. Well, the whole presumption is that somehow this is the Federal Government's money in the first place. I would suggest that people in Oviedo, where I live, think it is their money and that they are best able to determine how to help the well-being of their neighbors and charities.

This is a wonderful bill because it allows the two-thirds of us that do not itemize our deductions to participate in a tax deduction when we help our fellow citizens. I think that is a great idea. It levels the playing field. You do not have to be a wealthy, complicated tax filer in order to enjoy the deduction. This bill levels the playing field. All of us will get the deduction. It allows people that have built up assets in their IRA that maybe will not be necessary for their retirement to take advantage of a provision so that they will be able to contribute to important charities in their neighborhoods and communities. Finally, it adds additional help to businesses that want to provide food or shelter or well-being for the needy.

I will end with the fact that there are two approaches to how we can help our fellow man. Some people, well-meaning, think we ought to confiscate as much tax dollars as we can from individuals and businesses in order to have a one-size-fits-all government program to help the needy. My experience is that the best way to help people is through local charitable giving where you can help people not become dependent on government but you can help them reform their lives, get back on their feet and help themselves. That is what this bill does.

□ 1245

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Washington State (Mr. MCDERMOTT).

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, I came rushing over here to make a public service announcement. There is a hurricane coming. But the name is not Isabel. The name is George.

Ever since President Bush got elected, this Congress has rubber-stamped every single tax cut he came up with. In fact, I got over here in such a hurry, I forgot my rubber stamp. But the fact is that, at some point, the President has to be brought to reality. I saw the gentleman from Maryland (Mr. CARDIN) out here all exercised over this. This is only $12 billion he is giving away this time. This is chump change. I do not know. I think he has lost his nerve maybe. Because he comes in here one day and asks for $87 billion, and then he says, by the way, let us give away another $12 billion to people. I hope Americans, if they just remember that I gave them all that money and put them $44 trillion in debt in the future, they will reelect me.

You say where do I get that number? Well, the Financial Times, and this is no liberal newspaper I want the Members to understand, they revealed that the Bush administration shelved a report commissioned by the Treasury Department that shows that the U.S. economy faces a future of chronic budget deficits totaling $44 trillion, the study's most comprehensive assessment of how the U.S. Government is at risk at being overwhelmed by the baby boom generation's future health and retirement costs.

This President does not care about anything except if he can trick the people with a tax cut, he thinks he can get elected. They will forget about the mess he has created in Iraq. They will forget about the mess in Afghanistan. I have got $12 billion more for you, folks, that is our President's plan, and they are going to keep trying to give money away. They act like the $480 billion is nothing. They put on another $100 billion this week, 87 for Iraq and $13 billion in this bill. Is there any end? One would say this was somebody who was addicted if one was talking in any other terms. I mean they cannot get off the needle of tax cuts. And if the Congress does not stand up, when are the people going to be taken care of? Is this bill saving our country? Is it going to make more jobs? I think not. There is no plan to spend any money on making jobs, no. This is just give $12 billion more away so that companies will give more to charity because the Government is not doing its job.

Mr. BLUNT. Mr. Speaker, I yield myself 45 seconds.

I would just remind the Members in the debate that this is about not $12 billion; it is really about $50 billion, $50 billion that the American people decide they want to give to charities to help their fellow citizens, and certainly that makes a difference in the character of the country. Anytime we individually reach out, frankly, that is more character developing than seeing the Government reach out. It does not mean there is not a place for the Government to reach out, but to suggest that it is a bad thing in any way to encourage people to reach out or to suggest that people who give money to church and charity every month will lie about whether they gave that money is inappropriate.

I want to say how much I have appreciated the opportunity to work with the gentleman from Tennessee (Mr. FORD), my good friend. We came to Congress at the same time. We developed a bill here that has broad bipartisan support. That was voted unanimously out of the Committee on Ways and Means.

Mr. Speaker, I yield 3½ minutes to the gentleman from Tennessee (Mr. FORD).

The SPEAKER pro tempore (Mr. THORNBERRY). The Chair first announces to Members the gentleman from Missouri (Mr. BLUNT) has 14 minutes remaining, and the gentleman from California (Mr. STARK) has 8½ minutes remaining.

Mr. FORD. Mr. Speaker, I thank the gentleman from Missouri (Mr. BLUNT) for yielding me this time. And I thank the leadership on my side, the gentleman from California (Mr. STARK) and the gentleman from Washington (Mr. MCDERMOTT) and, of course, the gentleman from New York (Mr. RANGEL).

I rise today in support of H.R. 7. It has been a pleasure to work with the gentleman from Missouri (Mr. BLUNT) and the leadership on his side. I thank him for the new friendship, or the strengthened friendship, we now have, and I appreciate the bill we have been able to put together.

The intent of the Charitable Giving Act, which has already been stated, is pretty simple. We want to help churches and charities and places of faith and nonprofit groups across the country who are committed to making a difference, and I dare say, making our communities better. With this slow economy, with some 3 million jobs lost and the end of a bull market now, it seems more important than ever to find new ways to encourage giving, charitable giving.

As generous as our Nation is, we all know we face challenges, for many of my colleagues on my side of the aisle have highlighted how some of the decisions we have made here in this Congress have impacted our ability to grow. But as the Speaker knows, millions of Americans give a portion of their paychecks or their savings to help those less fortunate than them. In my community of Memphis and communities across America, nonprofit groups, volunteer organizations work every day to fill those vital needs. Often these efforts can do more to help than what we do here in Government. And at a time of mounting budget deficits in Washington and in almost all 50 State capitals, charities are carrying a heavier burden. States are cutting back money to hospitals, health clinics, schools, drug and alcohol rehab programs, preschool and afterschool programs. Because of the deep wells of compassion that exist in our communities, we cannot let any people fall through the cracks.

But money is tight for millions of families. They want to give, but they also want to have money to pay the bills. This bill is one way we can empower people to give more to charity for it empowers those whose compassion runs deep, especially those who do not have deep pockets. As the Members know, many in Congress and in this country raised constitutional concerns about many aspects of the President's faith-based agenda. We share the President's goal of rallying the armies of compassion, but we were concerned about the faith-based component. Our bill will encourage giving and help charities without regard to religious affiliation.

What this bill does is remove obstacles to charitable giving in a tax code. First, the bill allows some 86 million Americans who do not itemize the opportunity to deduct a portion of their charitable contribution, between $250 and $500, $250 for individuals and $500 for married couples. It raises the cap on corporate charitable contributions from 10 percent to 20 percent over 10 years. It also provides for tax-free contributions from IRAs for charitable purposes, which will help a wide range of charities, especially education institutions. It provides $150 million a year for a Compassion Capital Fund to assist small community and faith-based organizations with technical assistance and to expand their capacity to serve.

In closing, Mr. Speaker, I want to commend the gentleman from New York (Mr. RANGEL) and the gentleman from Maryland (Mr. CARDIN) for the substitute to H.R. 7, which I intend to support. The substitute includes the entire original bill, and it makes it better by increasing the authorization levels for the Social Services Block Grant by $1.1 billion. The Senate companion of this bill includes funding for SSBG as well.

I also commend the gentleman from Texas (Mr. DOGGETT) for working to make this bill revenue neutral. The revenue effect of H.R. 7 is tiny compared to the positive benefits, as the gentleman from Missouri (Mr. BLUNT) has already stated, that will come out of it, and certainly compared to other bills that we have considered in this Chamber in recent years.

In closing, I urge all of my colleagues, particularly my Democratic colleagues, to support this bill on final passage. I look forward to working with many here and others in the Chamber to reconcile whatever differences there may be and realize that when we support this bill, despite its minor cost, as the gentleman from Missouri (Mr. BLUNT) and others have stated, it will help so many of our Nation's

charities, places of faith, and educational institutions.

Mr. BLUNT. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. GREEN).

Mr. GREEN of Wisconsin. Mr. Speaker, I thank the gentleman for yielding me this time and I congratulate him and the gentleman from Tennessee (Mr. FORD) for this piece of legislation.

The previous speaker asked rhetorically what does this bill do? By spurring investment in America's charities, this bill will help lift lives and heal neighborhoods. It sounds like a pretty good deal to me.

I would like to talk about a very specific provision in this bill because this bill also rightly points to a problem that we have in charitable giving, one that Congress cannot by itself solve. As section 303 of this bill points out, many of our Nation's largest foundations have a bias against giving to the community of faith. As so many people have noted, every day all across America, faith-based organizations help people, help them recover from drug and alcohol addiction, provide food and shelter to the homeless, teach people skills that they need to move from poverty to productivity, and so much more. And yet foundations, especially corporate foundations, will not give help to these groups. Corporate foundations give roughly $2 billion a year to charities, but a mere fraction of that goes to the community of faith. Of the ten largest corporations in America, six have restrictions either banning or greatly limiting contributions to faith-based organizations and not one of them gives more than 5 percent of its donations to these groups. The leading 1,000 foundations in America have targeted just 2.3 percent of their grants to faith-based organizations. The leading 100 have given just 1.5 percent. Shame on them. They are missing a chance to do so much good.

Let us hope that the public, let us hope that shareholders demand a change. This legislation shines a spotlight on this problem and encourages them to rethink their restrictions. It is time for us to reach out. It is time for corporate America to reach out to the community of faith. There are so many needs and so many opportunities. There is so much good that we can do if corporate America, if foundations, if we all reach out and partner with those who are on the frontlines each and every day.

I am proud to support this legislation. I think this is going to make a historic difference, and once again, I congratulate the authors.

Mr. STARK. Mr. Speaker, I yield 4 minutes to the gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, on January 29, 2002, President Bush stood at this podium, and he told this Congress and the Nation ''our budget will run a deficit that will be small and short term.'' He had hardly gotten out of the room before the deficit began soaring, soaring so much that this year, we have the largest deficit in the history of the United States. Soaring so much that over the course of this year and next year, we will probably exceed $1 trillion in additional national debt. Any honest projection shows that these deficits will continue rising throughout this decade. We have the largest fiscal reversal in the history of the United States, if not the history of the world, moving from the surplus the Bush Administration inherited to the unending debt with which we are now being burdened.

We begin to understand why they call this a ''faith-based'' initiative because despite this devastating fiscal record, they ask us to have faith that somehow their speeches will balance the budget even while they continue depleting the national treasury with one good cause and some not so good causes after another, taking out $10 billion here, $20 billion there, $50 billion some other place.

If you have faith in the bill that you are advancing today, have the good faith to deal straight with the American people instead of just giving them another IOU. And I commend the gentleman from Tennessee (Mr. FORD) for having the courage to support the substitute paying for this chartible giving initiative to which I know he is so committed. The Republican sponsor in the last Congress of this measure (Mr. WATTS) was willing to do the same until he found out paying for it requires more than a speech.

We can pay for this initiative today, and then some, by correcting a considerable inequity in our tax system. The Founding Fathers believed that there should be no ''taxation without representation,'' and certainly we all agree. But some taxpayers, as a result of the inaction of the House Committee on Ways and Means and the leadership of this House, are today turning that on its head. They believe that we should have no ''taxation through misrepresentation.'' Too many corporations have misrepresented to their shareholders, their investors, to the tax collector the true nature of their income. They give new meaning to Leona Helmsley's claim that ''only the little people pay taxes.'' And today my colleagues talk about charity. Charity is when Congress ignores $10 billion a year, according to some estimates, in losses due to sham corporate tax shelters—shelters that are abuses of our current legal system. Charity is when the Republican leadership persists turning a blind eye to that abuse.

Since 1999, we have had a way to solve this problem. We have been asking for approval of a tax shelter measure that has had broad support in this body and is so ''controversial'' that almost every Republican Member of the United States Senate has voted for it. It passed 95 to 5 as a part not of some other bill, but of this very chartible giving bill. So what happens when it gets to the House Committee on Ways and Means? The same people that have been protecting these corporate tax abusers all this time have again offered them a little ''charity'' by removing all of the tax shelter language.

□ 1300

They stripped out the ''pay-for'' in this bill, a ''pay-for'' that brings equity to our tax system, that ensures that these corporate tax abusers get a little fair treatment. When such tax evaders dodge their taxes, guess who has to pay for national security and homeland security? All of the small businesses and large businesses and taxpayers large and small, who are already doing their fair share, already paying their fair portion of taxes.

Mr. Speaker, we have an opportunity today through the Democratic alternative to end this abuse of corporate tax shelters and at the same time pay for this charitable bill giving instead of incurring more public debt.

Mr. BLUNT. Mr. Speaker, I yield 1 minute to the gentleman from Indiana (Mr. SOUDER).

(Mr. SOUDER asked and was given permission to revise and extend his remarks.)

Mr. SOUDER. Mr. Speaker, first I want to thank the gentleman from Missouri (Mr. BLUNT) and the gentleman from Tennessee (Mr. FORD) for their leadership on this bill. It is something that I have long waited to see, an actual change in our Tax Code to give more incentive to charitable giving.

It is unfortunate that partisan politics has been, again, injected into this. Because as we have been holding a series of faith-based hearings around the country, one thing that we recently heard in Texas in San Antonio from the most effective faith-based drug addict rescue group in the State of Texas, and, really, in America, said, where do you think the financial support of our ministry comes from? The people who have come through the front door of that home.

This bill will give those people a chance to get a tax break, many who have very little funds who have been ignored because of the way our Tax Code is structured in charitable giving. This is one small step, and I hope we can expand it in the future, but an important step and the most important step.

We have been on the floor arguing over charitable choice. I said from the beginning that the Tax Code was the most important and the second most was the Compassion Capital Fund, which is also in this bill to help these little usually urban or rural organizations get an ability to do a 501(c)(3) corporation. And this bill also covers that. I am thrilled with this bill.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Virginia (Mr. SCOTT).

Mr. SCOTT of Virginia. Mr. Speaker, I think it is important to speak about what is not in this bill as well as what is in it. This bill is in stark contrast to

the bill which passed 2 years ago in that it does not include the provision that would allow employment discrimination with Federal dollars. In fact, the bill preserves current civil rights protections.

Faith-based organizations willing to comply with civil rights laws will be able to get funding under this bill just as they can today. And organizations which refuse to comply with the 60-year tradition of no discrimination with Federal funds will not be able to get funding under this bill.

When we talk about discrimination, let us remember that there was a time in America when people of certain religions were routinely denied jobs solely because of their religious beliefs, but we passed laws to end that invidious discrimination.

All of us can be supportive of the work of faith-based organizations and recognize that many can successfully sponsor federally funded programs, but we do not have to sabotage anti-discrimination laws to do that. And it is insulting to suggest that we can get investments in needy areas only if we turn back the clock on civil rights.

This bill allows us to support the work of faith-based organizations without sacrificing our hard-won civil rights protections. The language in the original bill that will allow faith-based organizations to proselytize to beneficiaries in public services and use Federal money to convert people to their own religion has likewise been dropped from this bill as well.

An individual in a homeless shelter should not be required to have to consider changing his religion in order to get a meal if that meal is paid for with Federal funds. The Constitution does not permit this and neither should we.

I hope this bill can be a positive step in the right direction, but all of us should be cognizant that although the old H.R. 7 is gone, there are currently several bills, individual bills, that would allow faith-based organizations to discriminate in employment based on religion with Federal funds.

We have already seen these provisions in the reauthorization of the Head Start bill that passed the House and the Workforce Investment Act, and I am sure that there will be others.

Mr. Speaker, this bill shows that we can do better than that. We can support good community organizations that do good work without sacrificing either civil rights protections or the Constitution.

We can accomplish this by providing them more money to do that work and providing guidance and navigating the Federal bureaucracy, and we do not have to undermine constitutional and anti-discrimination laws to do that.

Mr. BLUNT. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. PORTMAN).

Mr. PORTMAN. Mr. Speaker, I thank the gentleman for yielding me time and want to congratulate him and the gentleman from Tennessee (Mr. FORD) for their good bipartisan work on this legislation.

The legislation does have a cost, as it is analyzed by the Joint Tax Committee, and I believe that is $12.6 billion. Guess what? Over that same period of time, the estimates are there will be about $50 billion more in contributions to our charities. These are faith-based charities, community organizations, those who are out there doing the good work to help those most in need.

I love the provision on the nonitemizers, because it helps people who are nonitemizers now not only give more money to charity and gives them a break for it, but gets them more engaged as volunteers in their communities in helping out, having an investment in these charities.

I like the provision on the IRA rollover. We ought to do the same with some other retirement accounts. With the IRAs, we are able to say if you are 70½, you can then roll over into a charity without having the tax consequences. That will help not only this year, but going forward, as baby boomers begin to get these big lump sums in their IRAs, to be able to give those to charities. There are a lot of assets there, and it is a great policy.

The gentleman from Texas raises a substitute; and I just have to say, codifying this very complicated issue of economic substance doctrine is a very difficult thing to do. The Treasury Department is dead set against it. They instead believe what we ought to be doing is providing more disclosure and tightening the rules. That is going to be in a bill coming to the floor, we hope soon, out of the FSC-ETI bill. That is a better way to approach it.

Finally, the codification of economic substance, to my understanding, is retroactive, so you are actually changing the rules of the game after the fact. So those who have entered into transactions and arrangements are now being told after the fact, guess what, the rules all change; now we have this new rule to be applied.

I am afraid what will happen is you will see tax shelters going underground. You will not see what we ought to be seeing, which is more disclosure and tightening of the rules.

So I think this is a great bill. I would urge my colleagues to support it, because it does the right thing on policy grounds; and I would be very skeptical about this substitute. I think it is bad tax policy; and it will result, perhaps inadvertently, in more problems in our Tax Code.

Mr. BLUNT. Mr. Speaker, I am pleased that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Michigan (Mr. CAMP), the next speaker, have done such a good job to get this bill to the floor.

Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. CAMP).

Mr. CAMP. Mr. Speaker, I thank the majority whip for his hard work on this bill; and I lend my strong support to H.R. 7, which passed the committee by voice vote. I think all members on the committee agreed that this policy was an appropriate way to increase philanthropy among individuals, corporations, and foundations. I think it contains the right mix of tax incentives to spur individual giving, business and foundation giving, for example, the nonitemizer provision for low- and middle-income taxpayers. In my view, the Tax Code should provide a tax incentive to all taxpayers to give to charity, not just those who itemize; and this bill does that.

Another important feature is those who have reached 70½ can make tax-free contributions from their IRAs.

Last, I want to thank the majority whip and the committee for their hard work in making sure that we also do what we can to increase giving from charitable organizations and foundations. I think we have the right mix in this bill to do that.

I lend my strong support to this legislation.

Mr. BLUNT. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. CRENSHAW).

Mr. CRENSHAW. Mr. Speaker, I just want to rise in strong support of this legislation. I want to highlight a charitable organization in my community, Jacksonville, Florida, called the Jessie Ball duPont Fund. Last year they gave away about $13.5 million. They gave it to over 300 different organizations, everything from the Boys Clubs to the Girls Clubs to the United Way.

What this legislation does is encourages foundations like the duPont Fund and other charitable organizations, it gives them technical advice, it gives them guidance, and, more than anything, maybe holds them to public accountability.

The bottom line, Mr. Speaker, is this kind of legislation encourages people to be good stewards in their own community. America is great because America is about people helping people; and any time that people want to give money, in terms of charity, we ought to do everything we can to pave the way. So I urge support of this legislation.

Mr. BLUNT. Mr. Speaker, I yield 1 minute to the gentleman from Indiana (Mr. PENCE).

(Mr. PENCE asked and was given permission to revise and extend his remarks.)

Mr. PENCE. Mr. Speaker, I rise with a deep sense of gratitude to our majority whip, the gentleman from Missouri (Mr. BLUNT), and to his colleague, the gentleman from Tennessee (Mr. FORD), for their yeoman's work in crafting the Blunt-Ford Charitable Giving Act. It is an extraordinary piece of legislation that will encourage the investment by everyday Americans into the organizations that make our communities great.

While this bill is targeted to all charities, its impact will be profound, especially in the faith-based community. It

is worthy of noting that 75 percent of food pantries are religious-based, 71 percent of food kitchens are faith-based, and 43 percent of shelters in this country are faith-based providers. Today's Blunt-Ford Charitable Giving Act is part of President Bush's vision of a faith-based initiative encouraging everyday Americans to come along side those who each and every day do for the least of these.

I strongly support this legislation and strongly urge its passage today.

Mr. STARK. Mr. Speaker, I yield the balance of my time to the gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, without a doubt there are many good features of this proposal. That is why so many people support it. Perhaps the benefits are a bit exaggerated in the suggestion there will be $40 billion or $50 billion in additional money motivated by tax considerations instead of the heart. That probably overstates the case. But the important argument in favor of the Democratic substitute is that this proposal is presented as just another free lunch, like so many other allegedly pain free measures that keep rolling through this House.

As proposed, this bill will add to the burden of our children and our grandchildren billions of dollars that could and should be paid for now. That is why one of the cosponsors, the gentleman from Tennessee (Mr. FORD), has said he supports the substitute. He is ready to pay for his bill, he has that much confidence in it. The only argument against paying for it was the unusual suggestion of the gentleman from Ohio (Mr. PORTMAN) that it would be ''difficult.''

I agree, it has proven very difficult for the Committee on Ways and Means to do anything about corporate tax cheats. They have known about this problem since at least 1999, and they have chosen to sit on their hands.

Most people have heard about something called Enron, a Texas corporation. The Committee on Ways and Means was afraid though to look under the rock for all the Enron dirty tax secrets, about how much it avoided paying of its fair share of taxes, for fear of what Republicans might find, and they have still not, until this very day, found it possible to overcome what they call the ''difficulties'' of dealing with the Enron tax transgressions, nor those of any other corporation.

Pay for this bill. The Democratic substitute does.

Mr. BLUNT. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut (Mrs. JOHNSON).

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the gentleman for yielding me time.

I want to commend the chairman for crafting a bill that will reward average taxpayers for their generosity and eliminate unnecessary barriers to giving. This is a bipartisan bill that will expand our communities' ability to help each other. However, there are some additional provisions that I hope we will be able to work on with the Senate.

First of all, the social services block grant enables communities to address special needs in a very flexible and very local manner, and I am thrilled that this bill reinstates the 10 percent right of transferring money from the TANF block grant to the social services block grant. But more needs to be done, and the Senate bill does offer us that opportunity in the conference.

Secondly, I hope that it will look at some of the charitable incentives for conservation in the Senate bill, a higher deduction for donating land to qualified land trusts, for example, that will enable small landowners to be part of conservation and preservation in their communities.

□ 1315

Mr. BLUNT. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. CRANE).

Mr. CRANE. Mr. Speaker, charitable organizations are vital to the health and well-being of American citizens. Charity benefits both the giver and the receiver in like proportions. The act of giving elevates the heart of the giver; the act of receiving elevates the condition of the recipient. Charity is a blessed act that should suffer no discouragement from something so punitive as the Tax Code.

Mr. Speaker, I am very pleased that two major components of H.R. 7 are based upon legislation I have introduced for almost 20 years, the Charitable Giving Tax Relief Act and the IRA Charitable Rollover Incentive Act. The Charitable Giving Tax Relief Act allow nonitemizers to deduct 100 percent of any charitable contributions up to the amount of standard deduction.

Secondly, under H.R. 7, individuals age 70½ or older will be able to contribute amounts currently held in IRA accounts directly to qualified charities without having to first recognize the income for tax purposes and then take a charitable deduction.

We now have an excellent opportunity to advance sound tax policy and sound social policy by returning to our Nation's historical emphasis on private activities and personal involvement in the well-being of our communities.

I congratulate all, and I urge everyone to vote for the bill.

Mr. BLUNT. Mr. Speaker, I would just like to say as I yield myself the remainder of my time that I appreciate the character of the debate, I appreciate the opportunity to work with the gentleman from Tennessee (Mr. FORD) and the members of the Committee on Ways and Means in bringing this bill to the floor. We look forward to passage today and a quick effort to work with our friends in the other body and see this bill on the President's desk become law and make a difference in the way people are encouraged to do things for others in their community and in our country and around the world.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise in support of H.R. 7, the Charitable Giving Act of 2003 along with the Democrats' Substitute Amendment Agreement. The Democrats' Substitute Amendment has three parts. First, the Substitute would include all the provisions of the underlying bill, H.R. 7, as reported by the Committee on Ways and Means. Second, the Substitute would add a provision increasing the funding for the Social Services Block Grant, SSBG, by $1.1 billion next year. Third, the Substitute would add revenue offset provisions to curtail abusive tax shelter schemes. The Substitute is a fiscally responsible approach for encouraging charitable giving and providing assistance to vulnerable families during these particularly difficult times.

Considering that the federal deficit is projected to exceed $500 billion next year and the President's request for an additional $87 billion for Iraq, I urge all House Members vote for the Democratic Substitute Amendment.

The Substitute increases funding for the Social Services Block Grant, SSBG, by $1.1 billion next year. This increase is included in S. 476, the Senate-passed CARE Act of 2003. The SSBG funds community programs to protect abused children, provide day care to low-income families, offer counseling services to at-risk youth, provide nutritional assistance to the elderly, and provide community-based care to the disabled.

The Substitute provides immediate resources to States to address program cuts in these important areas. Rep. CARDIN offered such a provision as an amendment during Committee markup of H.R. 7.

The Substitute includes provisions to curtail abusive tax shelter schemes. These provisions would prevent tax shelter transactions that have no economic substance, without affecting legitimate business transactions, and would tighten penalties for egregious behavior. The provisions would offset the costs of the Substitute (including both the underlying bill and increased funding for the SSBG).

Congressman DOGGETT offered such an offset during Committee markup of H.R. 7. Corporations increasingly are engaged in aggressive tax avoidance transactions. Those transactions often are very complicated transactions that lack little, if any, business purpose or profit motive. The transactions are very similar in their structure with the accounting gimmicks used by Enron. They both pretend to technically comply with complicated rules, but create results that cannot be justified.

Not surprisingly, large accounting firms, the same people who assisted Enron, sell corporate tax shelters. The Joint Committee on Taxation recommended many of anti-tax shelter provisions in the Substitute.

The major provision of the Substitute would codify and slightly strengthen the ''economic substance doctrine.'' The economic substance doctrine is a court-made rule of law that disallows claimed tax benefits if the benefits arise out of a transaction for which there is no business purpose or profit motive.

The other major provision of the Substitute would not permit legal opinions to be used in order to avoid penalties when courts disallow tax benefits using economic substance analysis. (Under current law, legal opinions provide protection against penalties even when the legal opinions are fairly poor.) All of Enron's tax shelter transactions had legal opinions supporting them.

Mr. Speaker, for the above reasons, I support this bill with the Substitute Amendment.

Mr. TURNER. Mr. Speaker, I rise today in strong support of H.R. 7, the Charitable Giving Act, and to urge my colleagues to do the same.

Let me begin by saying that I value the role of charitable organizations in the delivery and provision of social services. Our country has been made stronger through the good works of people who dedicate their time, efforts, and skills to helping those in need. These organizations have long fed the hungry, clothed the poor, given shelter to the homeless, and helped heal the sick. Their contributions have been absolutely essential for millions of Americans throughout the history of our great nation.

It is time now that we help these charitable organizations continue to help those in need. The bill before us today contains many important provisions that work toward a single goal of encouraging charitable giving in the United States. The bill does this by making it easier for individuals to deduct their charitable contributions from their income taxes, by allowing tax-free distributions from IRAs for charities and by encouraging donations of important items such as food and computers.

I know firsthand about the important role that charitable organizations play in every community. In my own district the Matile Family Foundation, the Dayton Foundation, and the Iddings Foundation have a long and distinguished record of giving and serving the Dayton community. Similarly our community is home to numerous faith-based organizations that also provide important services to those in need, including the Gospel Mission, Revival Center Ministries and St. Mary's Neighborhood Development Corporation.

In May I convened a community and faith-based forum where over 80 individuals from charitable organizations met to discuss partnering with the Federal government on the delivery of social services. I believe the bill before us will help these and many other organizations throughout my congressional district.

As a cosponsor of this important legislation, I am proud to join my colleagues in expressing support for H.R. 7 and urge all Members to vote in favor of it. This critical measure will help ensure that charitable organizations can continue to attract the resources necessary to help our most vulnerable populations by improving the incentives for individuals and corporations to donate to charitable entities.

Mr. EMANUEL. Mr. Speaker, I rise proudly as an original cosponsor of the Charitable Giving Act and also in strong support of Cardin-Doggett substitute.

I signed on as an original cosponsor of H.R. 7 because our Nation's charities are struggling in this weak economy to meet increasing demands with diminishing resources. In response, this bill delivers tax fairness and strong incentives for America's donors to give generously, even those with modest means.

I am pleased that the substitute makes this bill even stronger by taking this opportunity to shut down tax avoidance schemes built into the Tax Code that encourage dishonest corporate transactions and bookkeeping practices. Another improvement is that the substitute pays for the bill. This is critical since the President has asked Congress for another $87 billion for rebuilding Iraq, twice the amount originally anticipated.

I am as pleased as the next person when corporations earn profits. But there is something wrong when tax breaks for working families are outnumbered by corporate subsidies for oil drilling, insurance, nuclear power, commercial real estate, equipment purchases, drug manufacturing, ethanol production, and more.

President Reagan criticized corporate tax subsidies as wasteful and in direct conflict with free market principles and economic growth. In 1986, he issued executive orders to cut back many of these subsidies. Republicans and Democrats should continue working together to follow his lead.

In recent years, however, subsidies have made a comeback. At the same time, corporate income taxes are virtually the lowest among the world's developed countries. The Bermuda scheme is the tip of the offshore iceberg now costing U.S. taxpayers $50 billion or more a year. Taxpayers subsidize overall corporate subsidies worth $125 billion. This amount is equivalent to the income taxes paid by 60 million individuals and families.

Many of these subsidies fail to serve any worthwhile economic or social objective. But since 2001, more loopholes and breaks for special and corporate interests have been added to the code. It is replete with sunsets, phase-ins, phase outs, and gimmicks that encouraged Enron, Tyco, and WorldCom to circumvent tax law. But nothing has been done to make it easier for working families to navigate the Code. There is something wrong when more than 60 percent of Americans found it necessary to pay an accountant or tax preparer to file their taxes in 2002.

Ending offshore havens, gimmicks and tax shelters should go hand in hand with simplification in any tax reform initiative. The Cardin substitute is a first step toward reforming a tax code that's proven more user-friendly to corporations and the wealthy than America's working families. Another important step would be for Congress to consider my proposal to create a Simplified Family Credit that merges the EITC, the child tax credit and the dependent exemption into one easy-to-claim credit. I will continue supporting legislation that simplifies the Code for reward working families as much as corporate interests.

Mr. Speaker, to that end, I am please to vote for the Cardin-Doggett substitute, and in support of the Charitable Giving Act of 2003. This important legislation, in addition to closing unfair tax loopholes, will recreate new incentives for Americans to make charitable donations for an array of worth and important social services in our Nation.

Mr. TERRY. Mr. Speaker, I rise today in support of H.R. 7, the Charitable Giving Act of 2003. I commend Whip BLUNT and Chairman THOMAS for their diligent efforts on this important legislation.

As a cosponsor, I have supported this bill for several reasons.

The American people are the most generous people in the world. It is estimated Americans gave more than 183 billion dollars last year to charitable organizations. Foundations, bequests, and corporations brought charitable giving up to 241 billion dollars.

These donations advanced noble causes in religion, health, science, the environment. To alleviate pain and suffering. To promote culture and world understanding.

For example, in my own district, The Durham Research Center at the University of Nebraska Medical Center, a $77 million, 10-level facility, was completed without tax dollars. It will enable UNMC to enhance its research in a number of areas including cancer, cardiovascular diseases, neurosciences, transplantation biology, genetics and eye research.

Charities and institutions often serve purposes that exceed government efforts to promote the health, safety, and well-being of its citizens, and often with lower costs.

The purpose behind this act is simple. We must ensure the best policies to encourage people to donate to charities. Whether the goal is collecting food for the hungry, shelter for the indigent, or treatment for the addicted, this bill strengthens the existing tax code to encourage charitable donations.

For example, this bill:

Provides 86 million Americans who do not itemize the opportunity to deduct a portion of their charitable contributions—representing more than two-thirds of tax returns filed.

Provides incentives for individuals to give tax-free contributions from their Individual Retirement Accounts (IRAs) for charitable purposes, which will help a wide range of charities.

Raises the cap on corporate charitable contributions from 10% to 20% over 10 years.

Extends current incentives for food donations to apply to even more farmers, restaurants, and corporations to help those in need.

Anne Frank once wrote: ''No one has ever become poor by giving.'' We recognize this sentiment with H.R. 7 and I urge my colleagues to join me in supporting the Charitable Giving Act.

Mr. WOLF. Mr. Speaker, I rise today in support of H.R. 7, the Charitable Giving Act. This legislation takes an important step to help further the efforts begun nearly 40 years when President Johnson declared war on poverty and hunger. Sadly, according to the U.S. Department of Agriculture reports that 13 million kids live in households that do not have an adequate supply of food.

In 2001, the USDA says there were 33.6 million Americans—20 million adults and 13 million children—who were hungry or at risk of hunger. In Matthew 25, Jesus talks about the obligation to feed the hungry. In a world, and especially a nation, as plentiful as ours, it is tragic that even one child is hungry.

Barriers need to be eliminated to allow businesses to do the morally conscionable thing and donate their surplus food. It's outrageous that it is more ''cost effective'' for a business to throw out or destroy surplus food rather than donate it to a local soup kitchen. The Charitable Giving Act takes important steps to ensure that more of America's abundant food supply ends up in the mouths of America's hungry families, not in landfills. The USDA estimates that 96 billion pounds of food are thrown away each year.

I would like to submit for the RECORD a recent article from the Chicago Tribune titled ''Hunger has a new face.'' This article points out that many of these hungry children live in households in with working parents. As the cost of living in many urban areas continues to increase, the number of working poor is expanding rapidly, hitting single moms particularly hard. As the face of hunger in America changes, we must make sure that our policies continue to meet the needs.

The Charitable Giving Act provides incentives to farmers and small businesses, whose

resources are also constrained in these economic times. I applaud the authors of this bill for their dedication to building a greater America. But our work is not yet done. I want to encourage my colleagues appointed to conference this important legislation to consider the food donation provision contained in the Senate bill—the same food donation provision, I might add, that was introduced earlier this year by my colleague Mr. BAKER from Louisiana.

America's Second Harvest estimates that the Senate version would produce over 878 million new meals by 2013—that's over three times the number of new meals than the House bill will provide. Make no mistake, the bill we have in front of us today is a very good start and is a victory for all those who have hope for a better America. Let us now move forward, and show America that fighting hunger isn't about what side of the aisle you stand on, but rather what kind of humanity we seek to be.

[From the Chicago Tribune, Sept. 1, 2003]

HUNGER HAS A NEW FACE

(By V. Dion Haynes)

BEND, ORE.—Despite working full time as a waitress at an International House of Pancakes restaurant, Crystal Carter regularly must turn to charities and generous friends to feed herself and her three small children.

Likewise, Leslie Ramaekers finds it difficult to stretch the wages from her full-time auto-detailing job to buy enough food. She often skips breakfast and lunch to ensure that her four children can eat.

Randy Malone has it even worse. Laid off 1½ years ago, he has to use his sparse resources to feed his two nieces and nephew, who live with him. Forced to skip meals, Malone has lost 25 pounds.

''I don't normally eat breakfast or lunch. Sometimes for dinner I might get a peanut butter sandwich or a piece of bread,'' said Malone, 42, who was picking up a bag of free groceries from a food pantry in northeast Portland one day this summer.

''I'd rather them eat it than me,'' he added, referred to the children, age 7 to 12.

In a survey, 25 U.S. cities reported on average a 19 percent increase in demand for emergency food assistance from 2001 to 2002. Some city officials say Carter, Ramaekers and Malone represent the new face of hunger in America.

SINGLE MOMS AFFECTED

The ranks of the hungry more and more include single mothers stuck in low-wage jobs, married couples who can't keep up with soaring housing costs and able-bodied people who can't find jobs.

Their predicament forces them every month to grapple with vexing trade-offs: Pay the rent or child care? Buy that prescription for a sick child or pay that overdue electric bill? Put gas in the car or food on the table?

''We're seeing Depression-era food lines in 21st Century America. . . . This is the most food productive nation on the planet, and we should not have hunger,'' said Doug O'Brien, vice president for policy and research at Chicago-based America's Second Harvest, the umbrella organization for the nation's food banks and the largest hunger relief organization in the U.S.

The previous profile of a hungry person, O'Brien said, was ''a homeless, chronically unemployed, mentally ill substance abuser.''

But by 2001, ''we were as likely to see a single mother who's employed as we would a homeless man,'' he added. ''Nationwide, 40 percent of the people we serve come from households where at least one person is working.''

Agriculture Department experts peg the number of hungry or ''food insecure'' people at about 34 million, up from about 30 million in 1995. Hunger and food insecurity are defined broadly—when people are forced to skip a meal or cut back on what they eat because they lack money, when people don't know where their next meal is coming from or when people must visit a soup kitchen or food pantry for emergency assistance.

Demand for emergency food rose dramatically from 2001 to 2002 in about 25 cities polled late last year by the U.S. Conference of Mayors. Requests for food jumped 52 percent in Kansas City, 49 percent in Miami, 28 percent in Chicago, 25 percent in Los Angeles, 14 percent in Cleveland and 10 percent in New Orleans.

STATES STEP UP OUTREACH

The issue has been receiving attention in recent months. Oregon, Wisconsin, Virginia and West Virginia have stepped up their outreach to hungry people who might qualify for assistance from food stamp programs. And two bills have been introduced in Congress to expand the number of children eligible for free school meal programs.

A study released in July by the Center on Hunger and Poverty at Brandeis University suggested that hunger is released to the epidemic of obesity. The study said that low-income families ''may consume low-cost foods with relatively higher levels of calories per dollar to stave off hunger'' rather than more nutritious food when their resources run short.

No state better exemplifies the crisis than Oregon, which has been ranked by the U.S. Department of Agriculture as No. 1 in hunger and food insecurity.

Oregon, which prospered in the 1990s from the dot-com boom and has an image as a recreation-friendly and environmentally conscious state, hardly seems a candidate for hunger capital of the nation.

But the state, which also ranks at or near the top in unemployment, has been grappling with an economic meltdown. If has made drastic spending cuts for schools, health care, social programs and courts to relieve a nearly $3 billion deficit.

As serious as the budget problems are, according to experts, the current crisis is the product of a systemic shift as low-paying, low-skill jobs in the service industry replaced high-paying, low-skill jobs in the timber and fishing industries.

Bend, Ore., reflects that wage gap and economic metamorphosis.

For generations, this region was timber country, with an abundance of family-run mills. But from 1989 to 1997, jobs in the forest industry declined by 47 percent in central Oregon. Now only one family-run mill is left in the region.

During the same time, dozens of golf courses, spas, mountain lake and ski lodges and new housing developments sprang up, transforming central Oregon into a resort and an upscale retirement area.

''A lot of people say it's going to be another Aspen, Colo.,'' said Carter; the IHOP waitress, who often visits an area food pantry to feed her two daughters and son.

''There's no middle class here,'' added Carter. ''Either you have money or you don't.''

Instead of making $17 an hour in a mill, the most people can get around here [in serviced industry jobs] is around minimum wage,'' said Sweet Pea Cole, a coordinator for the Central Oregon Community Action Agency, where Carter gets her free food.

Advocates for the poor say Oregon officials largely were in denial about the state's hunger problem—until this year:

When Gov. Ted Kulongoski took office in January, he made fighting hunger a priority. Kulongoski, a Democrat, is appearing in TV public service announcements to raise awareness.

The governor also is calling for more affordable housing. And he recently signed legislation to refurbish crumbling bridges and highways, which would create 5,000 jobs annually for 10 years.

But some people struggling to put food on the table say the efforts will do little to help them.

''There has to be some way of training people, people who are stuck and struggling and want to do something with their lives,'' said Ramaekers, 28, of Tualatin, Ore., the auto-detail worker and mother of four who skips meals and frequents food banks.

''You're working harder but always staying in the same place.''

Mr. SOUDER. Mr. Speaker, for several years now we have been having the discussion on how best to help faith-based organizations. Very few clear answers have emerged. Today we are here to discuss H.R. 7, the Charitable Giving Act, which addresses the two areas where I believe the government can best assist faith-based and community organizations in their work.

A few months ago I initiated a series of field hearings to talk directly to the faith-based providers of social services. We've put the cart before the horse in this debate, and what we're trying to do with these hearings is to take a step back, and ask the providers what qualities they possess that makes them unique. Time and time again, they are telling me that it is their faith that drives them to do the work that they do, often in undesirable conditions for little or no recognitnition. Our second hearing was held in San Antonio, where Freddie Garcia has built a very successful drug treatment program that is not only faith-base, but faith-saturated. Jack Willome is a San Antonio businessman who volunteers his time to help Victory Fellowship with financial planning. During his testimony at our hearing he recounted a conversation he had had with a friend prior to his involvement with Victory Fellowship. His friend counseled him, ''Jack, when you're giving money away, your first objective should be to try to do no harm.''

When we as the Congress are debating how we can best support the scores of faith-based organizations working in our neighborhoods, we need to heed that same advice. Do no harm. We know that organizations like Victory Fellowship, Lutheran Social Services, Prison Fellowship, Chicago's Emmaus Ministries and T.E.A.M. III in my hometown of Fort Wayne, Indiana, are helping people every day, and they do not apologize for the role faith plays in their programs. As we start attaching restrictions and qualifications to the money government is wiling to give faith-based organizations, we put ourselves in the position of asking those charities to drain their programs of the very qualities that make them effective providers of social services.

So how can we best help these organizations without asking them to dilute or eliminate their religious character? The Charitable Giving Act, is a good step in the right direction. Research shows that individuals who receive a tax deduction for charitable giving contribute more than individuals who do not receive such tax benefits. By allowing the 86 million Americans who currently do not itemize on their tax returns an opportunity to deduct a portion of their charitable contributions, we are recognizing that the best way to help the private

sector is to encourage more charitable giving by individuals. We know that there are limits on how much money the government is able to spend on social services. Unfortunately, the demand for social services far exceeds the money government is able to spend. It doesn't matter who is in office, the dollars just aren't there.

So, we need to turn to the neighborhood organizations that are providing services, with or without government aid. Americans know which organizations in their communities are making a difference. By encouraging individuals to increase their charitable giving, we improve the likelihood that the dollars are going to go to the organizations that will produce the best results. Jack Willome also testified about the fundraising and fiscal accountability of Victory Fellowship. He said that that 90 percent of Victory Fellowship's budget comes from the giving of people who have benefited from the ministry. As he testified,

> It's the only project I have ever been involved in as a donor where I have total confidence that the organization has the ability to sustain the operations in the new facility, and I don't have to worry about that because of their track record. The financial support of the ministry, guess where it comes from? The people who have come through the front door of that home after—as their characters are being transformed and they become involved in Victory Temple Church and they give financially to the work of the church.''

It makes no difference if the government is involved with a faith-based organization or not. Those charities will be accountable, first and foremost, to their clients and to their donors. The support of the community is perhaps our best indicator of how successful an organization is at improving the lives of their clients.

I believe that the best way we can help the faith-based community is to encourage private sector philanthropy for all individuals who contribute to charitable organizations, not just those who itemize. Approximately two-thirds of tax returns filed do not claim itemized deductions; therefore those taxpayers are not eligible to deduct their charitable contributions. The majority of non-itemizers are low- and middle-income taxpayers—the very taxpayers who would benefit from this piece of legislation.

Here are a few examples of who would benefit from this bill. A non-itemizing, single taxpayer with a taxable income of $45,000 owes about $8,060 in federal income taxes. This legislation would reduce the individual's taxes owed by $62.50 if he or she donated $500 to a charity of his or her choice. Likewise, a family of four with a taxable income of $65,000 would save $125 in taxes for a donation of $1,000 to a local charity. While the savings may seem small, it is certainly better than the current tax policy of providing no benefit to non-itemizers. It is my hope that Congress will revisit this issue in the future to further expand tax relief for individuals and families who contribute financially to the valuable work of faith-based organizations.

The second thing we can do to help the countless faith-based and community organizations serve their communities is to provide these organizations with the training and technical assistance they need in order to serve their clients more effectively. Mark Terrell, CEO of Lifeline Youth and Family Services in Fort Wayne, a program that provides prevention, intervention, and aftercare service for families and children in the Fort Wayne community testified at our Chicago field hearing that

> there needs to be a system put in place that will help both small and large agencies meet the financial reporting requirements that are necessary when using public funds. The desire and ability of these organizations to do great work within a community that desperately needs their help can be undermined or undone when they don't have the skills or resources necessary to meet high-maintenance reporting requirements.

The authorization of a Compassion Capital Fund recognizes the unique contributions of faith-based and community organizations to the provision of social services by providing the resources necessary for these smaller organizations to improve and expand their services. Last year, the Department of Health and Human Services created a Compassion Capital Fund funded with $30 million appropriated by Congress. HHS then took $24.8 million of that appropriation and awarded it in grants to 21 intermediary organizations whose purpose was to help smaller organizations operate and manage their programs more effectively, train staff, and expand the types and scope of the social services they provide to their communities.

Two years ago I stood in this Chamber and told you about Pastor Jesse Beasley. Pastor Beasley was trying to start a youth program for kids to protect them from the drug problem and high murder rate affecting Fort Wayne. Now, two years later, that desire to help improve the lives of his neighbors has led Pastor Jesse Beasley along with several other Fort Wayne clergy to begin a program called T.E.A.M. III, which is an acronym for Touching and Equipping All Mankind. T.E.A.M. III now provides mentoring, a summer feeding program, a workforce development program and other social services. As T.E.A.M. III is working to provide services, they would benefit from the training that a Compassion Capital Fund would provide. They know where the need is, they have the faith to tackle any problem that comes their way, but they may need additional assistance if they desire to apply for a federal grant. There are a lot of small faith-based and community organizations in this country that have the heart for service but lack the finances to hire a CPA or attorney on their staff.

I commend the Ways and Means Committee for including a $150 million Compassion Capital grant fund in this bill. This authorization level will enable the Health and Human Services Department to expand their technical assistance services to greater numbers of faith-based organizations.

The Charitable Giving Act of 2003 is the culmination of several years of hard work, and I am proud to be a cosponsor of this important bill. It contains, in large part, what I believe are the most effective ways the federal government can lend its support to faith-based organizations. As Jack Willome said, it does no harm. It encourages individuals and businesses to make private contributions to organizations that are truly transforming people's lives—not just through assisting people with their physical needs, but also their spiritual needs.

While government can be helpful in alleviating some of the problems our society faces today, it will never have the answers for some of our country's neediest people—people who need more than their physical needs met. They need help spiritually; they need God to fill the void in their lives. Community and faith-based organizations are critical to the stability and health of our country, and they rely on the support of private donations, not government aid. I encourage my colleagues to vote for this legislation. The return on the dollar from private donations resulting from this legislation will be immeasurable. Not only will individual lives be changed, but our entire society will change as crime rates do down, unwed pregnancies decrease, drug rates and suicides diminish and, in time, those same people begin to give back to their communities as others once helped them.

Mr. CRANE. Mr. Speaker, from spiritual counseling to rape crisis centers, charitable organizations are vital to the health and well-being of American citizens. Charity benefits both the giver and receiver in like proportions. The act of giving elevates the heart of the giver; the act of receiving elevates the condition of the recipient.

Charity is a blessed act that should suffer no discouragement from something so punitive as the tax code, which contains absurd, yet very real, disincentives to individuals willing and able to exercise the gift of charity. Such disincentives have terrible consequences in reducing the resources available to private organizations. If our tax code were not so laden with peculiarities and oddities, this legislation would not be needed. Unfortunately, in many cases under current law, a contribution results in a loss of some portion of the charitable deduction.

Mr. Speaker, I am very pleased that two major components of H.R. 7 are based upon legislation I have introduced for many years, the Charitable Giving Tax Relief Act and the IRA Charitable Rollover Incentive Act. The Charitable Giving Tax Relief Act allows non-itemizers to deduct 100 percent of any charitable contributions up to the amount of the standard deduction. Under current law, while non-itemizers receive the standard deduction, only itemizers can take a deduction for their charitable contributions. Approximately two-thirds of tax returns filed do not claim itemized deductions; therefore those taxpayers are not eligible to deduct their charitable contributions. the majority of non-itemizers are low- and middle-income taxpayers. The tax code should provide a tax benefit to all taxpayers, not just those who itemize.

Secondly, I am pleased that H.R. 7 includes language based upon the IRA Charitable Rollover Incentive Act. Under H.R. 7, individuals age 70½ or older will be able to contribute amounts currently held in Individual Retirement Accounts (IRAs) directly to qualified charities without having to first recognize the income for tax purposes and then take a charitable deduction.

The IRA was intended to encourage individuals to save for retirement, but due to the general increase in asset values over the years, many individuals have more than sufficient funds to retire comfortably. Thus it is a common practice for retirees to transfer some of their wealth to charities and, in some cases, that wealth is held in an IRA. Unfortunately, in many cases under current law such a simple arrangement results in a loss of some portion of the charitable deduction. This legislation will give individuals more freedom to allocate their resources as they see fit while providing badly

needed resources to churches, colleges and universities, and other social organizations.

We now have an excellent opportunity to advance sound tax policy and sound social policy by returning to our Nation's historical emphasis on private activities and personal involvement in the well-being of our communities. I commend the authors of this legislation and urge all of my colleagues to support this vitally important bill.

Mr. BLUNT. Mr. Speaker, I yield back the balance of my time.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. CARDIN

Mr. CARDIN. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. CARDIN:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Charitable Giving Act of 2003''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—CHARITABLE GIVING INCENTIVES

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

(a) IN GENERAL.—Section 170 (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.—

''(1) IN GENERAL.—In the case of an individual who does not itemize deductions for a taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the amount allowable under subsection (a) for the taxable year for cash contributions (determined without regard to any carryover), to the extent that such contributions exceed $250 ($500 in the case of a joint return) but do not exceed $500 ($1,000 in the case of a joint return).

''(2) TERMINATION.—Paragraph (1) shall not apply to any taxable year beginning after December 31, 2005.''.

(b) DIRECT CHARITABLE DEDUCTION.—

(1) IN GENERAL.—Subsection (b) of section 63 (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 the following new paragraph:

''(3) the direct charitable deduction.''.

(2) DEFINITION.—Section 63 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 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 the following new paragraph:

''(3) the direct charitable deduction.''.

(c) STUDY.—

(1) IN GENERAL.—The Secretary of the Treasury shall study the effect of the amendments made by this section on increased charitable giving and taxpayer compliance, including a comparison of taxpayer compliance between taxpayers who itemize their charitable contributions and taxpayers who claim a direct charitable deduction.

(2) REPORT.—Not later than December 31, 2006, the Secretary of the Treasury shall report on the study required under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

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

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

(a) IN GENERAL.—Subsection (d) of section 408 (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 plan other than a plan described in subsection (k) or (p) of section 408—

''(i) which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70 ½, and

''(ii) which is made directly by the trustee—

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

''(II) to a split-interest entity.

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 plan 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 have been so includible if all amounts distributed from all individual retirement plans were treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion of 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 beneficiary to whom is paid 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 beneficiary.

''(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 must be 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 (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 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 deduction taken under section 642(c) within such year,

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

''(C) the amount for which such 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 the purposes described in section 642(c),

''(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 to a trust for any taxable year if—

''(A) 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, or

''(B) the trust is 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) (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.

In addition to any penalty imposed on the trust pursuant to this subparagraph, if the person required to file such return knowingly fails to file the return, such penalty shall also be imposed on such person who shall be personally liable for such penalty.''.

(3) CONFIDENTIALITY OF NONCHARITABLE BENEFICIARIES.—Subsection (b) of section 6104 (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 distributions made after December 31, 2003.

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

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

(a) IN GENERAL.—Paragraph (2) of section 170(b) (relating to corporations) is amended by striking ''10 percent'' and inserting ''the applicable percentage''.

(b) APPLICABLE PERCENTAGE.—Subsection (b) of section 170 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:

''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.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 512(b)(10) and 805(b)(2)(A) 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) 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, 2003.

SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) IN GENERAL.—Paragraph (3) of section 170(e) (relating to special rule for certain contributions of inventory and other property) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

''(C) SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.—

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

''(I) without regard to whether the contribution is made by a C corporation, and

''(II) only to food that is apparently wholesome food.

''(ii) LIMITATION.—In the case of a taxpayer other than a C corporation, the aggregate amount of such contributions for any taxable year which may be taken into account under this section shall not exceed the applicable percentage (within the meaning of subsection (b)(3)) of the taxpayer's aggregate net income for such taxable year from all trades or businesses from which such contributions were made for such year, computed without regard to this section.

''(iii) DETERMINATION OF FAIR MARKET VALUE.—In the case of a qualified contribution of apparently wholesome food to which

this paragraph applies 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 food shall be determined by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the contribution (or, if not so sold at such time, in the recent past).

''(iv) APPARENTLY WHOLESOME FOOD.—For purposes of this subparagraph, the term 'apparently wholesome food' has the meaning given to 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 subparagraph.''.

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

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

(a) REDUCTION OF TAX ON NET INVESTMENT INCOME.—Section 4940(a) (relating to tax-exempt foundations) is amended by striking ''2 percent'' and inserting ''1 percent''.

(b) REPEAL OF REDUCTION IN TAX WHERE PRIVATE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—Section 4940 (relating to excise tax based on investment income) is amended by striking subsection (e).

(c) MODIFICATION OF EXCISE TAX ON SELF-DEALING.—The second sentence of section 4941(a)(1) (relating to initial excise tax imposed on self-dealer) is amended by striking ''5 percent'' and inserting ''25 percent''.

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

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

''(4) LIMITATION ON ADMINISTRATIVE EXPENSES TREATED AS DISTRIBUTIONS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the following administrative expenses shall not be treated as qualifying distributions:

''(i) Any administrative expense which is not directly attributable to direct charitable activities, grant selection activities, grant monitoring and administration activities, compliance with applicable Federal, State, or local law, or furthering public accountability of the private foundation.

''(ii) Any compensation paid to a disqualified person to the extent that such compensation exceeds an annual rate of $100,000.

''(iii) Any expense incurred for transportation by air unless such transportation is regularly-scheduled commercial air transportation.

''(iv) Any expense incurred for regularly-scheduled commercial air transportation to the extent that such expense exceeds the cost of such transportation in coach-class accommodations.

''(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after December 31, 2004, the $100,000 amount in subparagraph (A)(ii) 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, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

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

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of paragraph (4). Such regulations shall provide that administrative expenses which are excluded from qualifying distributions solely by reason of the limitations in paragraph (4) shall not for such reason subject a private foundation to any other excise taxes imposed by this subchapter.''.

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

(A) IN GENERAL.—Section 4942(j)(3) (defining operating foundation) is amended—

(i) by striking ''(within the meaning of paragraph (1) or (2) of subsection (g))'' each place it appears, and

(ii) by adding at the end the following new sentence: ''For purposes of this paragraph, the term 'qualifying distributions' means qualifying distributions within the meaning of paragraph (1) or (2) of subsection (g) (determined without regard to subsection (g)(4)).''.

(B) CONFORMING AMENDMENT.—Section 4942(f)(2)(C)(i) is amended by inserting ''(determined without regard to subsection (g)(4))'' after ''within the meaning of subsection (g)(1)(A)''.

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

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

(a) IN GENERAL.—Subsection (c) of section 664 (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) CHARACTER OF DISTRIBUTIONS AND COORDINATION WITH DISTRIBUTION REQUIREMENTS.—The amounts taken into account in determining unrelated business taxable income (as defined in subparagraph (A)) shall not be taken into account for purposes of—

''(i) subsection (b),

''(ii) determining the value of trust assets under subsection (d)(2), and

''(iii) determining income under subsection (d)(3).

''(D) 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, 2003.

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.—

(1) IN GENERAL.—Clause (ii) of section 170(e)(4)(B) (defining qualified research contributions) is amended by inserting ''or assembled'' after ''constructed''.

(2) CONFORMING AMENDMENT.—Clause (iii) of section 170(e)(4)(B) is amended by inserting ''or assembling'' after ''construction''.

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

(1) IN GENERAL.—Clause (ii) of section 170(e)(6)(B) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

(2) SPECIAL RULE MADE PERMANENT.—Section 170(e)(6) is amended by striking subparagraph (G).

(3) CONFORMING AMENDMENTS.—Subparagraph (D) of section 170(e)(6) is amended by inserting ''or assembled'' after ''constructed'' and ''or assembling'' after ''construction''.

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

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

(a) IN GENERAL.—Paragraph (2) of section 1367(a) (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 pro rata 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, 2003.

SEC. 109. CHARITABLE ORGANIZATIONS PERMITTED TO MAKE COLLEGIATE HOUSING AND INFRASTRUCTURE GRANTS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.), as amended by section 201, is further amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) TREATMENT OF ORGANIZATIONS MAKING COLLEGIATE HOUSING AND INFRASTRUCTURE IMPROVEMENT GRANTS.—

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

''(2) HOUSING AND INFRASTRUCTURE GRANTS.—For purposes of paragraph (1), collegiate housing and infrastructure grants are grants to provide, improve, operate, or maintain collegiate housing that may involve more than incidental social, recreational, or private purposes, so long as such grants are for purposes that would be permissible for a dormitory of the college or university referred to in paragraph (1). A grant shall not be treated as a collegiate housing and infrastructure grant for purposes of paragraph (1) to the extent that such grant is used to provide physical fitness equipment.

''(3) GRANTS TO CERTAIN ORGANIZATIONS HOLDING TITLE TO PROPERTY, ETC.—For purposes of this subsection, a collegiate housing and infrastructure grant to an organization described in subsection (c)(2) or (c)(7) holding title to property exclusively for the benefit of an organization described in subsection (c)(7) shall be considered a grant to the organization described in subsection (c)(7) for whose benefit such property is held.''.

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

SEC. 110. CONDUCT OF CERTAIN GAMES OF CHANCE NOT TREATED AS UNRELATED TRADE OR BUSINESS.

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

''(1) IN GENERAL.—The term 'unrelated trade or business' does not include—

''(A) any trade or business which consists of conducting bingo games, and

''(B) any trade or business which consists of conducting qualified games of chance if the net proceeds from such trade or business are paid or set aside for payment for purposes described in section 170(c)(2)(B), for the promotion of social welfare (within the meaning of section 501(c)(4)), or for a purpose for which State law specifically authorizes the expenditure of such proceeds.''.

(b) QUALIFIED GAMES OF CHANCE.—Subsection (f) of section 513 is amended by adding at the end the following new paragraph:

''(3) QUALIFIED GAMES OF CHANCE.—For purposes of paragraph (1), the term 'qualified game of chance' means any game of chance (other than bingo) conducted by an organization if—

''(A) such organization is licensed pursuant to State law to conduct such game,

''(B) only organizations which are organized as nonprofit corporations or are exempt from tax under section 501(a) may be so licensed to conduct such game within the State, and

''(C) the conduct of such game does not violate State or local law.''

(c) CLERICAL AMENDMENT.—The subsection heading of section 513(f) is amended by striking ''BINGO GAMES'' and inserting ''GAMES OF CHANCE''.

(d) EFFECTIVE DATE.— The amendments made by this section shall apply to games conducted after December 31, 2003.

SEC. 111. EXCISE TAXES EXEMPTION FOR BLOOD COLLECTOR ORGANIZATIONS.

(a) EXEMPTION FROM IMPOSITION OF SPECIAL FUELS TAX.—Section 4041(g) (relating to other exemptions) is amended by striking ''and'' at the end of paragraph (3), by striking the period in paragraph (4) and inserting ''; and'', and by inserting after paragraph (4) the following new paragraph:

''(5) with respect to the sale of any liquid to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use, or with respect to the use by a qualified blood collector organization of any liquid as a fuel.''.

(b) EXEMPTION FROM MANUFACTURERS EXCISE TAX.—

(1) IN GENERAL.—Section 4221(a) (relating to certain tax-free sales) is amended by striking ''or'' at the end of paragraph (4), by adding ''or'' at the end of paragraph (5), and by inserting after paragraph (5) the following new paragraph:

''(6) to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use,''.

(2) CONFORMING AMENDMENTS.—

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

(B) Section 6421(c) is amended by striking ''or (5)'' and inserting ''(5), or (6)''.

(c) EXEMPTION FROM COMMUNICATION EXCISE TAX.—

(1) IN GENERAL.—Section 4253 (relating to exemptions) is amended by redesignating subsection (k) as subsection (l) and inserting after subsection (j) the following new subsection:

''(k) EXEMPTION FOR QUALIFIED BLOOD COLLECTOR ORGANIZATIONS.—Under regulations provided by the Secretary, no tax shall be imposed under section 4251 on any amount paid by a qualified blood collector organization (as defined in section 7701(a)(48)) for services or facilities furnished to such organization.''.

(2) CONFORMING AMENDMENT.—Section 4253(l), as redesignated by paragraph (1), is amended by striking ''or (j)'' and inserting ''(j), or (k)''.

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

(1) DEEMED OVERPAYMENT.—

(A) IN GENERAL.—Section 6416(b)(2) is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following new subparagraph:

''(E) sold to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use;''.

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

(i) by striking ''Subparagraphs (C) and (D)'' and inserting ''Subparagraphs (C), (D), and (E)'', and

(ii) by striking ''(C), and (D)'' and inserting ''(C), (D), and (E)''.

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

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

''(48) QUALIFIED BLOOD COLLECTOR ORGANIZATION.—The term 'qualified blood collector organization' means an organization which is—

''(A) described in section 501(c)(3) and exempt from tax under section 501(a),

''(B) registered by the Food and Drug Administration to collect blood, and

''(C) primarily engaged in the activity of the collection of blood.''.

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

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

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

''(D) NONRECOGNITION OF GAIN.—

''(i) IN GENERAL.—If property used directly in the performance of the exempt function of an organization described in paragraph (7), (9), (17), or (20) of section 501(c) is sold by such organization, and within a period beginning 1 year before the date of such sale, and ending 3 years (10 years, in the case of an organization described in section 501(c)(7)) after such date, other property is purchased and used by such organization directly in the performance of its exempt function, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of the old property exceeds the organization's cost of purchasing the other property.

''(ii) STATUTE OF LIMITATIONS.—If an organization described in section 501(c)(7) sells property on which gain is not recognized, in whole or in part, by reason of clause (i), then the statutory period for the assessment of any deficiency attributable to such gain shall not expire until the end of the 3-year period beginning on the date that the Secretary is notified by such organization (in such manner as the Secretary may prescribe) that—

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

''(II) the organization does not intend to meet such requirements, or

''(III) the organization failed to meet such requirements within the prescribed period.

For the purposes of this clause, any deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

''(iii) DESTRUCTION AND LOSS.—For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property, shall be treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) shall apply.''.

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

SEC. 113. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR NURSING HOMES FROM FEDERAL GUARANTEE PROHIBITIONS.

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

(1) is issued after December 31, 2003, and before the date which is 1 year after the date of the enactment of this Act, and

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

(A) Licensed nursing home facility.

(B) Licensed or certified assisted living facility.

(C) Licensed personal care facility.

(D) Continuing care retirement community.

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

(c) LIMITATION ON BENEFICIARY.—Rules similar to the rules of section 144(a)(10) of the Internal Revenue Code of 1986 shall apply for purposes of this section, except that—

(1) ''$15,000,000'' shall be substituted for ''$40,000,000'' in subparagraph (A) thereof, and

(2) such rules shall be applied—

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

(B) with respect to the aggregate authorized face amount of all issues of such bonds which are allocable to the beneficiary.

(d) CONTINUING CARE RETIREMENT COMMUNITY.—For purposes of this section, the term ''continuing care retirement community'' means a community which provides, on the same campus, a consortium of residential living options and support services to persons at least 60 years of age under a written agreement. For purposes of the preceding sentence, the residential living options shall include independent living units, nursing home beds, and either assisted living units or personal care beds.

TITLE II—TAX REFORM AND IMPROVEMENTS RELATING TO CHARITABLE ORGANIZATIONS AND PROGRAMS

SEC. 201. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain

trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

''(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

''(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

''(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

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

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

''(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

''(ii) such Executive order refers to this subsection.

''(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

''(A) begins on the later of—

''(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

''(ii) the date of the enactment of this subsection, and

''(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

''(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

''(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

''(6) ERRONEOUS DESIGNATION.—

''(A) IN GENERAL.—If—

''(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

''(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

''(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

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

''(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

''(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.''.

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

SEC. 202. CLARIFICATION OF DEFINITION OF CHURCH TAX INQUIRY.

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

''(6) information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.''.

SEC. 203. EXTENSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

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

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

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

''(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in subsection (c) (other than paragraph (3)) or (d) of section 501 which is exempt from tax under section 501(a), or''.

(b) COURT JURISDICTION.—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking ''United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia'' and inserting the following: ''United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)),''.

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

SEC. 204. LANDOWNER INCENTIVES PROGRAMS.

(a) IN GENERAL.—Subsection (a) of section 126 is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following new paragraph:

''(10) Landowner initiatives programs to conserve threatened, endangered, or imperiled species, or protect or restore habitat carried out under—

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

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

''(C) section 6 of the Endangered Species Act (16 U.S.C. 11531 et seq.).''.

(b) EXCLUDABLE PORTION.—Subparagraph (A) of section 126(b)(1) is amended by inserting after ''Secretary of Agriculture'' the following: ''(the Secretary of the Interior, in the case of the landowner incentives programs described in subsection (a)(10) and the programs described in subsection (a)(11) that are implemented by the Department of the Interior)''.

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

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

(a) IN GENERAL.—Paragraph (13) of section 512(b) (relating to special rules for certain amounts received from controlled entities) is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following new subparagraph:

''(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

''(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received or accrued by the controlling organization that exceeds the amount which would have been paid or accrued if such payment met the requirements prescribed under section 482.

''(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of the larger of—

''(I) such excess determined without regard to any amendment or supplement to a return of tax, or

''(II) such excess determined with regard to all such amendments and supplements.''.

(b) EFFECTIVE DATE.—

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

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

SEC. 206. SIMPLIFICATION OF LOBBYING EXPENDITURE LIMITATION.

(a) REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—Paragraph (1) of section 501(h) (relating to expenditures by public charities to influence legislation) is amended to read as follows:

''(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year.''.

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

''(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term 'excess lobbying expenditures' means, for a taxable year, the amount by which the lobbying expenditures made by the organization during

the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.''.

(c) CONFORMING AMENDMENTS.—

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

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

(3) Paragraph (1)(A) of section 4911(f) is amended by striking ''limits of section 501(h)(1) have'' and inserting ''limit of section 501(h)(1) has''.

(4) Paragraph (1)(C) of section 4911(f) is amended by striking ''limits of section 501(h)(1) are'' and inserting ''limit of section 501(h)(1) is''.

(5) Paragraphs (4)(A) and (4)(B) of section 4911(f) are each amended by striking ''limits of section 501(h)(1)'' and inserting ''limit of section 501(h)(1)''.

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

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

SEC. 207. PILOT PROJECT FOR FOREST CONSERVATION ACTIVITIES.

(a) TAX-EXEMPT BOND FINANCING.—

(1) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any qualified forest conservation bond shall be treated as an exempt facility bond under section 142 of such Code.

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

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

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

(C) such bond is issued for a qualified organization before December 31, 2006.

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

(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection, the term ''qualified project costs'' means the sum of—

(A) the cost of acquisition by the qualified organization from an unrelated person of forests and forest land located in the State of Washington which at the time of acquisition or immediately thereafter are subject to a conservation restriction described in subsection (c)(2),

(B) interest on the qualified forest conservation bonds for the 3-year period beginning on the date of issuance of such bonds, and

(C) credit enhancement fees which constitute qualified guarantee fees (within the meaning of section 148 of such Code).

(5) SPECIAL RULES.—In applying the Internal Revenue Code of 1986 to any qualified forest conservation bond, the following modifications shall apply:

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

(B) For purposes of section 147(b) of such Code (relating to maturity may not exceed 120 percent of economic life), the land and standing timber acquired with proceeds of qualified forest conservation bonds shall have an economic life of 35 years.

(C) Subsections (c) and (d) of section 147 of such Code (relating to limitations on acquisition of land and existing property) shall not apply.

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

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

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

(B) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

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

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

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

(b) ITEMS FROM QUALIFIED HARVESTING ACTIVITIES NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.—

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

(2) LIMITATION.—The amount of income excluded from gross income under paragraph (1) for any taxable year shall not exceed the amount used by the qualified organization to make debt service payments during such taxable year for qualified forest conservation bonds.

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

(A) IN GENERAL.—The term ''qualified harvesting activity'' means the sale, lease, or harvesting, of standing timber—

(i) on land owned by a qualified organization which was acquired with proceeds of qualified forest conservation bonds, and

(ii) pursuant to a qualified conservation plan adopted by the qualified organization.

(B) EXCEPTIONS.—

(i) CESSATION AS QUALIFIED ORGANIZATION.—The term ''qualified harvesting activity'' shall not include any sale, lease, or harvesting for any period during which the organization ceases to qualify as a qualified organization.

(ii) EXCEEDING LIMITS ON HARVESTING.—The term ''qualified harvesting activity'' shall not include any sale, lease, or harvesting of standing timber on land acquired with proceeds of qualified forest conservation bonds to the extent that—

(I) the average annual area of timber harvested from such land exceeds 2.5 percent of the total area of such land, or

(II) the quantity of timber removed from such land exceeds the quantity which can be removed from such land annually in perpetuity on a sustained-yield basis with respect to such land.

The limitations under subclauses (I) and (II) shall not apply to post-fire restoration and rehabilitation or sanitation harvesting of timber stands which are substantially damaged by fire, windthrow, or other catastrophes, or which are in imminent danger from insect or disease attack.

(4) TERMINATION.—This subsection shall not apply to any qualified harvesting activity occurring after the date on which there is no outstanding qualified forest conservation bond or any such bond ceases to be a tax-exempt bond.

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

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

(1) QUALIFIED CONSERVATION PLAN.—The term ''qualified conservation plan'' means a multiple land use program or plan which—

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

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

(C) requires that timber harvesting be consistent with—

(i) restoring and maintaining reference conditions for the region's ecotype,

(ii) restoring and maintaining a representative sample of young, mid, and late successional forest age classes,

(iii) maintaining or restoring the resources' ecological health for purposes of preventing damage from fire, insect, or disease,

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

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

(2) CONSERVATION RESTRICTION.—The conservation restriction described in this paragraph is a restriction which—

(A) is granted in perpetuity to an unrelated person which is described in section 170(h)(3) of such Code and which, in the case of a nongovernmental unit, is organized and operated for conservation purposes,

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

(C) obligates the qualified organization to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction, and

(D) requires an increasing level of conservation benefits to be provided whenever circumstances allow it.

(3) QUALIFIED ORGANIZATION.—The term ''qualified organization'' means an organization—

(A) which is a nonprofit organization substantially all the activities of which are charitable, scientific, or educational, including acquiring, protecting, restoring, managing, and developing forest lands and other renewable resources for the long-term charitable, educational, scientific and public benefit,

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

(C) which periodically conducts educational programs designed to inform the public of environmentally sensitive forestry management and conservation techniques,

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

(i) at least 20 percent of the members of which represent the holders of the conservation restriction described in paragraph (2),

(ii) at least 20 percent of the members of which are public officials, and

(iii) not more than one-third of the members of which are individuals who are or were at any time within 5 years before the beginning of a term of membership on the board, an employee of, independent contractor with respect to, officer of, director of, or held a material financial interest in, a commercial

forest products enterprise with which the qualified organization has a contractual or other financial arrangement,

(E) the bylaws of which require at least two-thirds of the members of the board of directors to vote affirmatively to approve the qualified conservation plan and any change thereto, and

(F) upon dissolution, is required to dedicate its assets to—

(i) an organization described in section 501(c)(3) of such Code which is organized and operated for conservation purposes, or

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

(4) UNRELATED PERSON.—The term ''unrelated person'' means a person who is not a related person.

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

(A) such person bears a relationship to such other person described in section 267(b) (determined without regard to paragraph (9) thereof), or 707(b)(1), of such Code, determined by substituting ''25 percent'' for ''50 percent'' each place it appears therein, and

(B) in the case such other person is a nonprofit organization, if such person controls directly or indirectly more than 25 percent of the governing body of such organization.

(d) REPORT.—

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

(2) SUBMISSION OF REPORT TO CONGRESS.—Not later than six years after the date of the enactment of this Act, the Comptroller General shall submit a report of such study to the Committee on Ways and Means and the Committee on Resources of the House of Representatives and the Committee on Finance and the Committee on Energy and Natural Resources of the Senate.

TITLE III—OTHER PROVISIONS

SEC. 301. COMPASSION CAPITAL FUND.

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

''PART F—COMPASSION CAPITAL FUND

''SEC. 481. SECRETARY'S FUND TO SUPPORT AND REPLICATE PROMISING SOCIAL SERVICE PROGRAMS.

''(a) GRANT AUTHORITY.—

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

''(2) APPLICATIONS.—An entity desiring to receive a grant under paragraph (1) shall submit to the Secretary an application for the grant, which shall contain such information as the Secretary may require.

''(b) CONTRACT AUTHORITY, ETC.—The Secretary may enter into a grant, contract, or cooperative agreement with any entity under which the entity would provide technical assistance to another entity to operate a social service program that assists persons and families in need, including by—

''(1) providing the other entity with—

''(A) technical assistance and information, including legal assistance and other business assistance;

''(B) information on capacity-building;

''(C) information and assistance in identifying and using best practices for serving persons and families in need; or

''(D) assistance in replicating programs with demonstrated effectiveness in assisting persons and families in need; or

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

''(c) GUIDANCE AND TECHNICAL ASSISTANCE.—The Secretary may use not more than 25 percent of the amount appropriated under this section for a fiscal year to provide guidance and technical assistance to States and political subdivisions of States with respect to the implementation of any social service program.

''(d) SOCIAL SERVICES PROGRAM DEFINED.—In this section, the term 'social services program' means a program that provides benefits or services of any kind to persons and families in need.

''(e) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Secretary $150,000,000 for fiscal year 2004, and such sums as may be necessary for fiscal years 2005 through 2008.''.

SEC. 302. REAUTHORIZATION OF ASSETS FOR INDEPENDENCE DEMONSTRATION.

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

(b) REMOVAL OF ECONOMIC LITERACY ACTIVITIES FROM LIMITATION ON USE OF AMOUNTS IN THE RESERVE FUND.—Section 407(c)(3) of such Act (title IV of Public Law 105–285; 42 U.S.C. 604 note) is amended by adding at the end the following: ''The preceding sentences of this paragraph shall not apply to amounts used by an entity for any activity described in paragraph (1)(A).''.

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

''(1) INCOME TEST.—The adjusted gross income of the household—

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

''(B) does not exceed 50 percent of the area median income (as determined by the Secretary of Housing and Urban Development) for the area in which the household is located.''.

(d) EXTENSION OF TIME FOR ACCOUNT HOLDERS TO ACCESS FEDERAL FUNDS.—Section 407(d) of such Act (title IV of Public Law 105–285; 42 U.S.C. 604 note) is amended—

(1) in the subsection heading, by striking ''WHEN PROJECT TERMINATES''; and

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

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

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

(1) in subsection (a)(3)—

(A) by striking ''any interest that has accrued'' and inserting ''interest that has accrued during that period''; and

(B) by striking the period and inserting '', but only to the extent that the amount of the interest does not exceed the amount of interest that has accrued during that period on amounts deposited in the account by that individual.''; and

(2) by adding at the end the following:

''(f) USE OF EXCESS INTEREST TO FUND OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—To the extent that a qualified entity has an amount that, but for the limitation in subsection (a)(3), would be required by that subsection to be deposited into the individual development account of an individual or into a parallel account maintained by the qualified entity, the qualified entity may deposit the amount into the individual development account of any individual or into any such parallel account maintained by the qualified entity.''.

SEC. 303. SENSE OF THE CONGRESS REGARDING CORPORATE CONTRIBUTIONS TO FAITH-BASED ORGANIZATIONS, ETC.

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

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

(2) President Bush has called upon Americans ''to revive the spirit of citizenship . . . to marshal the compassion of our people to meet the continuing needs of our Nation''.

(3) Although the work of faith-based organizations should not be used by government as an excuse for backing away from its historic and rightful commitment to help those who are disadvantaged and in need, such organizations can and should be seen as a valuable partner with government in meeting societal challenges.

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

(5) Faith-based organizations are often more successful in dealing with difficult societal problems than government and nonsectarian organizations.

(6) As President Bush has stated, ''It is not sufficient to praise charities and community groups; we must support them. And this is both a public obligation and a personal responsibility.''.

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

(8) According to a study produced by the Capital Research Center, the 10 largest corporate foundations in the United States contributed $1,900,000,000 to such causes.

(9) According to the same study, faith-based organizations only receive a small fraction of the contributions made by corporations in the United States, and 6 of the 10 corporations that give the most to philanthropic causes explicitly ban or restrict contributions to faith-based organizations.

(b) CORPORATIONS ENCOURAGED TO CONTRIBUTE TO FAITH-BASED ORGANIZATIONS.—The Congress calls on corporations in the United States, in the words of the President, ''to give more and to give better'' by making greater contributions to faith-based organizations that are on the front lines battling some of the great societal challenges of our day.

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

(1) corporations in the United States are important partners with government in efforts to overcome difficult societal problems; and

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

TITLE IV—SOCIAL SERVICES BLOCK GRANT

SEC. 401. 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)(11) of the Social Security Act (42 U.S.C. 1397b(c)(11)) is amended by inserting '', except that, with respect to fiscal year 2004, the amount shall be $2,800,000,000'' after ''thereafter''.

SEC. 402. 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 2004 and each fiscal year thereafter.

SEC. 403. 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 2004 and each fiscal year thereafter.

TITLE V—ABUSIVE TAX SHELTERS

SEC. 501. SHORT TITLE.

This title may be cited as the ''Abusive Tax Shelter Shutdown and Taxpayer Accountability Act of 2003''.

SEC. 502. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress hereby finds that:

(1) Many corporate tax shelter transactions are complicated ways of accomplishing nothing aside from claimed tax benefits, and the legal opinions justifying those transactions take an inappropriately narrow and restrictive view of well-developed court doctrines under which—

(A) the taxation of a transaction is determined in accordance with its substance and not merely its form,

(B) transactions which have no significant effect on the taxpayer's economic or beneficial interests except for tax benefits are treated as sham transactions and disregarded,

(C) transactions involving multiple steps are collapsed when those steps have no substantial economic meaning and are merely designed to create tax benefits,

(D) transactions with no business purpose are not given effect, and

(E) in the absence of a specific congressional authorization, it is presumed that Congress did not intend a transaction to result in a negative tax where the taxpayer's economic position or rate of return is better after tax than before tax.

(2) Permitting aggressive and abusive tax shelters not only results in large revenue losses but also undermines voluntary compliance with the Internal Revenue Code of 1986.

(b) PURPOSE.—The purpose of this title is to eliminate abusive tax shelters by denying tax attributes claimed to arise from transactions that do not meet a heightened economic substance requirement and by repealing the provision that permits legal opinions to be used to avoid penalties on tax underpayments resulting from transactions without significant economic substance or business purpose.

Subtitle A—Provisions Designed to Curtail Tax Shelters

SEC. 511. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

''(1) GENERAL RULES.—

''(A) IN GENERAL.—In applying the economic substance doctrine, the determination of whether a transaction has economic substance shall be made as provided in this paragraph.

''(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—A transaction has economic substance only if—

''(I) the transaction changes in a meaningful way (apart from Federal tax effects and, if there are any Federal tax effects, also apart from any foreign, State, or local tax effects) the taxpayer's economic position, and

''(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

''(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

''(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

''(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

''(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

''(2) SPECIAL RULES FOR TRANSACTIONS WITH TAX-INDIFFERENT PARTIES.—

''(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

''(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

''(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party's economic income or gain, or

''(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

''(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

''(A) ECONOMIC SUBSTANCE DOCTRINE.—The term 'economic substance doctrine' means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

''(B) TAX-INDIFFERENT PARTY.—The term 'tax-indifferent party' means any person or entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

''(C) SUBSTANTIAL NONTAX PURPOSE.—In applying subclause (II) of paragraph (1)(B)(i), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax.

''(D) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

''(E) TREATMENT OF LESSORS.—In applying subclause (I) of paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease, the expected net tax benefits shall not include the benefits of depreciation, or any tax credit, with respect to the leased property and subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

''(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 512. PENALTY FOR FAILING TO DISCLOSE REPORTABLE TRANSACTION.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by inserting after section 6707 the following new section:

''SEC. 6707A. PENALTY FOR FAILURE TO INCLUDE REPORTABLE TRANSACTION INFORMATION WITH RETURN OR STATEMENT.

''(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any information with respect to a reportable transaction which is required under section 6011 to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amount of the penalty under subsection (a) shall be $50,000.

''(2) LISTED TRANSACTION.—The amount of the penalty under subsection (a) with respect to a listed transaction shall be $100,000.

''(3) INCREASE IN PENALTY FOR LARGE ENTITIES AND HIGH NET WORTH INDIVIDUALS.—

''(A) IN GENERAL.—In the case of a failure under subsection (a) by—

''(i) a large entity, or

''(ii) a high net worth individual,

the penalty under paragraph (1) or (2) shall be twice the amount determined without regard to this paragraph.

''(B) LARGE ENTITY.—For purposes of subparagraph (A), the term 'large entity' means, with respect to any taxable year, a person (other than a natural person) with gross receipts in excess of $10,000,000 for the taxable year in which the reportable transaction occurs or the preceding taxable year. Rules similar to the rules of paragraph (2) and subparagraphs (B), (C), and (D) of paragraph (3) of section 448(c) shall apply for purposes of this subparagraph.

''(C) HIGH NET WORTH INDIVIDUAL.—For purposes of subparagraph (A), the term 'high net worth individual' means, with respect to a reportable transaction, a natural person whose net worth exceeds $2,000,000 immediately before the transaction.

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

''(1) REPORTABLE TRANSACTION.—The term 'reportable transaction' means any transaction with respect to which information is required to be included with a return or statement because, as determined under regulations prescribed under section 6011, such transaction is of a type which the Secretary determines as having a potential for tax avoidance or evasion.

''(2) LISTED TRANSACTION.—Except as provided in regulations, the term 'listed transaction' means a reportable transaction which is the same as, or substantially similar to, a transaction specifically identified by the Secretary as a tax avoidance transaction for purposes of section 6011.

''(d) AUTHORITY TO RESCIND PENALTY.—

''(1) IN GENERAL.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if—

''(A) the violation is with respect to a reportable transaction other than a listed transaction,

''(B) the person on whom the penalty is imposed has a history of complying with the requirements of this title,

''(C) it is shown that the violation is due to an unintentional mistake of fact;

''(D) imposing the penalty would be against equity and good conscience, and

''(E) rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

''(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may be delegated only to the head of the Office of Tax Shelter Analysis. The Commissioner, in the Commissioner's sole discretion, may establish a procedure to determine if a penalty should be referred to the Commissioner or the head of such Office for a determination under paragraph (1).

''(3) NO APPEAL.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any administrative or judicial proceeding.

''(4) RECORDS.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner or the head of the Office of Tax Shelter Analysis with respect to the determination, including—

''(A) the facts and circumstances of the transaction,

''(B) the reasons for the rescission, and

''(C) the amount of the penalty rescinded.

''(5) REPORT.—The Commissioner shall each year report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate—

''(A) a summary of the total number and aggregate amount of penalties imposed, and rescinded, under this section, and

''(B) a description of each penalty rescinded under this subsection and the reasons therefor.

''(e) PENALTY REPORTED TO SEC.—In the case of a person—

''(1) which is required to file periodic reports under section 13 or 15(d) of the Securities Exchange Act of 1934 or is required to be consolidated with another person for purposes of such reports, and

''(2) which—

''(A) is required to pay a penalty under this section with respect to a listed transaction,

''(B) is required to pay a penalty under section 6662A with respect to any reportable transaction at a rate prescribed under section 6662A(c), or

''(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction,

the requirement to pay such penalty shall be disclosed in such reports filed by such person for such periods as the Secretary shall specify. Failure to make a disclosure in accordance with the preceding sentence shall be treated as a failure to which the penalty under subsection (b)(2) applies.

''(f) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section is in addition to any penalty imposed under this title.''.

(b) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6707 the following:

''Sec. 6707A. Penalty for failure to include reportable transaction information with return or statement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and statements the due date for which is after the date of the enactment of this Act.

SEC. 513. ACCURACY-RELATED PENALTY FOR LISTED TRANSACTIONS AND OTHER REPORTABLE TRANSACTIONS HAVING A SIGNIFICANT TAX AVOIDANCE PURPOSE.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662 the following new section:

''SEC. 6662A. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERSTATEMENTS WITH RESPECT TO REPORTABLE TRANSACTIONS.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

''(b) REPORTABLE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'reportable transaction understatement' means the sum of—

''(A) the product of—

''(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of such item (as shown on the taxpayer's return of tax), and

''(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

''(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer's treatment of an item to which this section applies (as shown on the taxpayer's return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

''(2) ITEMS TO WHICH SECTION APPLIES.—This section shall apply to any item which is attributable to—

''(A) any listed transaction, and

''(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

''(c) HIGHER PENALTY FOR NONDISCLOSED LISTED AND OTHER AVOIDANCE TRANSACTIONS.—

''(1) IN GENERAL.—Subsection (a) shall be applied by substituting '30 percent' for '20 percent' with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(2)(A) is not met.

''(2) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(A) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which paragraph (1) applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(B) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of subparagraph (A).

''(d) DEFINITIONS OF REPORTABLE AND LISTED TRANSACTIONS.—For purposes of this section, the terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).

''(e) SPECIAL RULES.—

''(1) COORDINATION WITH PENALTIES, ETC., ON OTHER UNDERSTATEMENTS.—In the case of an understatement (as defined in section 6662(d)(2))—

''(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

''(B) the addition to tax under section 6662(a) shall apply only to the excess of the amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements and noneconomic substance transaction understatements.

''(2) COORDINATION WITH OTHER PENALTIES.—

''(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement and a noneconomic substance transaction understatement.

''(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662B or 6663.

''(3) SPECIAL RULE FOR AMENDED RETURNS.—Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement or noneconomic substance transaction understatement if the amendment or

supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

''(4) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term 'noneconomic substance transaction understatement' has the meaning given such term by section 6662B(c).

''(5) CROSS REFERENCE.—

"For reporting of section 6662A(c) penalty to the Securities and Exchange Commission, see section 6707A(e)."

(b) DETERMINATION OF OTHER UNDERSTATEMENTS.—Subparagraph (A) of section 6662(d)(2) is amended by adding at the end the following flush sentence:

''The excess under the preceding sentence shall be determined without regard to items to which section 6662A applies and without regard to items with respect to which a penalty is imposed by section 6662B.''

(c) REASONABLE CAUSE EXCEPTION.—

(1) IN GENERAL.—Section 6664 is amended by adding at the end the following new subsection:

''(d) REASONABLE CAUSE EXCEPTION FOR REPORTABLE TRANSACTION UNDERSTATEMENTS.—

''(1) IN GENERAL.—No penalty shall be imposed under section 6662A with respect to any portion of a reportable transaction understatement if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

''(2) SPECIAL RULES.—Paragraph (1) shall not apply to any reportable transaction understatement unless—

''(A) the relevant facts affecting the tax treatment of the item are adequately disclosed in accordance with the regulations prescribed under section 6011,

''(B) there is or was substantial authority for such treatment, and

''(C) the taxpayer reasonably believed that such treatment was more likely than not the proper treatment.

A taxpayer failing to adequately disclose in accordance with section 6011 shall be treated as meeting the requirements of subparagraph (A) if the penalty for such failure was rescinded under section 6707A(d).

''(3) RULES RELATING TO REASONABLE BELIEF.—For purposes of paragraph (2)(C)—

''(A) IN GENERAL.—A taxpayer shall be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief—

''(i) is based on the facts and law that exist at the time the return of tax which includes such tax treatment is filed, and

''(ii) relates solely to the taxpayer's chances of success on the merits of such treatment and does not take into account the possibility that a return will not be audited, such treatment will not be raised on audit, or such treatment will be resolved through settlement if it is raised.

''(B) CERTAIN OPINIONS MAY NOT BE RELIED UPON.—

''(i) IN GENERAL.—An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if—

''(I) the tax advisor is described in clause (ii), or

''(II) the opinion is described in clause (iii).

''(ii) DISQUALIFIED TAX ADVISORS.—A tax advisor is described in this clause if the tax advisor—

''(I) is a material advisor (within the meaning of section 6111(b)(1)) who participates in the organization, management, promotion, or sale of the transaction or who is related (within the meaning of section 267(b) or 707(b)(1)) to any person who so participates,

''(II) is compensated directly or indirectly by a material advisor with respect to the transaction,

''(III) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained, or

''(IV) as determined under regulations prescribed by the Secretary, has a continuing financial interest with respect to the transaction.

''(iii) DISQUALIFIED OPINIONS.—For purposes of clause (i), an opinion is disqualified if the opinion—

''(I) is based on unreasonable factual or legal assumptions (including assumptions as to future events),

''(II) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person,

''(III) does not identify and consider all relevant facts, or

''(IV) fails to meet any other requirement as the Secretary may prescribe.''

(2) CONFORMING AMENDMENT.—The heading for subsection (c) of section 6664 is amended by inserting ''FOR UNDERPAYMENTS'' after ''EXCEPTION''.

(d) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 461(i)(3) is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(2) Paragraph (3) of section 1274(b) is amended—

(A) by striking ''(as defined in section 6662(d)(2)(C)(iii))'' in subparagraph (B)(i), and

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

''(C) TAX SHELTER.—For purposes of subparagraph (B), the term 'tax shelter' means—

''(i) a partnership or other entity,

''(ii) any investment plan or arrangement, or

''(iii) any other plan or arrangement,

if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of Federal income tax.''

(3) Section 6662(d)(2) is amended by striking subparagraphs (C) and (D).

(4) Section 6664(c)(1) is amended by striking ''this part'' and inserting ''section 6662 or 6663''.

(5) Subsection (b) of section 7525 is amended by striking ''section 6662(d)(2)(C)(iii)'' and inserting ''section 1274(b)(3)(C)''.

(6)(A) The heading for section 6662 is amended to read as follows:

"SEC. 6662. IMPOSITION OF ACCURACY-RELATED PENALTY ON UNDERPAYMENTS."

(B) The table of sections for part II of subchapter A of chapter 68 is amended by striking the item relating to section 6662 and inserting the following new items:

''Sec. 6662. Imposition of accuracy-related penalty on underpayments.

''Sec. 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 514. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 is amended by inserting after section 6662A the following new section:

"SEC. 6662B. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

''(a) IMPOSITION OF PENALTY.—If a taxpayer has an noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

''(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting '20 percent' for '40 percent' with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

''(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'noneconomic substance transaction understatement' means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

''(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term 'noneconomic substance transaction' means any transaction if—

''(A) there is a lack of economic substance (within the meaning of section 7701(m)(1)) for the transaction giving rise to the claimed tax benefit or the transaction was not respected under section 7701(m)(2), or

''(B) the transaction fails to meet the requirements of any similar rule of law.

''(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

''(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

''(2) APPLICABLE RULES.—The rules of paragraphs (3), (4), and (5) of section 6707A(d) shall apply for purposes of paragraph (1).

''(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

''(f) CROSS REFERENCES.—

"(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

"(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e)."

(b) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 is amended by inserting after the item relating to section 6662A the following new item:

''Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after February 13, 2003.

SEC. 515. MODIFICATIONS OF SUBSTANTIAL UNDERSTATEMENT PENALTY FOR NONREPORTABLE TRANSACTIONS.

(a) SUBSTANTIAL UNDERSTATEMENT OF CORPORATIONS.—Section 6662(d)(1)(B) (relating to special rule for corporations) is amended to read as follows:

''(B) SPECIAL RULE FOR CORPORATIONS.—In the case of a corporation other than an S corporation or a personal holding company (as defined in section 542), there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of—

''(i) 10 percent of the tax required to be shown on the return for the taxable year (or, if greater, $10,000), or

''(ii) $10,000,000.''

(b) REDUCTION FOR UNDERSTATEMENT OF TAXPAYER DUE TO POSITION OF TAXPAYER OR DISCLOSED ITEM.—

(1) IN GENERAL.—Section 6662(d)(2)(B)(i) (relating to substantial authority) is amended to read as follows:

''(i) the tax treatment of any item by the taxpayer if the taxpayer had reasonable belief that the tax treatment was more likely than not the proper treatment, or''.

(2) CONFORMING AMENDMENT.—Section 6662(d) is amended by adding at the end the following new paragraph:

''(3) SECRETARIAL LIST.—For purposes of this subsection, section 6664(d)(2), and section 6694(a)(1), the Secretary may prescribe a list of positions for which the Secretary believes there is not substantial authority or there is no reasonable belief that the tax treatment is more likely than not the proper tax treatment. Such list (and any revisions thereof) shall be published in the Federal Register or the Internal Revenue Bulletin.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 516. TAX SHELTER EXCEPTION TO CONFIDENTIALITY PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS.

(a) IN GENERAL.—Section 7525(b) (relating to section not to apply to communications regarding corporate tax shelters) is amended to read as follows:

''(b) SECTION NOT TO APPLY TO COMMUNICATIONS REGARDING TAX SHELTERS.—The privilege under subsection (a) shall not apply to any written communication which is—

''(1) between a federally authorized tax practitioner and—

''(A) any person,

''(B) any director, officer, employee, agent, or representative of the person, or

''(C) any other person holding a capital or profits interest in the person, and

''(2) in connection with the promotion of the direct or indirect participation of the person in any tax shelter (as defined in section 1274(b)(3)(C)).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to communications made on or after the date of the enactment of this Act.

SEC. 517. DISCLOSURE OF REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended to read as follows:

''SEC. 6111. DISCLOSURE OF REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—Each material advisor with respect to any reportable transaction shall make a return (in such form as the Secretary may prescribe) setting forth—

''(1) information identifying and describing the transaction,

''(2) information describing any potential tax benefits expected to result from the transaction, and

''(3) such other information as the Secretary may prescribe.

Such return shall be filed not later than the date specified by the Secretary.

''(b) DEFINITIONS.—For purposes of this section—

''(1) MATERIAL ADVISOR.—

''(A) IN GENERAL.—The term 'material advisor' means any person—

''(i) who provides any material aid, assistance, or advice with respect to organizing, promoting, selling, implementing, or carrying out any reportable transaction, and

''(ii) who directly or indirectly derives gross income in excess of the threshold amount for such aid, assistance, or advice.

''(B) THRESHOLD AMOUNT.—For purposes of subparagraph (A), the threshold amount is—

''(i) $50,000 in the case of a reportable transaction substantially all of the tax benefits from which are provided to natural persons, and

''(ii) $250,000 in any other case.

''(2) REPORTABLE TRANSACTION.—The term 'reportable transaction' has the meaning given to such term by section 6707A(c).

''(c) REGULATIONS.—The Secretary may prescribe regulations which provide—

''(1) that only 1 person shall be required to meet the requirements of subsection (a) in cases in which 2 or more persons would otherwise be required to meet such requirements,

''(2) exemptions from the requirements of this section, and

''(3) such rules as may be necessary or appropriate to carry out the purposes of this section.''

(b) CONFORMING AMENDMENTS.—

(1) The item relating to section 6111 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6111. Disclosure of reportable transactions.''

(2)(A) So much of section 6112 as precedes subsection (c) thereof is amended to read as follows:

''SEC. 6112. MATERIAL ADVISORS OF REPORTABLE TRANSACTIONS MUST KEEP LISTS OF ADVISEES.

''(a) IN GENERAL.—Each material advisor (as defined in section 6111) with respect to any reportable transaction (as defined in section 6707A(c)) shall maintain, in such manner as the Secretary may by regulations prescribe, a list—

''(1) identifying each person with respect to whom such advisor acted as such a material advisor with respect to such transaction, and

''(2) containing such other information as the Secretary may by regulations require.

This section shall apply without regard to whether a material advisor is required to file a return under section 6111 with respect to such transaction.''

(B) Section 6112 is amended by redesignating subsection (c) as subsection (b).

(C) Section 6112(b), as redesignated by subparagraph (B), is amended—

(i) by inserting ''written'' before ''request'' in paragraph (1)(A), and

(ii) by striking ''shall prescribe'' in paragraph (2) and inserting ''may prescribe''.

(D) The item relating to section 6112 in the table of sections for subchapter B of chapter 61 is amended to read as follows:

''Sec. 6112. Material advisors of reportable transactions must keep lists of advisees.''

(3)(A) The heading for section 6708 is amended to read as follows:

''SEC. 6708. FAILURE TO MAINTAIN LISTS OF ADVISEES WITH RESPECT TO REPORTABLE TRANSACTIONS.''

(B) The item relating to section 6708 in the table of sections for part I of subchapter B of chapter 68 is amended to read as follows:

''Sec. 6708. Failure to maintain lists of advisees with respect to reportable transactions.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions with respect to which material aid, assistance, or advice referred to in section 6111(b)(1)(A)(i) of the Internal Revenue Code of 1986 (as added by this section) is provided after the date of the enactment of this Act.

SEC. 518. MODIFICATIONS TO PENALTY FOR FAILURE TO REGISTER TAX SHELTERS.

(a) IN GENERAL.—Section 6707 (relating to failure to furnish information regarding tax shelters) is amended to read as follows:

''SEC. 6707. FAILURE TO FURNISH INFORMATION REGARDING REPORTABLE TRANSACTIONS.

''(a) IN GENERAL.—If a person who is required to file a return under section 6111(a) with respect to any reportable transaction—

''(1) fails to file such return on or before the date prescribed therefor, or

''(2) files false or incomplete information with the Secretary with respect to such transaction,

such person shall pay a penalty with respect to such return in the amount determined under subsection (b).

''(b) AMOUNT OF PENALTY.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the penalty imposed under subsection (a) with respect to any failure shall be $50,000.

''(2) LISTED TRANSACTIONS.—The penalty imposed under subsection (a) with respect to any listed transaction shall be an amount equal to the greater of—

''(A) $200,000, or

''(B) 50 percent of the gross income derived by such person with respect to aid, assistance, or advice which is provided with respect to the reportable transaction before the date the return including the transaction is filed under section 6111.

Subparagraph (B) shall be applied by substituting '75 percent' for '50 percent' in the case of an intentional failure or act described in subsection (a).

''(c) RESCISSION AUTHORITY.—The provisions of section 6707A(d) (relating to authority of Commissioner to rescind penalty) shall apply to any penalty imposed under this section.

''(d) REPORTABLE AND LISTED TRANSACTIONS.—The terms 'reportable transaction' and 'listed transaction' have the respective meanings given to such terms by section 6707A(c).''.

(b) CLERICAL AMENDMENT.—The item relating to section 6707 in the table of sections for part I of subchapter B of chapter 68 is amended by striking ''tax shelters'' and inserting ''reportable transactions''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after the date of the enactment of this Act.

SEC. 519. MODIFICATION OF PENALTY FOR FAILURE TO MAINTAIN LISTS OF INVESTORS.

(a) IN GENERAL.—Subsection (a) of section 6708 is amended to read as follows:

''(a) IMPOSITION OF PENALTY.—

''(1) IN GENERAL.—If any person who is required to maintain a list under section 6112(a) fails to make such list available upon written request to the Secretary in accordance with section 6112(b)(1)(A) within 20 business days after the date of the Secretary's request, such person shall pay a penalty of $10,000 for each day of such failure after such 20th day.

''(2) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed by paragraph (1) with respect to the failure on any day if such failure is due to reasonable cause.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 520. MODIFICATION OF ACTIONS TO ENJOIN CERTAIN CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.

(a) IN GENERAL.—Section 7408 (relating to action to enjoin promoters of abusive tax shelters, etc.) is amended by redesignating

subsection (c) as subsection (d) and by striking subsections (a) and (b) and inserting the following new subsections:

''(a) AUTHORITY TO SEEK INJUNCTION.—A civil action in the name of the United States to enjoin any person from further engaging in specified conduct may be commenced at the request of the Secretary. Any action under this section shall be brought in the district court of the United States for the district in which such person resides, has his principal place of business, or has engaged in specified conduct. The court may exercise its jurisdiction over such action (as provided in section 7402(a)) separate and apart from any other action brought by the United States against such person.

''(b) ADJUDICATION AND DECREE.—In any action under subsection (a), if the court finds—

''(1) that the person has engaged in any specified conduct, and

''(2) that injunctive relief is appropriate to prevent recurrence of such conduct,

the court may enjoin such person from engaging in such conduct or in any other activity subject to penalty under this title.

''(c) SPECIFIED CONDUCT.—For purposes of this section, the term 'specified conduct' means any action, or failure to take action, subject to penalty under section 6700, 6701, 6707, or 6708.''

(b) CONFORMING AMENDMENTS.—

(1) The heading for section 7408 is amended to read as follows:

''SEC. 7408. ACTIONS TO ENJOIN SPECIFIED CONDUCT RELATED TO TAX SHELTERS AND REPORTABLE TRANSACTIONS.''

(2) The table of sections for subchapter A of chapter 67 is amended by striking the item relating to section 7408 and inserting the following new item:

''Sec. 7408. Actions to enjoin specified conduct related to tax shelters and reportable transactions.''

(c) EFFECTIVE DATE.—The amendment made by this section shall take effect on the day after the date of the enactment of this Act.

SEC. 521. UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY INCOME TAX RETURN PREPARER.

(a) STANDARDS CONFORMED TO TAXPAYER STANDARDS.—Section 6694(a) (relating to understatements due to unrealistic positions) is amended—

(1) by striking ''realistic possibility of being sustained on its merits'' in paragraph (1) and inserting ''reasonable belief that the tax treatment in such position was more likely than not the proper treatment'',

(2) by striking ''or was frivolous'' in paragraph (3) and inserting ''or there was no reasonable basis for the tax treatment of such position'', and

(3) by striking ''UNREALISTIC'' in the heading and inserting ''IMPROPER''.

(b) AMOUNT OF PENALTY.—Section 6694 is amended—

(1) by striking ''$250'' in subsection (a) and inserting ''$1,000'', and

(2) by striking ''$1,000'' in subsection (b) and inserting ''$5,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to documents prepared after the date of the enactment of this Act.

SEC. 522. PENALTY ON FAILURE TO REPORT INTERESTS IN FOREIGN FINANCIAL ACCOUNTS.

(a) IN GENERAL.—Section 5321(a)(5) of title 31, United States Code, is amended to read as follows:

''(5) FOREIGN FINANCIAL AGENCY TRANSACTION VIOLATION.—

''(A) PENALTY AUTHORIZED.—The Secretary of the Treasury may impose a civil money penalty on any person who violates, or causes any violation of, any provision of section 5314.

''(B) AMOUNT OF PENALTY.—

''(i) IN GENERAL.—Except as provided in subparagraph (C), the amount of any civil penalty imposed under subparagraph (A) shall not exceed $5,000.

''(ii) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subparagraph (A) with respect to any violation if—

''(I) such violation was due to reasonable cause, and

''(II) the amount of the transaction or the balance in the account at the time of the transaction was properly reported.

''(C) WILLFUL VIOLATIONS.—In the case of any person willfully violating, or willfully causing any violation of, any provision of section 5314—

''(i) the maximum penalty under subparagraph (B)(i) shall be increased to the greater of—

''(I) $25,000, or

''(II) the amount (not exceeding $100,000) determined under subparagraph (D), and

''(ii) subparagraph (B)(ii) shall not apply.

''(D) AMOUNT.—The amount determined under this subparagraph is—

''(i) in the case of a violation involving a transaction, the amount of the transaction, or

''(ii) in the case of a violation involving a failure to report the existence of an account or any identifying information required to be provided with respect to an account, the balance in the account at the time of the violation.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to violations occurring after the date of the enactment of this Act.

SEC. 523. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

''SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

''(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of $5,000 if—

''(1) such person files what purports to be a return of a tax imposed by this title but which—

''(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

''(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

''(2) the conduct referred to in paragraph (1)—

''(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(B) reflects a desire to delay or impede the administration of Federal tax laws.

''(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

''(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

''(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

''(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified frivolous submission' means a specified submission if any portion of such submission—

''(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(ii) reflects a desire to delay or impede the administration of Federal tax laws.

''(B) SPECIFIED SUBMISSION.—The term 'specified submission' means—

''(i) a request for a hearing under—

''(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

''(II) section 6330 (relating to notice and opportunity for hearing before levy), and

''(ii) an application under—

''(I) section 6159 (relating to agreements for payment of tax liability in installments),

''(II) section 7122 (relating to compromises), or

''(III) section 7811 (relating to taxpayer assistance orders).

''(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission within 30 days after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

''(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

''(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

''(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.''

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

''(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking ''(A)'' and inserting ''(A)(i)'';

(B) by striking ''(B)'' and inserting ''(ii)'';

(C) by striking the period at the end of the first sentence and inserting ''; or''; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

''(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).''

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing''.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing'', and

(2) in subsection (c), by striking ''and (e)'' and inserting ''(e), and (g)''.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

''(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted

under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

''Sec. 6702. Frivolous tax submissions.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 524. REGULATION OF INDIVIDUALS PRACTICING BEFORE THE DEPARTMENT OF TREASURY.

(a) CENSURE; IMPOSITION OF PENALTY.—

(1) IN GENERAL.—Section 330(b) of title 31, United States Code, is amended—

(A) by inserting '', or censure,'' after ''Department'', and

(B) by adding at the end the following new flush sentence:

''The Secretary may impose a monetary penalty on any representative described in the preceding sentence. If the representative was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to such penalty, the Secretary may impose a monetary penalty on such employer, firm, or entity if it knew, or reasonably should have known, of such conduct. Such penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty and may be in addition to, or in lieu of, any suspension, disbarment, or censure.''

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to actions taken after the date of the enactment of this Act.

(b) TAX SHELTER OPINIONS, ETC.—Section 330 of such title 31 is amended by adding at the end the following new subsection:

''(d) Nothing in this section or in any other provision of law shall be construed to limit the authority of the Secretary of the Treasury to impose standards applicable to the rendering of written advice with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is of a type which the Secretary determines as having a potential for tax avoidance or evasion.''

SEC. 525. PENALTY ON PROMOTERS OF TAX SHELTERS.

(a) PENALTY ON PROMOTING ABUSIVE TAX SHELTERS.—Section 6700(a) is amended by adding at the end the following new sentence: ''Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to activities after the date of the enactment of this Act.

SEC. 526. STATUTE OF LIMITATIONS FOR TAXABLE YEARS FOR WHICH LISTED TRANSACTIONS NOT REPORTED.

(a) IN GENERAL.—Section 6501(e)(1) (relating to substantial omission of items for income taxes) is amended by adding at the end the following new subparagraph:

''(C) LISTED TRANSACTIONS.—If a taxpayer fails to include on any return or statement for any taxable year any information with respect to a listed transaction (as defined in section 6707A(c)(2)) which is required under section 6011 to be included with such return or statement, the tax for such taxable year may be assessed, or a proceeding in court for collection of such tax may be begun without assessment, at any time within 6 years after the time the return is filed. This subparagraph shall not apply to any taxable year if the time for assessment or beginning the proceeding in court has expired before the time a transaction is treated as a listed transaction under section 6011.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

SEC. 527. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONDISCLOSED REPORTABLE AND NONECONOMIC SUBSTANCE TRANSACTIONS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following new subsection:

''(m) INTEREST ON UNPAID TAXES ATTRIBUTABLE TO NONDISCLOSED REPORTABLE TRANSACTIONS AND NONECONOMIC SUBSTANCE TRANSACTIONS.—No deduction shall be allowed under this chapter for any interest paid or accrued under section 6601 on any underpayment of tax which is attributable to—

''(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

''(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

Subtitle B—Affirmation of Consolidated Return Regulation Authority

SEC. 531. AFFIRMATION OF CONSOLIDATED RETURN REGULATION AUTHORITY.

(a) IN GENERAL.—Section 1502 (relating to consolidated return regulations) is amended by adding at the end the following new sentence: ''In prescribing such regulations, the Secretary may prescribe rules applicable to corporations filing consolidated returns under section 1501 that are different from other provisions of this title that would apply if such corporations filed separate returns.''

(b) RESULT NOT OVERTURNED.—Notwithstanding subsection (a), the Internal Revenue Code of 1986 shall be construed by treating Treasury regulation §1.1502–20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in 255 F.3d 1357 (Fed. Cir. 2001).

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to House Resolution 370, the gentleman from Maryland (Mr. CARDIN) and a Member opposed each will control 30 minutes.

The Chair recognizes the gentleman from Maryland (Mr. CARDIN).

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this amendment adds two important provisions to the underlying legislation. As I mentioned during general debate, I support the underlying bill. I think a good compromise has been reached on some very important issues, including the elimination of the employment discrimination provisions and a compromise in regards to foundations' administrative costs. I think this bill will help nonprofit, faith-based organizations consistent with our tradition of church and State.

The two additions that my amendment adds are very important to this legislation. The Republican whip pointed out that this legislation has been developed among Democrats and Republicans in a bipartisan way and in cooperation with the other body, particularly Senator LIEBERMAN and Senator SANTORUM. All I ask is that the Members consider this amendment and vote on it by their convictions. Both provisions have bipartisan support.

The first provision adds an additional $1.1 billion to the next fiscal year for the social services block grant, taking it from $1.7 billion to $2.8 billion. This is not a novel concept. I see the gentlewoman from Connecticut (Mrs. JOHNSON) here who was very instrumental in the social services block grant program and in the welfare reform legislation. When we passed welfare reform in 1996, we reduced the social services block grant from $2.8 billion to $2.38 billion, but we also included in that legislation a commitment to our States that in 2003 we would reinstate the level at $2.8 billion. That is exactly what this amendment would do.

Number two, this amendment is consistent with the other body. They have already put the money in their reported bill. It puts us together with the other body at $2.8 billion for next year.

Now, what is the social services block grant? Why is it so relevant to the legislation that is before us? If we ask the faith-based groups as to what is the most important funding source for them to be able to do their work, they will tell us it is the social services block grant program. It provides funding for day care for low-income families, for offering counseling services to at-risk children, nutritional assistance to the elderly, and providing community-based care to the disabled.

I need not tell my colleagues the fiscal restraints that our States are currently confronting, with record deficits, and they are forced to cut these very programs that the social services block grant program helps them to fund. For my own State of Maryland, this amendment will mean $20 million; for the State of California, $132 million; for the State of Texas, $81 million; New York, $73 million; Florida, $63 million. If we take a look at our major faith-based institutions such as Catholic Charities, United Jewish Community, Lutheran Services, Salvation Army, in each one of those cases they rely in large part on government assistance to fund these community-based programs. For Catholic Charities it is over 650 percent; 62 percent of their support comes from governmental grants. The social services block grant program is key. This amendment allows us to live

up to our commitment that we made in 1996 to restore the level to what it was in 1996.

The second part of this amendment is for fiscal responsibility. I think there is not a person in this body who has not lamented the fact that we now have over $500 billion annual deficit that we are adding to the national debt, and that does not include the $87 billion the President has requested for Iraq and Afghanistan. We have a fiscal responsibility as legislators to make sure we do not add more to that national debt. That is why the other body reached out to find a revenue offset to the bill that they reported.

My amendment is not original. We have taken basically the provisions that were included in the other body to say that if you are doing a tax shelter you should not get the benefit. The courts are already doing that, and the revenues that it will generate will offset the revenues that are lost under this bill so that we do not add to the deficit.

Now, I have gotten some material this morning and I have listened to the debate as to why this would not be a good idea. I have heard that there was a sheet put out that said this was extremely controversial. I then listened to why it was extremely controversial, considering it received 95 votes in the other body. The first reason that my colleague said is that it would be administratively difficult. Well, this is currently being done by the courts on a case-by-case basis. We have a responsibility as the legislature to clarify this law. We should not be doing tax policy in our courts. That is our responsibility.

I have not heard one complaint against the fact that tax shelters should be outlawed and there should be penalties for tax shelters. This bill deals with it in a responsible way.

The second point I have heard is that it is retroactive. Now, let me tell my colleagues, the date in this bill is what we have done by tradition in this body since I have been here and well before that. When a bill is noted by a committee, they use that as the effective date, and that is exactly what is in the bill that was reported by the other body. We incorporate that same date. Now, if that is retroactivity, the other side has been guilty of it many, many times. So let us be at least straightforward in the debate. Let people vote their convictions. We should pay for the bill and we should provide help to the faith-based organizations in our States through the social services block grant that many of us have supported in the past.

Mr. Speaker, I urge my colleagues to support the amendment.

Mr. Speaker, I reserve the balance of my time.

Mr. THOMAS. Mr. Speaker, I rise in opposition to the substitute, I claim the time in opposition, and I yield myself such time as I may consume.

Mr. Speaker, perhaps I should address the gentleman from Maryland's last point first. This is not about the date of enactment. Pick any date one wants. What normally happens is that if we now say something that was legitimate is no longer legitimate, we do it on what we say is a prospective basis. From now on, you are put on notice; you cannot do this any more. That is not what his amendment, or his substitute, says.

What his substitute says is that it is applicable to taxable years beginning before, on, or after the date of enactment. It is not the date of enactment that we are concerned about; it is the fact that if this language is adopted in the substitute it means that when it does become effective, behavior that has already taken place, which was legitimate at the time that it took place, is now no longer allowed. That is called retroactive. As a matter of fact, if it were in the area of criminal law, it would be unconstitutional. But since it is in the area of civil law, it may be immoral, it may be unfair, it may be wrong, but the government can do that.

I personally think in the area of tax law, we should never have a retroactive procedure. It is one of the primary reasons I voted against the 1986 tax bill. It had a number of retroactive provisions.

How in the world are citizens supposed to trust the actions of government if when they conduct perhaps an irrevocable decision of a financial nature under the Tax Code, the time at which it was carried out was legal, several years later the Congress says it is no longer permissible, and we can go back and deal with it retroactively? How more fundamentally unfair can government be than that?

That is what is in here. It is not over the date; it is over what happens when the date becomes effective. Prospectively, we can go to the substance of what the amendment contains, which is unacceptable, but the fact that it can reach back and deal negatively with behavior which was acceptable at the time that it was carried out on its face should be rejected.

In addition to that, there is much discussion about how we need to make sure that these various lifesavers are available to the States in carrying out very useful and needed purposes dealing with those individuals who are in need. So if we are talking about lifesavers, the question is this: are we talking about lifesavers or are we talking about orange lifesavers, or perhaps cherry lifesavers, or perhaps lime lifesavers? I think we have to really visit what we have done in this year alone.

In the tax bill, we have already passed at the insistence of the Senate a tax bill which contains $20 billion of gifts distributed to the States. Half of it, $10 billion, was to go to Medicaid. The other half, $10 billion, was totally flexible. It is available for social services block grants or any other services that States might want to use it for within their jurisdiction. They got $5 billion of it in July, they are getting another $5 billion this month.

But in addition to that, earlier money that we had provided, almost $6 billion, is still unspent in Federal TANF money that is available for welfare, child care, other social services. And to make sure that it would be available and could be used, we did not limit ourselves to the modest percentage under the appropriations bill, we passed a welfare bill that said you get the full 10 percent. The welfare bill may hit rocky shoals in the Senate; we are providing it here again. Not a 4 percent, not a 5 percent, but a full 10 percent transfer capability. If, in fact, what we are now doing is not arguing that the States need lifesavers, they want a particular flavor of lifesaver; Members have to ask themselves is it really something that we need to do when there is more than enough money in the system, transferability is not a question; it is just that they want a particular flavor of lifesaver their way. And, if, in fact, they are going to fund it under a structure which reaches back and penalizes taxpayers when at the time they conducted the behavior it was legal, I would say, boy, that is overreaching, especially when the underlying bill, the key part that we are looking at, not welfare payments or social services block grants, but the charitable giving which is at the heart of the bill, is the same in both bills.

□ 1330

The stuff they are adding is really beyond the narrow focus of what this bill is all about and that is charitable giving.

So for all those reasons, I would urge Members, notwithstanding the appeals that are going to be made to tell you that there is more than enough money in the system, underscoring more than $6 billion in TANF money that still has not been spent by the States available to be transferred for the very purposes, they argue they want to force more money on the States.

Mr. Speaker, I reserve the balance of the time, and I ask unanimous consent that the remainder of my time be controlled by the gentleman from Missouri (Mr. BLUNT), the cosponsor of the underlying bill.

The SPEAKER pro tempore (Mr. WHITFIELD). Is there objection to the request of the gentleman from California?

There was no objection.

Mr. CARDIN. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, I will yield to the gentleman for purposes of a colloquy on my time.

Mr. Speaker, I am sure the gentleman intended no deceit of the House in complaining of one of the 16 effective dates listed in the bill, the only one of the 16 that has a date that is retroactive; isn't that correct?

Mr. THOMAS. Mr. Chairman, will the gentleman yield?

Mr. DOGGETT. I yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, is the gentleman referring to the effective date on page 76 of his substitute?

Mr. DOGGETT. There are effective dates throughout the bill. There is one effective date that applies on February 13 of this year. They are all specific dates on transactions this year with the exception of the last one, which is totally retroactive. The very last one on page 121 is totally retroactive and copies, as I understand it, verbatim language that the gentleman from California (Mr. THOMAS) introduced last year in his international tax bill. It was not, apparently, ''fundamentally unfair'' last year when you introduced it.

There is one thing that is consistent because whether it is retroactive, prospective, past, present or future, the indifference of the Committee on Ways and Means to corporate tax abuse is consistent.

Mr. THOMAS. Might I respond or was the gentleman simply making a statement while the gentleman from California stood? The gentleman indicated in his opening statement that he would yield time for colloquy.

Mr. CARDIN. Mr. Speaker, I believe I control the time.

The SPEAKER pro tempore. The gentleman from Maryland (Mr. CARDIN) controls the time.

Mr. CARDIN. Mr. Speaker, I have no objection to the gentleman from California (Mr. THOMAS) getting time from the gentleman from Missouri (Mr. BLUNT) to respond.

Mr. THOMAS. I tell the gentleman that the gentleman from Texas (Mr. DOGGETT) rose and said he would yield to me on his time. That tells you about the way they operate.

Mr. CARDIN. Mr. Speaker, I yield myself 30 seconds.

To clarify some of the points that my chairman made, when he referred to the States having all this TANF money that is left over, let me point out that the States are currently spending more money every year in TANF funds than they currently receive and that they have obligated almost all of their money. The 10 percent transfer authority has been approved every year. That is nothing new. So when he mentions these issues I think we need to clarify that. And on the effective dates we are following the tradition of this House under Republican leadership. There is really nothing new this year.

Mr. Speaker, I yield 4 minutes to the gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I want to review the history of this block grant. I am sorry that tempers have been lost.

I really think we need to spend a few minutes looking at the history of this block grant because what happened was this: It was $2.8 billion before welfare reform, and then we reduced it as part of a welfare reform. Many of us were unhappy about that, those of us who were able eventually to be able to improve welfare reform with child care and also with health care. The promise then was made that this money would be returned to the States after 5 years. Then a few years later it was reduced to $1.7 billion.

Money was taken from this block grant to pay for transportation, totally unrelated. So we have a commitment to the States to return the money for this block grant, money that goes for child abuse prevention, Meals on Wheels, home care for the disabled, child care, adoption services and domestic violence programs. The Senate has done this. And now apparently the leadership on the Republican side is urging everybody within your ranks to march once again in unison in opposition to the gentleman from Maryland's (Mr. CARDIN) proposal.

That is inconsistent with what we have pledged, inconsistent with the bill that the gentlewoman from Connecticut (Mrs. JOHNSON) and I and others have introduced year after year, inconsistent with the position taken by a majority of the Republicans on the Committee on Ways and Means.

So why are you today again not fulfilling a promise that you essentially made? Oh, the argument is there is money in TANF. The gentleman from Maryland (Mr. CARDIN) has already answered that. What is happening in TANF now is that more is being spent than is being provided. It is not a good excuse.

The excuse is given, well, we provided billions to the States recently. They needed this money, not for the block grant but for other purposes. So I urge support for the Cardin amendment for these important purposes; and I close with this in terms of fiscal responsibility. Look, we try to pay for this. You are digging a deeper hole.

If you do not like everything that is in the Cardin proposal, come up with your own. But you insist time after time bringing up bills that cost billions of dollars, and you have sunset the provision for the deductions for those who do not itemize. You know that sunset will never be allowed to persist. We are not going to take away from deductions from nonitemizers after 2 years. You know that. So this bill is really going to cost $20 billion more or less, and the Democrats have said we will step up to the plate and we will be fiscally responsible. And you as part of the leadership are again asking the Republicans to march in lockstep against fiscal responsibility.

You should be in support of this bill, in support of the Cardin amendment.

Mr. BLUNT. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, I am very pleased that the underlying parts of the Cardin substitute is of course the bill that we have on the floor today. The bill is provided for in the budget document we voted on some time ago. This is well within the amount that we had set aside for tax reduction. But this tax reduction multiplies many times the good things that are done for people with the money spent and the good things are done for society when you encourage people to give their money to others, to help others.

Mr. Speaker, I yield 1½ minutes to the gentleman from Pennsylvania (Mr. PITTS).

Mr. PITTS. Mr. Speaker, I rise today in opposition to the substitute amendment and in strong support of the underlying legislation which will help provide necessary relief for our Nation's charities.

Our tax code should encourage, not hinder individuals from giving generously to organizations to help people in need.

In the wake of September 11, more Americans than ever answered the call to help a neighbor in need even while many were facing financial hardships on their own.

Americans are a generous people. Our laws should help people to keep more of their money so they can invest it in charitable organizations that reflect their values. But we also need to take practical steps to help make it easier for individuals and corporations to give, and this legislation accomplishes this goal by helping nonitemizers to deduct charitable contributions, by raising the cap on corporate charitable contributions and allowing people to donate their individual retirement accounts to charity tax free.

I am also pleased the underlying bill includes the reauthorization of a program that allows low income working Americans the opportunity to build assets through matched savings accounts, known as Individual Development Accounts, to purchase a home, expand educational opportunity, or start a small business. IDAs have been very effective in Pennsylvania and other States in helping lower income individuals to access the American dream.

The underlying bill is a good bill and I urge my colleague to oppose the substitute amendment and support the bill.

Mr. CARDIN. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, I support this substitute. We have the largest deficit in American history which just 2 years ago was the largest surplus in American history, and we ought to do something about it, and this substitute helps pay for the cost of this bill.

Let me just say that I think, Mr. Speaker, the Republican leadership in this House has very misplaced priorities. I think the American people would agree with me.

If you in America this year make $1 million sitting safely at home here in the continental United States in dividend income, you will get a $230,000 tax break. But under this bill the Republican leadership would say to servicemen and women serving in Iraq and to

their families that if you are killed in Iraq this year and in service to your country and if Congress happens to increase deaths benefits to your family, to your widow, then we want to tax those benefits.

The bill on the other side of this Capitol did not do that. I am puzzled and perplexed and, frankly, deeply disappointed and somewhat angered that the Republican leadership would be willing to give a $230,000 tax break to somebody making $1 million a year in dividend income, but they want to have higher taxes on death benefits for servicemen and women who might be killed in Iraq.

Secondly, those same folks who want to give that huge tax break, $230,000 worth, to someone sitting here safely in the U.S., actually wants to put a cap on the amount of money that can be deducted for tax purposes for National Guardsmen and Reservists, the costs that they incur trying to serve their country as they travel to and from places where our Nation has asked them to travel to, they will only be able to deduct $1,500 in taxes under this bill, according to the Republican leadership.

Now, Mr. Speaker, we are at war today, a war on terrorism, and I think it sends a horrible message to our servicemen and women in harm's way today that if you are in the Guard or Reserves we will be stingy on letting you get tax benefits to cover your cost of serving the country, but let us help those folks making $1 million a year on dividend income.

Mr. BLUNT. Mr. Speaker, I am sure the gentleman knows we sent that legislation to the Senate already.

Mr. Speaker, I yield 2½ minutes to the gentlewoman from Connecticut (Mrs. JOHNSON).

Mrs. JOHNSON from Connecticut. Mr. Speaker, I thank the gentleman for yielding me time.

This is a very important bill that we are considering today. It allows people to contribute more to their local United Way agencies, their local YWCAs, their local church programs, that it can be very effectively focused on serving the families and individuals, meeting the needs of people in their own community. That is what is so wonderful about charitable giving. So this is an important bill that we need to move forward.

I am a very strong advocate of the social services block grant. I am glad in this bill we do reaffirm by law that States will have the right to transfer 10 percent of their TANF money to other purposes. Now, in the appropriations bill earlier this year, we dropped that to 5 percent. So it is significant that we beef that back up in this law and the States do routinely use this transfer capability to better fund whatever programs they think are important to them. And for many States this is the way they use all of their TANF money and for many States they actually do not use all of their TANF money.

There are some that use all of their TANF money and this social services block grant expansion is extremely important for that reason. On the other hand, the Senate bill does have an expansion in it and in conference we will be able to work on that. The problem with this bill is that it moves forward on an issue that we need to move forward in conference on, but it does it by adopting a pay-for that is real an unwise pay-for.

The provisions in this bill that try to deal with tax shelters would put forward a whole new concept as one of its tests, the concept of a risk-free rate of return. Now, we have had trouble implementing the tax shelter law. The States at first interpreted some of the provisions of that law in varied ways. They are now moving toward consistent interpretation. We are now moving toward consistency in the courts, and so this is a particularly bad time to now change the law, putting in a concept that has had no judicial interpretation and is not in and of itself clear; that is, the concept of a risk-free rate of return.

□ 1345

In addition, our own Assistant Secretary of the Treasury, Pam Olson, has stated that codifying the economic substance doctrine could be counterproductive and would drive tax shelters further underground.

We have a solution to this problem in the American Jobs Creation Act, H.R. 2896, and I urge the body to solve this problem at that time and oppose the motion to recommit.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Let me just point out to my friend from Connecticut that the transfer authority will have no impact on her State since her State's obligated all of their TANF funds.

Let me point out to my friend from Missouri (Mr. BLUNT), if we want to do something for the military, the bill is sitting at the desk from the other body. We could take it up and get it done before we leave here this afternoon.

Mr. Speaker, I am pleased to yield 2½ minutes to the gentleman from Massachusetts (Mr. TIERNEY).

Mr. TIERNEY. Mr. Speaker, I thank the gentleman for yielding me the time.

Mr. Speaker, I rise today to add a word of caution to my colleagues about this legislation and to support the Democratic substitute. Everybody in this body supposedly supports charities and the important work that they do.

At the same time, however, the Federal Government is currently projected to run the largest deficits in history. The need for assistance in education and health care and housing among low and moderate income Americans is great, and unfortunately, there is little evidence that this bill is going to do anything to address those needs. I fear that larger deficits are going to occur and the result of this bill is going to serve as an excuse to cut programs already inadequately funded.

At a minimum, this bill should contain an offset. In analysis of a similar bill that is in the Senate, the Congressional Research Service report estimated that the charitable deduction for nonitemizers would yield only 12 cents of additional giving for every dollar of revenue lost to the Treasury, 12 cents. CRS concluded that the vast majority of the cost of the deduction would go to subsidizing existing donations rather than generating new gifts.

The charitable donations generated by this bill will support many good causes, but that same Budget and Policy Priorities report indicated that no more than 10 percent of all charitable giving will directly benefit the poor. The largest recipient of the funds by far would be religious institutions, and while religious giving is commendable, the Center for Budget and Policy Priorities also reported that only 6 percent of donations to religious institutions end up in services to the poor.

My point is that this bill proposes to reduce Federal revenues by $13 billion over the next 10 years. Yet only a few cents of each dollar will actually translate into charitable works to help the neediest Americans. Given the projected $500 billion deficit next year and well over $3.3 trillion debt over the next 10 years, I think colleagues need to decide whether or not this is the best way to spend $13 billion rare dollars.

This country has tremendous needs. America's charities can obviously help, but it is unrealistic to think that America's charities are going to feed the hungry, house the homeless and heal the sick left behind by this Congress. No Child Left Behind, underfunded by $8 billion; housing assistance that served 20,000 less families for the first time in 30 years; Head Start only serves 60 percent of the children who need it and only 3 percent of the children who need early Head Start; and Americans without health care number 42 million.

We are in a tough fiscal time, Mr. Speaker, as a result of the failed economic policies of this administration. The need is great. We have to decide if this is the best way to spend $13 billion.

Mr. BLUNT. Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. HERGER), a member of the Committee on Ways and Means.

Mr. HERGER. Mr. Speaker, I respectfully oppose the substitute to H.R. 7 offered by the gentleman from Maryland (Mr. CARDIN). I oppose the tax increases included in the substitute. As the Subcommittee on Human Resources chairman, I also oppose increased funding in the substitute for the Social Services Block Grant.

First, such funding is really a welfare, not a charitable giving, issue. In the House welfare reform bill passed in February, we continued record welfare

funding despite 50 percent caseload decline since 1996. We even proposed more than $2 billion in increased funds for child care to support more parents in work and other activities. We already have proposed increased funding for welfare and related benefits in our welfare bill.

Second, Members will recall we just gave States $20 billion in May in the jobs and growth tax relief bill. Of that, $10 billion can be spent however States choose, including for social services.

Third, last week the General Accounting Office reported that States have $5.6 billion in unspent welfare funds today.

Mr. Speaker, this Congress has been very generous in terms of funding, including for the very types of services my good friend from Maryland (Mr. CARDIN) addresses as part of the welfare reform bill.

One final point, we know many are insisting on more funds in exchange for continued welfare reforms. Providing more funds without achieving such reforms would inadvertently undermine the potential for getting a welfare reform deal done this year. We should resist anything that does that.

I urge opposition to the substitute and support for the underlying bill.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

I am curious why my friend from California points out that the Social Services Block Grant is not part of this legislation, even though all the faith-based nonprofit groups say it is very important to them, why the underlying bill provides transfer authority to the Social Services Block Grant from TANF if it is not relevant to this legislation. Maybe the gentleman from California will try to answer that.

Mr. Speaker, I yield 2½ minutes to the gentlewoman from Oregon (Ms. HOOLEY).

Ms. HOOLEY of Oregon. Mr. Speaker, I thank my good friend for yielding time to me.

I rise today in support of the substitute to H.R. 7. This bill permits taxpayers who do not itemize deductions on their tax returns to deduct up to $250 in charitable donations, which is a good thing. It permits tax-free charitable contributions from IRAs, another good thing to do. It increases the amount corporations may contribute to charity, a good thing to do, and it reduces the administrative expenses that foundations may count towards a required charitable contribution, a good thing to do. This bill also cuts in half the current excise tax on foundations' investment, a good thing to do.

Charitable organizations provide life-enhancing programs that Oregonians and Americans would otherwise do without: soup kitchens, food pantries, health care clinics, domestic violence shelters. The list is endless. These organizations make the lives of millions of Americans a little better and a little easier. This bill helps charities carry out their missions.

It lessens the tax burden on charitable trusts, will allow more money to be focused on helping people. Providing tax incentives to individuals and corporations will encourage giving to charity. These are both great and noble goals.

However, these tax incentives come at a cost, and given the current budget outlook, Congress should show fiscal responsibility by passing a bill with an offset provision for the cost. This substitute does that by simply stopping abusive tax shelter schemes. So we get two good things out of this.

First of all, we are going to close loopholes in the current tax law, and we are going to give charitable organizations incentives, and we can make this a revenue-neutral bill by doing both of those. At a time when our budget deficit is out of control, this offset provision is imperative.

The Democratic substitute allows us to encourage charitable giving and stop tax shelter schemes at the same time. Both good things to do.

I urge my colleagues to vote yes to help charitable organizations and yes to stopping abusive tax shelters.

Mr. BLUNT. Mr. Speaker, I yield 1½ minutes to the gentleman from South Carolina (Mr. WILSON), my colleague and assistant whip.

Mr. WILSON of South Carolina. Mr. Speaker, I thank the gentleman very much for yielding me the time.

Mr. Speaker, as a long-time volunteer for charitable organizations, I rise in opposition to this amendment and encourage all of my colleagues to vote no.

The proper level of Social Services Block Grant funding is a welfare reform question, not a charitable giving issue. The House-passed welfare bill holds SSBG funding constant at $1.7 billion but allows States to transfer up to 10 percent of annual Federal Temporary Assistance for Needy Families, TANF, funds to the SSBG.

This same 10 percent transfer provision has been included in H.R. 7. Adding more funds for the SSBG will make welfare reauthorization, as indicated by the gentleman from California (Mr. HERGER), even less unlikely by providing more funds without updating work requirements.

GAO estimates States today have almost $6 billion in unspent Federal TANF funds available for welfare, child care, and other social services. The 1996 welfare reform law has already resulted in more SSBG spending.

I strongly support the underlying bill, H.R. 7, and want to thank the gentleman from Missouri (Mr. BLUNT), our majority whip, for his leadership on this critical issue. This bill gets to the heart of what it means to be an American. We are a compassionate Nation where neighbors look out for one another. This bill helps institutions that have been historically successful in helping the less fortunate and encourages all Americans to increase their charitable giving.

H.R. 7 is an important bill for America we should pass without this amendment. I urge my colleagues to support H.R. 7 and vote no on the amendment.

Mr. CARDIN. Mr. Speaker, may I inquire as to the time that remains?

The SPEAKER pro tempore (Mr. WHITFIELD). The gentleman from Maryland (Mr. CARDIN) has 10½ minutes remaining. The gentleman from Missouri (Mr. BLUNT) has 15 minutes remaining.

Mr. CARDIN. Mr. Speaker, I reserve the balance of our time.

Mr. BLUNT. Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. WELDON).

Mr. WELDON of Florida. Mr. Speaker, I thank the distinguished majority whip for recognizing me, and it is a real pleasure for me to be able to rise and speak in support of the underlying bill and against the substitute.

One of the things that I have learned over and over again as I traveled around my congressional district, and indeed throughout the State of Florida and within the United States, and that is that some of the greatest work helping the needy and the unfortunate in our Nation, and indeed throughout the history of our Nation, has always been performed by a whole host of different charitable groups, the most significant of which, of course, is religious groups, but many nonreligious groups or groups with very loose religious affiliations.

I think one of the most important provisions in our tax law, which has been the ability to tax deduct charitable donations, has encouraged a lot of people. It has encouraged me to give and to give generously, and I think it has helped strengthen our Nation, make our Nation a better place and extending one of the provisions of this bill, and that is one of the main things I rise and speak in support of, extending that provision to nonitemizers I think is something actually long overdue.

Regarding the issue that is under debate in the substitute regarding the Social Services Block Grant, while indeed this may be a very worthwhile issue, as I understand it we are increasing the funding in this in the underlying appropriation and to tack on an additional amount of this magnitude I think is, at this time, unnecessary and inappropriate, and therefore, I would strongly encourage all of my colleagues on both sides of the aisle to vote no on the substitute and vote yes on the underlying bill.

Mr. CARDIN. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. DOGGETT).

Mr. DOGGETT. Mr. Speaker, I thank the gentleman for yielding me the time.

I believe there are three very important issues in this debate. First, the gentleman from Maryland (Mr. CARDIN) has proposed a bipartisan initiative to complement the good intention of the sponsors of this measure to help children, especially abused children, in the

State of Texas. This proposal was good enough for every one of our Republican colleagues across the Capitol to support as a part of this bill. It was in the bill when it came from the Senate, and it is being stripped out today in a way that I think is indifferent to the needs of many children and many others who the sponsors of this bill say they want to help.

The second issue is: is the bill good enough to be paid for? When this bill arrived from the Senate it was paid for. It was a fiscally-responsible bill, and that responsibility has also now been stripped from the bill. How will our children and our grandchildren pay for the debt to which this bill contributes, piled upon, more debt atop even more debt? Our Nation is headed in the direction of the economic disaster of Argentina. We are mortgaging our prosperity—leaving our children and our grandchildren the hope of holding out a tin cup and begging for charity themselves to pay off this National debt unless we pay now for proposals like this.

□ 1400

Mr. Speaker, that is why the bipartisan sponsor of this measure, the gentleman from Tennessee (Mr. FORD), says he is ready to pay for it. That is why Mr. J.C. Watts, the Republican sponsor of this measure in the last Congress, told our committee he was willing to pay for it. Why do today's Republican sponsors of this bill not put their money where their mouth is? If they are so concerned about charity, how about financing this bill instead of shifting more of the burden to future generations?

And the third equally important issue: we can pay for this and at the same time correct a gross injustice in our tax system.

In 1999 an Austin constituent drew my attention to Forbes magazine. It proudly bears the title proudly ''The Capitalist Tool,'' and it published this cover story, ''Tax Shelter Hustlers, Respectable Accountants Are Peddling Dicey Tax Loopholes.''

In 1999 after I introduced legislation and we had a hearing great sympathy was expressed by the Republican members of the Committee on Ways and Means, but no action. Absolutely nothing was done about a problem that one Texas multinational told my office was receiving at one point a cold call every day trying to con them into these abusive corporate tax shelters. It had become an industry for major accounting firms like Arthur Andersen to engage in promoting these corporate tax shelters.

With the passage of several additional years and one corporate scandal after another, still no remedial action in the House, there has been some hope that this problem might be addressed because this year, not in a Democratic bill, but in the tax bill that President Bush offered, the Republican Members of the Senate added essentially the same tax shelter language that the gentleman from Maryland (Mr. CARDIN) and I are offering today in that tax bill. The Republican Senate passed it overwhelmingly. Yet it was stripped out by the same House Committee on Ways and Means that has consistenly turned a blind eye to this abuse since at least 1999.

So the Senate put it in again in this charitable giving bill to pay for it—to be fiscally responsible. They sent legislative language over here similar to that the gentleman from Maryland (Mr. CARDIN) and I are proposing, and today we hear Republican colleagues in the House tell us that although it was good enough for all of the Senate Republicans it is not good enough for us. ''We think it is difficult.'' ''We think it is challenging.'' ''We think it is confusing.''

Well, it is not ''confusing'' to anyone other than to those who are the so-called respectable accountants, who choose to use challenging, confusing tax gimmicks so their well-healed clients can avoid paying their fair share of taxes. This unfairly doged ''fair share of taxes'' is believed to run as high as $10 billion a year. When one of those corporations does not pay its fair share, the rest of us have to pay the difference and this is wrong. We can correct this abuse today in the same way that the Republican Senate corrected it, and on behalf of all honest taxpayers, I hope we will.

Mr. BLUNT. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. SAM JOHNSON), a member of the Committee on Ways and Means and a leader on this issue.

(Mr. SAM JOHNSON of Texas asked and was given permission to revise and extend his remarks.)

Mr. SAM JOHNSON of Texas. Mr. Speaker, it is disconcerting when someone from the other side tries to tell us we are not taking care of problems when we are. Members will find that what was just stated was taken care of in a different bill. But I rise to support the basic bill, H.R. 7.

It contains a provision to permit restaurant owners to deduct cost of food donated to hunger relief charities. The United States Department of Agriculture estimates that 96 billion pounds of edible food are wasted and dumped in landfills each year. If even 1 percent of that food was redirected from landfills to local charities, it will significantly reduce the number of people who have a difficult time getting food on their table. We are talking about wholesome and nutritious food that is left over at grocery stores and restaurants, and even those trays of foods that are left at the end of the night at receptions that we all attend. It is a shame for that food to go to waste.

With the tax incentives included in this bill, companies will have an added incentive to make sure that this food goes to a good cause, the hungry. I also want to talk about the provisions in the bill that help foundations. I work with many of the Texas-based foundations to make sure this bill does the good it is supposed to do without harming foundations like the Meadows Foundation in Dallas, which has allocated $25 million for grants for 2003, including a $3 million emergency loan fund available to assist agencies that are facing crises. That is a lot of money from one foundation. I am glad to say the money pretty much stays in the State of Texas.

One of my favorite projects of the Meadows Foundation is the Wilson District, which is a nonprofit community established by the foundation in 1981 to restore and preserve some of the last Victorian structures in Dallas. Its mission is to provide rent-free office space. We need to pass this bill and help our foundations and our charities.

I also want to talk about the provisions in this bill that help foundations. I worked with many of the Texas-based foundations to make sure that this bill does the good it is supposed to do without harming foundations like the Meadows Foundation based in Dallas.

The Meadows Foundation has allocated $25 million toward grants for the year 2003, including a $3 million emergency loan fund available to assist those agencies that are facing crisis situations.

This is a lot of money from one foundation and I'm glad to say that the money pretty much stays in Texas.

One of my favorite projects of the Meadows Foundation is the Wilson district.

It is a nonprofit community established by the foundation in 1981 to restore and preserve some of the last Victorian structures in Dallas but its mission is to provide rent-free office space to nonprofit charitable organizations.

Groups like the Greater Dallas Community of Churches, the Suicide and Crisis Center, the United Negro College Fund, the Center for Housing Resources, and Dallas Reads are all able to have office space that lets them focus on the good and charitable works they do without having to worry about the rent, the light bill or other office space concerns.

It is this direct charitable work by foundations that I felt needed to be protected in this bill.

I thank Chairman THOMAS and the majority whip for working to be sure that necessary changes were made to this bill.

Mr. BLUNT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me say, as we look at this substitute again, that this is a substitute that really encompasses the bill and that suggests we add other things to the bill that I think can be better handled in other pieces of legislation.

The effort to work with the Treasury Department and the administration on tax shelters is in a bill which should be before the committee at any time.

The social services block grant, I think, better fits another bill.

This is a bill about charitable giving. It is a tax bill. We specifically eliminated the things about program delivery from a similar bill that the House passed last year because we wanted to focus on charitable giving. We did not want to focus on other programs. We

wanted our focus to be on those things that changed the character of our communities because they encouraged people to assist others in their community.

The House passed bills that really give the States $20 billion already, $10 billion is for Medicare costs, and $10 billion is totally flexible to the States. There is another $9 billion that is available to the States because of unspent TANF funds and welfare reform funds. That is $19 billion States could spend for these purposes.

This bill is well within the amount of money we set aside this year in the budget, which I think all of the proponents of the substitute probably also oppose the budget; but the budget did pass, and it set aside money for tax relief. This is tax relief that does not just cost the Federal Government money, but it truly does encourage people to invest their money in the things they care about, in the charities they care about, in the communities they care about, in the individuals and families they care about that are assisted there. That is what this bill is about.

This bill is not about trying to codify some very technical tax policy retroactive or not that, as I understand it, not being a member of the Committee on Ways and Means, as I understand the tax policy, would suggest that it is interpreted differently in almost every circuit of the country, you cannot invest money or spend money if you are a business that you would not invest in if the Tax Code did not exist.

Most businesses wish the Tax Code did not exist, but it does exist and it does affect the bottom line. It does affect decisionmaking. How many Americans would buy a home if there was no Tax Code incentive to buy that home?

Do we want to say we cannot make any decisions in the country, make it illegal to make any decisions in the country based on tax policy? How many decisions are made by Americans every single day based upon the tax policy of the country? This is a very complicated thing. It does not belong on this bill.

Mr. Speaker, I ask unanimous consent to yield the balance of my time to the gentleman from Texas (Mr. SAM JOHNSON), and that as a member of the Committee on Ways and Means, he may control that time.

The SPEAKER pro tempore (Mr. TERRY). Is there objection to the request of the gentleman from Missouri that the gentleman from Texas control the balance of the time and be given the right to close debate?

There was no objection.

Mr. CARDIN. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, I support the substitute because I think we ought to be sensitive about the largest deficit in American history. I would also like to go back to something mentioned that the gentleman from Missouri (Mr. BLUNT) responded to. I said I have a concern about this bill. It limits the amount of money that National Guardsmen and Reservists can charge off as tax deductions when they have expenses serving their country, such as going overnight to their local reserve location.

I also object to the fact that this bill will actually provide increased taxes on military death benefits if we increase those benefits, for example, for our Iraqi troops today.

The gentleman from Missouri (Mr. BLUNT) responded by saying that bill we have sent to the Senate. I would like to clarify the rest of that story. That bill, to my knowledge, is sitting at the Speaker's desk today, and it has been sitting there since March. I would be happy to yield to the gentleman if he would be willing to work on a unanimous consent basis to bring that bill from the Speaker's desk today, and before we leave because of the impending rain, we could actually provide increased tax benefits to our servicemen and -women. If the gentleman would agree to a unanimous consent request, we could do it that way; or the Republican leadership can vote for our motion to recommit, which would provide those increased military benefits today.

What bothers me is the reason that bill is being held up there is it seems some in the Republican leadership have more interest in tax breaks for people who renounce their citizenship than in tax benefits to Guardsmen and Reservists and men and women serving very patriotically and at great risk to their lives in Iraq and Afghanistan today. I do not think that reflects the values of the American people.

Mr. CARDIN. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, in closing, first let me reiterate what I said earlier. I support the underlying bill. I think the gentleman from Missouri (Mr. BLUNT) and the gentleman from Tennessee (Mr. FORD) have done an excellent job in bringing forth an excellent bill, and I compliment them for that.

I noticed that many of the speakers on the opposition side of my amendment were speaking in support of the underlying bill which I support and which is incorporated in the amendment that I offer. I want to make it clear if Members support the underlying bill, they can certainly support this amendment, as the gentleman from Tennessee (Mr. FORD) supports this amendment.

So let me deal with the points which have been made in opposition to this amendment. I hope Members will take this into consideration when voting on the amendment.

First, the issue of relevancy has been waged as to why the social services block grant is included in this underlying bill. As pointed out, the underlying bill includes the TANF legislation giving authorization for the transfer of social services block grants. If it is relevant for the body of the bill, it is certainly relevant for our amendment.

Secondly, if we ask the charitable groups as to what will help them the most in carrying out the social functions that we want them to do, they all support the increasing of the social services block grant. The next issue which has been raised is do the States really need this and are the funds really necessary? After all, we have TANF reserves.

As I pointed out, the States are spending more every year in TANF funds than they are receiving from the Federal Government. They are running deficits right now.

□ 1415

In regards to the multiyear authorization, almost all those funds have been committed. If you look at the deficits our States are currently confronting in their budgets, it is just intuitive that we know they need the money. Lastly, this was a commitment we made when we passed welfare reform, that we would restore the social services block grant funds in 2003. Congress should live up to its commitment. They should adopt that amendment.

Then I hear criticisms about the offset. I hear that it is going to be hard to enforce. It is our responsibility to clarify the law. Currently it is being implemented by the court on a case-by-case basis. That is certainly not in the best interest of tax policy. It is our responsibility to do that. The way that we have drafted this in regards to effective dates, et cetera, is consistent with the prior policy of this body in passing tax legislation. We frequently note dates and that is exactly what the other body did. This is very consistent.

Then lastly, Mr. Speaker, I have heard just about every Member lament the fact that we are adding to the national debt and we have to do something about it, that we have to exercise fiscal restraint. When are we going to do it? Here is an easy one, my colleagues. This is an easy one. Closing a loophole that if you ask any tax accountant or tax attorney, they will tell you it is the right thing to do. Shelters do not help our economy. That is why the courts are taking it on when we should be taking it on and that is why the other body passed it in their legislation. It is time for us to stand up to our responsibility, to do the right thing. This is a bipartisan bill. Both of these recommendations have been brought forward with bipartisan support, both the increase in the social services block grant and the funding mechanism. It passed the other body by a vote of 95 to 5.

The last point I make, Mr. Speaker, is that we have a lot of work to do between now and adjournment. The more work we put in conference, the less likely it is going to come out of conference. Here is our chance to really make it likely that we could enact a bill that is going to help our charitable groups by moving closer to the other body consistent with the policy of this

body, consistent with both Democrats and Republicans. I urge my colleagues to continue the tradition of this legislation which has moved in a bipartisan manner and look at this amendment objectively. I hope you will vote with me. Vote your conscience. Vote in support of the Cardin amendment.

Mr. Speaker, I yield back the balance of my time.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield myself such time as I may consume.

It is impossible for me to figure out why we need an amendment when this bill passed the Committee on Ways and Means unanimously. Our country's charities are facing a crunch. This bill is targeted for all charities. So it does not need amending. This is a tax cut with a punch and it will spur investment in organizations that make a difference in the places we live and work. The basic bill is what we should vote for, not the amendment.

Mr. Speaker, I yield such time as he may consume to the gentleman from Missouri (Mr. BLUNT).

Mr. BLUNT. I thank the gentleman from Texas (Mr. SAM JOHNSON) for yielding me this time and for being here to represent the committee on this bill. I want to thank the committee for voting the bill out of committee unanimously and my chief cosponsor the gentleman from Tennessee (Mr. FORD) and all of the other bipartisan cosponsors that have gotten behind this bill. This will make a difference in the charitable community. I am confident that our commitment to this bill will be so great today that we will be able to move quickly to a conference, quickly to the President's desk and begin to see the impact of this bill right away. Certainly I urge my colleagues to reject the substitute, reject any further efforts to delay this measure. Let us get this bill passed today, get it headed toward a final conclusion and toward the President's desk.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. TERRY). Pursuant to House Resolution 370, the previous question is ordered on the bill and on the amendment in the nature of a substitute offered by the gentleman from Maryland (Mr. CARDIN).

The question is on the amendment in the nature of a substitute offered by the gentleman from Maryland (Mr. CARDIN).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. CARDIN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 203, nays 220, not voting 11, as follows:

[Roll No. 506]

YEAS—203

Abercrombie
Ackerman
Alexander
Allen
Andrews
Baca
Baird
Baldwin
Ballance
Becerra
Bell
Berkley
Berman
Bishop (GA)
Bishop (NY)
Blumenauer
Boswell
Boucher
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Case
Castle
Clay
Clyburn
Conyers
Cooper
Costello
Cramer
Crowley
Cummings
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Leach
Lee
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tancredo
Tanner
Tauscher
Taylor (MS)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NAYS—220

Aderholt
Akin
Bachus
Baker
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (UT)
Blackburn
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carter
Chabot
Chocola
Coble
Cole
Collins
Cox
Crane
Crenshaw
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeLay
DeMint
Diaz-Balart, L.
Diaz-Balart, M.
Doolittle
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Hyde
Isakson
Issa
Istook
Janklow
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Latham
LaTourette
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McInnis
McKeon
Mica
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Musgrave
Myrick
Nethercutt
Neugebauer
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pearce
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Sullivan
Sweeney
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walden (OR)
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Young (AK)
Young (FL)

NOT VOTING—11

Berry
Cubin
Forbes
Gephardt
McIntyre
Miller (FL)
Platts
Rohrabacher
Rush
Stearns
Thompson (CA)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. TERRY) (during the vote). Members are advised there are 2 minutes remaining in this vote.

□ 1447

Ms. ROS-LEHTINEN, Mr. LOBIONDO and Mr. TAUZIN changed their vote from ''yea'' to ''nay.''

Mr. MOLLOHAN and Mr. MURTHA changed their vote from ''nay'' to ''yea.''

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

Stated against:

Mr. TANCREDO. Mr. Speaker, on rollcall No. 506. I inadvertently voted "yea." I would like the RECORD to reflect I meant to vote "nay."

The SPEAKER pro tempore (Mr. TERRY). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. NEAL of Massachusetts. I am opposed to this bill in its current form.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. NEAL of Massachusetts moves to recommit the bill HR. 7 to the Committee on Ways and Means with instructions that the Committee report the same back to the House forthwith with the following amendment:

At the end of the bill insert the following new titles (and conform the table of contents accordingly):

TITLE IV—TAX RELIEF FOR WORKING FAMILIES

Subtitle A—Child Tax Credit

SEC. 401. ACCELERATION OF INCREASE IN REFUNDABILITY OF THE CHILD TAX CREDIT.

(a) ACCELERATION OF REFUNDABILITY.—

(1) IN GENERAL.—Section 24(d)(1)(B)(i) of the Internal Revenue Code of 1986 (relating to portion of credit refundable) is amended by striking ''(10 percent in the case of taxable years beginning before January 1, 2005)''.

(2) ADVANCE PAYMENT.—Subsection (b) of section 6429 of such Code (relating to advance payment of portion of increased child credit for 2003) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following new paragraph:

''(4) section 24(d)(1)(B)(i) applied without regard to the first parenthetical therein.''.

(3) EARNED INCOME INCLUDES COMBAT PAY.—Section 24(d)(1) of such Code is amended by adding at the end the following new sentence: ''For purposes of subparagraph (B), any amount excluded from gross income by reason of section 112 shall be treated as earned income which is taken into account in computing taxable income for the taxable year.''.

(b) EFFECTIVE DATES.—

(1) SUBSECTIONS (a)(1) AND (a)(3).—The amendments made by subsections (a)(1) and (a)(3) shall take effect on October 1, 2003, and apply to taxable years ending on or after such date.

(2) SUBSECTION (a)(2).—The amendments made by subsection (a)(2) shall take effect as if included in the amendments made by section 101(b) of the Jobs and Growth Tax Relief Reconciliation Act of 2003.

SEC. 402. REDUCTION IN MARRIAGE PENALTY IN CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24(b)(2) of the Internal Revenue Code of 1986 (defining threshold amount) is amended—

(1) by inserting ''($115,000 for taxable years beginning in 2008 or 2009, and $150,000 for taxable years beginning in 2010)'' after ''$110,000'', and

(2) by striking ''$55,000'' in subparagraph (C) and inserting ''½of the amount in effect under subparagraph (A)''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2003, and apply to taxable years ending on or after such date.

SEC. 103. APPLICATION OF EGTRRA SUNSET TO THIS SECTION.

Each amendment made by this title shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 to the same extent and in the same manner as the provision of such Act to which such amendment relates.

Subtitle B—Uniform Definition of Child

SEC. 411. UNIFORM DEFINITION OF CHILD, ETC.

Section 152 of the Internal Revenue Code of 1986 is amended to read as follows:

''SEC. 152. DEPENDENT DEFINED.

''(a) IN GENERAL.—For purposes of this subtitle, the term 'dependent' means—

''(1) a qualifying child, or

''(2) a qualifying relative.

''(b) EXCEPTIONS.—For purposes of this section—

''(1) DEPENDENTS INELIGIBLE.—If an individual is a dependent of a taxpayer for any taxable year of such taxpayer beginning in a calendar year,such individual shall be treated as having no dependents for any taxable year of such individual beginning in such calendar year.

''(2) MARRIED DEPENDENTS.—An individual shall not be treated as a dependent of a taxpayer under subsection (a) if such individual has made a joint return with the individual's spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

''(3) CITIZENS OR NATIONALS OF OTHER COUNTRIES.—

''(A) IN GENERAL.—The term 'dependent' does not include an individual who is not a citizen or national of the United States unless such individual is a resident of the United States or a country contiguous to the United States.

''(B) EXCEPTION FOR ADOPTED CHILD.—Subparagraph (A) shall not exclude any child of a taxpayer (within the meaning of subsection (f)(1)(B)) from the definition of 'dependent' if—

''(i) for the taxable year of the taxpayer, the child's principal place of abode is the home of the taxpayer, and

''(ii) the taxpayer is a citizen or national of the United States.

''(c) QUALIFYING CHILD.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying child' means, with respect to any taxpayer for any taxable year, an individual—

''(A) who bears a relationship to the taxpayer described in paragraph (2),

''(B) who has the same principal place of abode as the taxpayer for more than one-half of such taxable year,

''(C) who meets the age requirements of paragraph (3), and

''(D) who has not provided over one-half of such individual's own support for the calendar year in which the taxable year of the taxpayer begins.

''(2) RELATIONSHIP TEST.—For purposes of paragraph (1)(A), an individual bears a relationship to the taxpayer described in this paragraph if such individual is—

''(A) a child of the taxpayer or a descendant of such a child, or

''(B) a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative.

''(3) AGE REQUIREMENTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(C), an individual meets the requirements of this paragraph if such individual—

''(i) has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, or

''(ii) is a student who has not attained the age of 24 as of the close of such calendar year.

''(B) SPECIAL RULE FOR DISABLED.—In the case of an individual who is permanently and totally disabled (as defined in section 22(e)(3)) at any time during such calendar year, the requirements of subparagraph (A) shall be treated as met with respect to such individual.

''(4) SPECIAL RULE RELATING TO 2 OR MORE CLAIMING QUALIFYING CHILD.—

''(A) IN GENERAL.—Except as provided in subparagraph (B) and subsection (e), if (but for this paragraph) an individual may be and is claimed as a qualifying child by 2 or more taxpayers for a taxable year beginning in the same calendar year, such individual shall be treated as the qualifying child of the taxpayer who is—

''(i) a parent of the individual, or

''(ii) if clause (i) does not apply, the taxpayer with the highest adjusted gross income for such taxable year.

''(B) MORE THAN 1 PARENT CLAIMING QUALIFYING CHILD.—If the parents claiming any qualifying child do not file a joint return together, such child shall be treated as the qualifying child of—

''(i) the parent with whom the child resided for the longest period of time during the taxable year, or

''(ii) if the child resides with both parents for the same amount of time during such taxable year, the parent with the highest adjusted gross income.

''(d) QUALIFYING RELATIVE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualifying relative' means, with respect to any taxpayer for any taxable year, an individual—

''(A) who bears a relationship to the taxpayer described in paragraph (2),

''(B) whose gross income for the calendar year in which such taxable year begins is less than the exemption amount (as defined in section 151(d)),

''(C) with respect to whom the taxpayer provides over one-half of the individual's support for the calendar year in which such taxable year begins, and

''(D) who is not a qualifying child of such taxpayer or of any other taxpayer for any taxable year beginning in the calendar year in which such taxable year begins.

''(2) RELATIONSHIP.—For purposes of paragraph (1)(A), an individual bears a relationship to the taxpayer described in this paragraph if the individual is any of the following with respect to the taxpayer:

''(A) A child or a descendant of a child.

''(B) A brother, sister, stepbrother, or stepsister.

''(C) The father or mother, or an ancestor of either.

''(D) A stepfather or stepmother.

''(E) A son or daughter of a brother or sister of the taxpayer.

''(F) A brother or sister of the father or mother of the taxpayer.

''(G) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

''(H) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer) who, for the taxable year of the taxpayer, has as such individual's principal place of abode the home of the taxpayer and is a member of the taxpayer's household.

''(3) SPECIAL RULE RELATING TO MULTIPLE SUPPORT AGREEMENTS.—For purposes of paragraph (1)(C), over one-half of the support of an individual for a calendar year shall be treated as received from the taxpayer if—

''(A) no one person contributed over one-half of such support,

''(B) over one-half of such support was received from 2 or more persons each of whom, but for the fact that any such person alone did not contribute over one-half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year,

''(C) the taxpayer contributed over 10 percent of such support, and

''(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

''(4) SPECIAL RULE RELATING TO INCOME OF HANDICAPPED DEPENDENTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(B), the gross income of an individual who is permanently and totally disabled (as defined in section 22(e)(3)) at any time during the taxable year shall not include income attributable to services performed by the individual at a sheltered workshop if—

''(i) the availability of medical care at such workshop is the principal reason for the individual's presence there, and

''(ii) the income arises solely from activities at such workshop which are incident to such medical care.

''(B) SHELTERED WORKSHOP DEFINED.—For purposes of subparagraph (A), the term 'sheltered workshop' means a school—

''(i) which provides special instruction or training designed to alleviate the disability of the individual, and

''(ii) which is operated by an organization described in section 501(c)(3) and exempt from tax under section 501(a), or by a State, a possession of the United States, any political subdivision of any of the foregoing, the United States, or the District of Columbia.

''(5) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of paragraph (1)(C), in the case of an individual who is—

''(A) a child of the taxpayer, and

''(B) a student,

amounts received as scholarships for study at an educational organization described in section 170(b)(1)(A)(ii) shall not be taken into account in determining whether such individual received more than one-half of such individual's support from the taxpayer.

''(6) SPECIAL RULES FOR SUPPORT.—For purposes of this subsection—

''(A) payments to a spouse which are includible in the gross income of such spouse under section 71 or 682 shall not be treated as a payment by the payor spouse for the support of any dependent,

''(B) amounts expended for the support of a child or children shall be treated as received from the noncustodial parent (as defined in subsection (e)(3)(B)) to the extent that such parent provided amounts for such support, and

''(C) in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

''(e) SPECIAL RULE FOR DIVORCED PARENTS.—

''(1) IN GENERAL.—Notwithstanding subsection (c)(4) or (d)(1)(C), if—

''(A) a child receives over one-half of the child's support during the calendar year from the child's parents—

''(i) who are divorced or legally separated under a decree of divorce or separate maintenance,

''(ii) who are separated under a written separation agreement, or

''(iii) who live apart at all times during the last 6 months of the calendar year, and

''(B) such child is in the custody of 1 or both of the child's parents for more than ½ of the calendar year,

such child shall be treated as being the qualifying child or qualifying relative of the noncustodial parent for a calendar year if the requirements described in paragraph (2) are met.

''(2) REQUIREMENTS.—For purposes of paragraph (1), the requirements described in this paragraph are met if—

''(A) a decree of divorce or separate maintenance or written separation agreement between the parents applicable to the taxable year beginning in such calendar year provides that—

''(i) the noncustodial parent shall be entitled to any deduction allowable under section 151 for such child, or

''(ii) the custodial parent will sign a written declaration (in such manner and form as the Secretary may prescribe) that such parent will not claim such child as a dependent for such taxable year, and

''(B) in the case of such an agreement executed before January 1, 1985, the noncustodial parent provides at least $600 for the support of such child during such calendar year.

''(3) CUSTODIAL PARENT AND NONCUSTODIAL PARENT.—For purposes of this subsection—

''(A) CUSTODIAL PARENT.—The term 'custodial parent' means the parent with whom a child shared the same principal place of abode for the greater portion of the calendar year.

''(B) NONCUSTODIAL PARENT.—The term 'noncustodial parent' means the parent who is not the custodial parent.

''(4) EXCEPTION FOR MULTIPLE-SUPPORT AGREEMENTS.—This subsection shall not apply in any case where over one-half of the support of the child is treated as having been received from a taxpayer under the provision of subsection (d)(3).

''(f) OTHER DEFINITIONS AND RULES.—For purposes of this section—

''(1) CHILD DEFINED.—

''(A) IN GENERAL.—The term 'child' means an individual who is—

''(i) a son, daughter, stepson, or stepdaughter of the taxpayer, or

''(ii) an eligible foster child of the taxpayer.

''(B) ADOPTED CHILD.—In determining whether any of the relationships specified in subparagraph (A)(i) or paragraph (4) exists, a legally adopted individual of the taxpayer, or an individual who is placed with the taxpayer by an authorized placement agency for adoption by the taxpayer, shall be treated as a child of such individual by blood.

''(C) ELIGIBLE FOSTER CHILD.—For purposes of subparagraph (A)(ii), the term 'eligible foster child' means an individual who is placed with the taxpayer by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

''(2) STUDENT DEFINED.—The term 'student' means an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins—

''(A) is a full-time student at an educational organization described in section 170(b)(1)(A)(ii), or

''(B) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational organization described in section 170(b)(1)(A)(ii) or of a State or political subdivision of a State.

''(3) PLACE OF ABODE.—An individual shall not be treated as having the same principal place of abode of the taxpayer if at any time during the taxable year of the taxpayer the relationship between the individual and the taxpayer is in violation of local law.

''(4) BROTHER AND SISTER.—The terms 'brother' and 'sister' include a brother or sister by the half blood.

''(5) TREATMENT OF MISSING CHILDREN.—

''(A) IN GENERAL.—Solely for the purposes referred to in subparagraph (B), a child of the taxpayer—

''(i) who is presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the family of such child or the taxpayer, and

''(ii) who had, for the taxable year in which the kidnapping occurred, the same principal place of abode as the taxpayer for more than one-half of the portion of such year before the date of the kidnapping,

shall be treated as meeting the requirement of subsection (c)(1)(B) with respect to a taxpayer for all taxable years ending during the period that the individual is kidnapped.

''(B) PURPOSES.—Subparagraph (A) shall apply solely for purposes of determining—

''(i) the deduction under section 151(c),

''(ii) the credit under section 24 (relating to child tax credit),

''(iii) whether an individual is a surviving spouse or a head of a household (as such terms are defined in section 2), and

''(iv) the earned income credit under section 32.

''(C) COMPARABLE TREATMENT OF CERTAIN QUALIFYING RELATIVES.—For purposes of this section, a child of the taxpayer—

''(i) who is presumed by law enforcement authorities to have been kidnapped by someone who is not a member of the family of such child or the taxpayer, and

''(ii) who was (without regard to this paragraph) a qualifying relative of the taxpayer for the portion of the taxable year before the date of the kidnapping,

shall be treated as a qualifying relative of the taxpayer for all taxable years ending during the period that the child is kidnapped.

''(D) TERMINATION OF TREATMENT.—Subparagraphs (A) and (C) shall cease to apply as of the first taxable year of the taxpayer beginning after the calendar year in which there is a determination that the child is dead (or, if earlier, in which the child would have attained age 18).

''(6) CROSS REFERENCES.—

''For provision treating child as dependent of both parents for purposes of certain provisions, see sections 105(b), 132(h)(2)(B), and 213(d)(5).''.

SEC. 412. MODIFICATIONS OF DEFINITION OF HEAD OF HOUSEHOLD.

(a) HEAD OF HOUSEHOLD.—Clause (i) of section 2(b)(1)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

''(i) a qualifying child of the individual (as defined in section 152(c), determined without regard to section 152(e)), but not if such child—

''(I) is married at the close of the taxpayer's taxable year, and

''(II) is not a dependent of such individual by reason of section 152(b)(2) or 152(b)3), or both, or''.

(b) CONFORMING AMENDMENTS.—

(1) Section 2(b)(2) of the Internal Revenue Code of 1986 is amended by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(2) Clauses (i) and (ii) of section 2(b)(3)(B) of such Code are amended to read as follows:

''(i) subparagraph (H) of section 152(d)(2), or

''(ii) paragraph (3) of section 152(d).''.

SEC. 413. MODIFICATIONS OF DEPENDENT CARE CREDIT.

(a) IN GENERAL.—Section 21(a)(1) of the Internal Revenue Code of 1986 is amended by striking ''In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1))'' and inserting ''In the case of an individual for which there are 1 or more qualifying individuals (as defined in subsection (b)(1)) with respect to such individual''.

(b) QUALIFYING INDIVIDUAL.—Paragraph (1) of section 21(b) of the Internal Revenue Code of 1986 is amended to read as follows:

''(1) QUALIFYING INDIVIDUAL.—The term 'qualifying individual' means—

''(A) a dependent of the taxpayer (as defined in section 152(a)(1)) who has not attained age 13,

''(B) a dependent of the taxpayer who is physically or mentally incapable of caring for himself or herself and who has the same

principal place of abode as the taxpayer for more than one-half of such taxable year, or

''(C) the spouse of the taxpayer, if the spouse is physically or mentally incapable of caring for himself or herself and who has the same principal place of abode as the taxpayer for more than one-half of such taxable year.''.

(c) CONFORMING AMENDMENT.—Paragraph (1) of section 21(e) of the Internal Revenue Code of 1986 is amended to read as follows:

''(1) PLACE OF ABODE.—An individual shall not be treated as having the same principal place of abode of the taxpayer if at any time during the taxable year of the taxpayer the relationship between the individual and the taxpayer is in violation of local law.''.

SEC. 414. MODIFICATIONS OF CHILD TAX CREDIT.

(a) IN GENERAL.—Paragraph (1) of section 24(c) of the Internal Revenue Code of 1986 is amended to read as follows:

''(1) IN GENERAL.—The term 'qualifying child' means a qualifying child of the taxpayer (as defined in section 152(c)) who has not attained age 17.''.

(b) CONFORMING AMENDMENT.—Section 24(c)(2) of the Internal Revenue Code of 1986 is amended by striking ''the first sentence of section 152(b)(3)'' and inserting ''subparagraph (A) of section 152(b)(3)''.

SEC. 415. MODIFICATIONS OF EARNED INCOME CREDIT.

(a) QUALIFYING CHILD.—Paragraph (3) of section 32(c) of the Internal Revenue Code of 1986 is amended to read as follows:

''(3) QUALIFYING CHILD.—

''(A) IN GENERAL.—The term 'qualifying child' means a qualifying child of the taxpayer (as defined in section 152(c), determined without regard to paragraph (1)(D) thereof and section 152(e)).

''(B) MARRIED INDIVIDUAL.—The term 'qualifying child' shall not include an individual who is married as of the close of the taxpayer's taxable year unless the taxpayer is entitled to a deduction under section 151 for such taxable year with respect to such individual (or would be so entitled but for section 152(e)).

''(C) PLACE OF ABODE.—For purposes of subparagraph (A), the requirements of section 152(c)(1)(B) shall be met only if the principal place of abode is in the United States.

''(D) IDENTIFICATION REQUIREMENTS.—

''(i) IN GENERAL.—A qualifying child shall not be taken into account under subsection (b) unless the taxpayer includes the name, age, and TIN of the qualifying child on the return of tax for the taxable year.

''(ii) OTHER METHODS.—The Secretary may prescribe other methods for providing the information described in clause (i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 32(c)(1) of the Internal Revenue Code of 1986 is amended by striking subparagraph (C) and by redesignating subparagraphs (D), (E), (F), and (G) as subparagraphs (C), (D), (E), and (F), respectively.

(2) Section 32(c)(4) of such Code is amended by striking ''(3)(E)'' and inserting ''(3)(C)''.

(3) Section 32(m) of such Code is amended by striking ''subsections (c)(1)(F)'' and inserting ''subsections (c)(1)(E)''.

SEC. 416. MODIFICATIONS OF DEDUCTION FOR PERSONAL EXEMPTION FOR DEPENDENTS.

Subsection (c) of section 151 of the Internal Revenue Code of 1986 is amended to read as follows:

''(c) ADDITIONAL EXEMPTION FOR DEPENDENTS.—An exemption of the exemption amount for each individual who is a dependent (as defined in section 152) of the taxpayer for the taxable year.''.

SEC. 417. TECHNICAL AND CONFORMING AMENDMENTS.

(1) Section 2(a)(1)(B)(i) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(2) Section 21(e)(5) of the Internal Revenue Code of 1986 is amended—

(A) by striking ''paragraph (2) or (4) of'' in subparagraph (A), and

(B) by striking ''within the meaning of section 152(e)(1)'' and inserting ''as defined in section 152(e)(3)(A)''.

(3) Section 21(e)(6)(B) of such Code is amended by striking ''section 151(c)(3)'' and inserting ''section 152(f)(1)''.

(4) Section 25B(c)(2)(B) of such Code is amended by striking ''151(c)(4)'' and inserting ''152(f)(2)''.

(5)(A) Subparagraphs (A) and (B) of section 51(i)(1) of such Code are each amended by striking ''paragraphs (1) through (8) of section 152(a)'' both places it appears and inserting ''subparagraphs (A) through (G) of section 152(d)(2)''.

(B) Section 51(i)(1)(C) of such Code is amended by striking ''152(a)(9)'' and inserting ''152(d)(2)(H)''.

(6) Section 72(t)(2)(D)(i)(III) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(7) Section 72(t)(7)(A)(iii) of such Code is amended by striking ''151(c)(3)'' and inserting ''152(f)(1)''.

(8) Section 42(i)(3)(D)(ii)(I) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(9) Subsections (b) and (c)(1) of section 105 of such Code are amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(10) Section 120(d)(4) of such Code is amended by inserting ''(determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof)'' after ''section 152''.

(11) Section 125(e)(1)(D) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(12) Section 129(c)(2) of such Code is amended by striking ''151(c)(3)'' and inserting ''152(f)(1)''.

(13) The first sentence of section 132(h)(2)(B) of such Code is amended by striking ''151(c)(3)'' and inserting ''152(f)(1)''.

(14) Section 153 of such Code is amended by striking paragraph (1) and by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively.

(15) Section 170(g)(1) of such Code is amended by inserting ''(determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof)'' after ''section 152''.

(16) Section 170(g)(3) of such Code is amended by striking ''paragraphs (1) through (8) of section 152(a)'' and inserting ''subparagraphs (A) through (G) of section 152(d)(2)''.

(17) Section 213(a) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(18) The second sentence of section 213(d)(11) of such Code is amended by striking ''paragraphs (1) through (8) of section 152(a)'' and inserting ''subparagraphs (A) through (G) of section 152(d)(2)''.

(19) Section 220(d)(2)(A) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(20) Section 221(d)(4) of such Code is amended by inserting ''(determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof)'' after ''section 152''.

(21) Section 529(e)(2)(B) of such Code is amended by striking ''paragraphs (1) through (8) of section 152(a)'' and inserting ''subparagraphs (A) through (G) of section 152(d)(2)''.

(22) Section 2032A(c)(7)(D) of such Code is amended by striking ''section 151(c)(4)'' and inserting ''section 152(f)(2)''.

(23) Section 2057(d)(2)(B) of such Code is amended by inserting '', determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof'' after ''section 152''.

(24) Section 7701(a)(17) of such Code is amended by striking ''152(b)(4), 682,'' and inserting ''682''.

(25) Section 7702B(f)(2)(C)(iii) of such Code is amended by striking ''paragraphs (1) through (8) of section 152(a)'' and inserting ''subparagraphs (A) through (G) of section 152(d)(2)''.

(26) Section 7703(b)(1) of such Code is amended—

(A) by striking ''151(c)(3)'' and inserting ''152(f)(1)'', and

(B) by striking ''paragraph (2) or (4) of''.

SEC. 418. EFFECTIVE DATE.

The amendments made by this title shall take effect on October 1, 2003, and apply to taxable years ending on or after such date.

Subtitle C—Customs User Fees

SEC. 421. FEES FOR CERTAIN CUSTOMS SERVICES.

(a) IN GENERAL.—Subtitle A of the Internal Revenue Code of 1986 is amended by inserting after chapter 55 the following new chapter:

''CHAPTER 56—FEES FOR CERTAIN CUSTOMS SERVICES

''SEC. 5896. IMPOSITION OF FEES.

''(a) IN GENERAL.—The Secretary shall charge and collect fees under this title which are equivalent to the fees which would be imposed by section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (19 U.S.C. 58c) were such section in effect after September 30, 2003.

''(b) COLLECTION AND DISPOSITION OF FEES, ETC.—References in such section 13031 to fees thereunder shall be treated as including references to the fees charged under this section.''

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle A of such Code is amended by adding at the end the following new item:

''Chapter 56. Fees for certain customs services.''

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2003.

TITLE V—ARMED FORCES TAX FAIRNESS

Subtitle A—Improving Tax Equity For Military Personnel

SEC. 501. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE BY A MEMBER OF THE UNIFORMED SERVICES OR THE FOREIGN SERVICE.

(a) IN GENERAL.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by redesignating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following new paragraph:

''(9) MEMBERS OF UNIFORMED SERVICES AND FOREIGN SERVICE.—

''(A) IN GENERAL.—At the election of an individual with respect to a property, the running of the 5-year period described in subsections (a) and (c)(1)(B) and paragraph (7) of this subsection with respect to such property shall be suspended during any period that such individual or such individual's spouse is serving on qualified official extended duty as a member of the uniformed services or of the Foreign Service of the United States.

''(B) MAXIMUM PERIOD OF SUSPENSION.—The 5-year period described in subsection (a) shall not be extended more than 10 years by reason of subparagraph (A).

''(C) QUALIFIED OFFICIAL EXTENDED DUTY.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'qualified official extended duty' means any extended duty while serving at a duty station which is at least 50 miles from such property or while residing under Government orders in Government quarters.

''(ii) UNIFORMED SERVICES.—The term 'uniformed services' has the meaning given such term by section 101(a)(5) of title 10, United States Code, as in effect on the date of the enactment of this paragraph.

''(iii) FOREIGN SERVICE OF THE UNITED STATES.—The term 'member of the Foreign Service of the United States' has the meaning given the term 'member of the Service' by paragraph (1), (2), (3), (4), or (5) of section 103 of the Foreign Service Act of 1980, as in effect on the date of the enactment of this paragraph.

''(iv) EXTENDED DUTY.—The term 'extended duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

''(D) SPECIAL RULES RELATING TO ELECTION.—

''(i) ELECTION LIMITED TO 1 PROPERTY AT A TIME.—An election under subparagraph (A) with respect to any property may not be made if such an election is in effect with respect to any other property.

''(ii) REVOCATION OF ELECTION.—An election under subparagraph (A) may be revoked at any time.''.

(b) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 312 of the Taxpayer Relief Act of 1997.

(2) WAIVER OF LIMITATIONS.—If refund or credit of any overpayment of tax resulting from the amendments made by this section is prevented at any time before the close of the 1-year period beginning on the date of the enactment of this Act by the operation of any law or rule of law (including res judicata), such refund or credit may nevertheless be made or allowed if claim therefor is filed before the close of such period.

SEC. 502. EXCLUSION FROM GROSS INCOME OF CERTAIN DEATH GRATUITY PAYMENTS.

(a) IN GENERAL.—Subsection (b)(3) of section 134 (relating to certain military benefits) is amended by adding at the end the following new subparagraph:

''(C) EXCEPTION FOR DEATH GRATUITY ADJUSTMENTS MADE BY LAW.—Subparagraph (A) shall not apply to any adjustment to the amount of death gratuity payable under chapter 75 of title 10, United States Code, which is pursuant to a provision of law enacted after September 9, 1986.''.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 134(b)(3) is amended by striking ''subparagraph (B)'' and inserting ''subparagraphs (B) and (C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to deaths occurring after September 10, 2001.

SEC. 503. EXCLUSION FOR AMOUNTS RECEIVED UNDER DEPARTMENT OF DEFENSE HOMEOWNERS ASSISTANCE PROGRAM.

(a) IN GENERAL.—Section 132(a) (relating to the exclusion from gross income of certain fringe benefits) is amended by striking ''or'' at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting '', or'', and by adding at the end the following new paragraph:

''(8) qualified military base realignment and closure fringe.''.

(b) QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.—Section 132 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

''(n) QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified military base realignment and closure fringe' means 1 or more payments under the authority of section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3374) (as in effect on the date of the enactment of this subsection) to offset the adverse effects on housing values as a result of a military base realignment or closure.

''(2) LIMITATION.—With respect to any property, such term shall not include any payment referred to in paragraph (1) to the extent that the sum of all of such payments related to such property exceeds the maximum amount described in clause (1) of subsection (c) of such section (as in effect on such date).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after the date of the enactment of this Act.

SEC. 504. EXPANSION OF COMBAT ZONE FILING RULES TO CONTINGENCY OPERATIONS.

(a) IN GENERAL.—Section 7508(a) (relating to time for performing certain acts postponed by reason of service in combat zone) is amended—

(1) by inserting '', or when deployed outside the United States away from the individual's permanent duty station while participating in an operation designated by the Secretary of Defense as a contingency operation (as defined in section 101(a)(13) of title 10, United States Code) or which became such a contingency operation by operation of law'' after ''section 112'',

(2) by inserting in the first sentence ''or at any time during the period of such contingency operation'' after ''for purposes of such section'',

(3) by inserting ''or operation'' after ''such an area'', and

(4) by inserting ''or operation'' after ''such area''.

(b) CONFORMING AMENDMENTS.—

(1) Section 7508(d) is amended by inserting ''or contingency operation'' after ''area''.

(2) The heading for section 7508 is amended by inserting ''or contingency operation'' after ''combat zone''.

(3) The item relating to section 7508 in the table of sections for chapter 77 is amended by inserting ''or contingency operation'' after ''combat zone''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any period for performing an act which has not expired before the date of the enactment of this Act.

SEC. 505. MODIFICATION OF MEMBERSHIP REQUIREMENT FOR EXEMPTION FROM TAX FOR CERTAIN VETERANS' ORGANIZATIONS.

(a) IN GENERAL.—Subparagraph (B) of section 501(c)(19) (relating to list of exempt organizations) is amended by striking ''or widowers'' and inserting '', widowers, ancestors, or lineal descendants''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 506. CLARIFICATION OF THE TREATMENT OF CERTAIN DEPENDENT CARE ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Section 134(b) (defining qualified military benefit) is amended by adding at the end the following new paragraph:

''(4) CLARIFICATION OF CERTAIN BENEFITS.—For purposes of paragraph (1), such term includes any dependent care assistance program (as in effect on the date of the enactment of this paragraph) for any individual described in paragraph (1)(A).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 134(b)(3)(A), as amended by section 502, is amended by inserting ''and paragraph (4)'' after ''subparagraphs (B) and (C)''.

(2) Section 3121(a)(18) is amended by striking ''or 129'' and inserting '', 129, or 134(b)(4)''.

(3) Section 3306(b)(13) is amended by striking ''or 129'' and inserting '', 129, or 134(b)(4)''.

(4) Section 3401(a)(18) is amended by striking ''or 129'' and inserting '', 129, or 134(b)(4)''.

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

(d) NO INFERENCE.—No inference may be drawn from the amendments made by this section with respect to the tax treatment of any amounts under the program described in section 134(b)(4) of the Internal Revenue Code of 1986 (as added by this section) for any taxable year beginning before January 1, 2003.

SEC. 507. CLARIFICATION RELATING TO EXCEPTION FROM ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS, ETC. ON ACCOUNT OF ATTENDANCE AT MILITARY ACADEMY.

(a) IN GENERAL.—Subparagraph (B) of section 530(d)(4) (relating to exceptions from additional tax for distributions not used for educational purposes) is amended by striking ''or'' at the end of clause (iii), by redesignating clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

''(iv) made on account of the attendance of the designated beneficiary at the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy, to the extent that the amount of the payment or distribution does not exceed the costs of advanced education (as defined by section 2005(e)(3) of title 10, United States Code, as in effect on the date of the enactment of this section) attributable to such attendance, or''.

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

SEC. 508. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

''(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

''(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

''(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

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

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

''(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

''(ii) such Executive order refers to this subsection.

''(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

''(A) begins on the later of—

''(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

''(ii) the date of the enactment of this subsection, and

''(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

''(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under any provision of this title, including sections 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), and 2522, with respect to any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

''(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

''(6) ERRONEOUS DESIGNATION.—

''(A) IN GENERAL.—If—

''(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

''(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

''(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

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

''(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

''(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.''.

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

SEC. 509. ABOVE-THE-LINE DEDUCTION FOR OVERNIGHT TRAVEL EXPENSES OF NATIONAL GUARD AND RESERVE MEMBERS.

(a) DEDUCTION ALLOWED.—Section 162 (relating to certain trade or business expenses) is amended by redesignating subsection (p) as subsection (q) and inserting after subsection (o) the following new subsection:

''(p) TREATMENT OF EXPENSES OF MEMBERS OF RESERVE COMPONENT OF ARMED FORCES OF THE UNITED STATES.—For purposes of subsection (a)(2), in the case of an individual who performs services as a member of a reserve component of the Armed Forces of the United States at any time during the taxable year, such individual shall be deemed to be away from home in the pursuit of a trade or business for any period during which such individual is away from home in connection with such service.''.

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ELECTS TO ITEMIZE.—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following new subparagraph:

''(E) CERTAIN EXPENSES OF MEMBERS OF RESERVE COMPONENTS OF THE ARMED FORCES OF THE UNITED STATES.—The deductions allowed by section 162 which consist of expenses, determined at a rate not in excess of the rates for travel expenses (including per diem in lieu of subsistence) authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, paid or incurred by the taxpayer in connection with the performance of services by such taxpayer as a member of a reserve component of the Armed Forces of the United States for any period during which such individual is more than 100 miles away from home in connection with such services.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2002.

SEC. 510. TAX RELIEF AND ASSISTANCE FOR FAMILIES OF SPACE SHUTTLE COLUMBIA HEROES.

(a) INCOME TAX RELIEF.—

(1) IN GENERAL.—Subsection (d) of section 692 (relating to income taxes of members of Armed Forces and victims of certain terrorist attacks on death) is amended by adding at the end the following new paragraph:

''(5) RELIEF WITH RESPECT TO ASTRONAUTS.—The provisions of this subsection shall apply to any astronaut whose death occurs in the line of duty, except that paragraph (3)(B) shall be applied by using the date of the death of the astronaut rather than September 11, 2001.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 5(b)(1) is amended by inserting '', astronauts,'' after ''Forces''.

(B) Section 6013(f)(2)(B) is amended by inserting '', astronauts,'' after ''Forces''.

(3) CLERICAL AMENDMENTS.—

(A) The heading of section 692 is amended by inserting **'', ASTRONAUTS,''** after **''FORCES''**.

(B) The item relating to section 692 in the table of sections for part II of subchapter J of chapter 1 is amended by inserting '', astronauts,'' after ''Forces''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to any astronaut whose death occurs after December 31, 2002.

(b) DEATH BENEFIT RELIEF.—

(1) IN GENERAL.—Subsection (i) of section 101 (relating to certain death benefits) is amended by adding at the end the following new paragraph:

''(4) RELIEF WITH RESPECT TO ASTRONAUTS.—The provisions of this subsection shall apply to any astronaut whose death occurs in the line of duty.''.

(2) CLERICAL AMENDMENT.—The heading for subsection (i) of section 101 is amended by inserting ''OR ASTRONAUTS'' after ''VICTIMS''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid after December 31, 2002, with respect to deaths occurring after such date.

(c) ESTATE TAX RELIEF.—

(1) IN GENERAL.—Section 2201(b) (defining qualified decedent) is amended by striking ''and'' at the end of paragraph (1)(B), by striking the period at the end of paragraph (2) and inserting '', and'', and by adding at the end the following new paragraph:

''(3) any astronaut whose death occurs in the line of duty.''.

(2) CLERICAL AMENDMENTS.—

(A) The heading of section 2201 is amended by inserting **'', deaths of ASTRONAUTS,''** after **''FORCES''**.

(B) The item relating to section 2201 in the table of sections for subchapter C of chapter 11 is amended by inserting '', deaths of astronauts,'' after ''Forces''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 2002.

Subtitle B—Other Provisions

SEC. 521. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

''SEC. 7528. INTERNAL REVENUE SERVICE USER FEES.

''(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

''(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

''(2) other similar requests.

''(b) PROGRAM CRITERIA.—

''(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

''(A) shall vary according to categories (or subcategories) established by the Secretary,

''(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

''(C) shall be payable in advance.

''(2) EXEMPTIONS, ETC.—

''(A) IN GENERAL.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

''(B) EXEMPTION FOR CERTAIN REQUESTS REGARDING PENSION PLANS.—The Secretary shall not require payment of user fees under such program for requests for determination letters with respect to the qualified status of a pension benefit plan maintained solely by 1 or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

''(i) made after the later of—

''(I) the fifth plan year the pension benefit plan is in existence, or

''(II) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years, or

''(ii) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

''(C) DEFINITIONS AND SPECIAL RULES.—For purposes of subparagraph (B)—

''(i) PENSION BENEFIT PLAN.—The term 'pension benefit plan' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

''(ii) ELIGIBLE EMPLOYER.—The term 'eligible employer' means an eligible employer (as defined in section 408(p)(2)(C)(i)(I)) which has

at least 1 employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan. The determination of whether an employer is an eligible employer under subparagraph (B) shall be made as of the date of the request described in such subparagraph.

''(iii) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subparagraph (B) applies shall not be taken into account.

''(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

''Category	Average fee
Employee plan ruling and opinion ..	$250
Exempt organization ruling	$350
Employee plan determination	$300
Exempt organization determination.	$275
Chief counsel ruling	$200.

''(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2013.''.

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

''Sec. 7528. Internal Revenue Service user fees.''.

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(3) Section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) LIMITATIONS.—Notwithstanding any other provision of law, any fees collected pursuant to section 7528 of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Internal Revenue Service unless provided by an appropriations Act.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 522. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking ''satisfy liability for payment of'' and inserting ''make payment on'', and

(B) by inserting ''full or partial'' after ''facilitate''.

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting ''full'' before ''payment''.

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and inserting after subsection (c) the following new subsection:

''(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

SEC. 523. REVISION OF TAX RULES ON EXPATRIATION.

(a) IN GENERAL.—Subpart A of part II of subchapter N of chapter 1 is amended by inserting after section 877 the following new section:

''SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.

''(a) GENERAL RULES.—For purposes of this subtitle—

''(1) MARK TO MARKET.—Except as provided in subsections (d) and (f), all property of a covered expatriate to whom this section applies shall be treated as sold on the day before the expatriation date for its fair market value.

''(2) RECOGNITION OF GAIN OR LOSS.—In the case of any sale under paragraph (1)—

''(A) notwithstanding any other provision of this title, any gain arising from such sale shall be taken into account for the taxable year of the sale, and

''(B) any loss arising from such sale shall be taken into account for the taxable year of the sale to the extent otherwise provided by this title, except that section 1091 shall not apply to any such loss.

Proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under the preceding sentence.

''(3) EXCLUSION FOR CERTAIN GAIN.—

''(A) IN GENERAL.—The amount which, but for this paragraph, would be includible in the gross income of any individual by reason of this section shall be reduced (but not below zero) by $600,000. For purposes of this paragraph, allocable expatriation gain taken into account under subsection (f)(2) shall be treated in the same manner as an amount required to be includible in gross income.

''(B) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of an expatriation date occurring in any calendar year after 2003, the $600,000 amount under subparagraph (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) for such calendar year, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $1,000, such amount shall be rounded to the next lower multiple of $1,000.

''(4) ELECTION TO CONTINUE TO BE TAXED AS UNITED STATES CITIZEN.—

''(A) IN GENERAL.—If a covered expatriate elects the application of this paragraph—

''(i) this section (other than this paragraph and subsection (i)) shall not apply to the expatriate, but

''(ii) in the case of property to which this section would apply but for such election, the expatriate shall be subject to tax under this title in the same manner as if the individual were a United States citizen.

''(B) REQUIREMENTS.—Subparagraph (A) shall not apply to an individual unless the individual—

''(i) provides security for payment of tax in such form and manner, and in such amount, as the Secretary may require,

''(ii) consents to the waiver of any right of the individual under any treaty of the United States which would preclude assessment or collection of any tax which may be imposed by reason of this paragraph, and

''(iii) complies with such other requirements as the Secretary may prescribe.

''(C) ELECTION.—An election under subparagraph (A) shall apply to all property to which this section would apply but for the election and, once made, shall be irrevocable. Such election shall also apply to property the basis of which is determined in whole or in part by reference to the property with respect to which the election was made.

''(b) ELECTION TO DEFER TAX.—

''(1) IN GENERAL.—If the taxpayer elects the application of this subsection with respect to any property treated as sold by reason of subsection (a), the payment of the additional tax attributable to such property shall be postponed until the due date of the return for the taxable year in which such property is disposed of (or, in the case of property disposed of in a transaction in which gain is not recognized in whole or in part, until such other date as the Secretary may prescribe).

''(2) DETERMINATION OF TAX WITH RESPECT TO PROPERTY.—For purposes of paragraph (1), the additional tax attributable to any property is an amount which bears the same ratio to the additional tax imposed by this chapter for the taxable year solely by reason of subsection (a) as the gain taken into account under subsection (a) with respect to such property bears to the total gain taken into account under subsection (a) with respect to all property to which subsection (a) applies.

''(3) TERMINATION OF POSTPONEMENT.—No tax may be postponed under this subsection later than the due date for the return of tax imposed by this chapter for the taxable year which includes the date of death of the expatriate (or, if earlier, the time that the security provided with respect to the property fails to meet the requirements of paragraph (4), unless the taxpayer corrects such failure within the time specified by the Secretary).

''(4) SECURITY.—

''(A) IN GENERAL.—No election may be made under paragraph (1) with respect to any property unless adequate security is provided to the Secretary with respect to such property.

''(B) ADEQUATE SECURITY.—For purposes of subparagraph (A), security with respect to any property shall be treated as adequate security if—

''(i) it is a bond in an amount equal to the deferred tax amount under paragraph (2) for the property, or

''(ii) the taxpayer otherwise establishes to the satisfaction of the Secretary that the security is adequate.

''(5) WAIVER OF CERTAIN RIGHTS.—No election may be made under paragraph (1) unless the taxpayer consents to the waiver of any right under any treaty of the United States which would preclude assessment or collection of any tax imposed by reason of this section.

''(6) ELECTIONS.—An election under paragraph (1) shall only apply to property described in the election and, once made, is irrevocable. An election may be made under paragraph (1) with respect to an interest in a trust with respect to which gain is required to be recognized under subsection (f)(1).

''(7) INTEREST.—For purposes of section 6601—

''(A) the last date for the payment of tax shall be determined without regard to the election under this subsection, and

''(B) section 6621(a)(2) shall be applied by substituting '5 percentage points' for '3 percentage points' in subparagraph (B) thereof.

''(c) COVERED EXPATRIATE.—For purposes of this section—

''(1) IN GENERAL.—Except as provided in paragraph (2), the term 'covered expatriate' means an expatriate.

''(2) EXCEPTIONS.—An individual shall not be treated as a covered expatriate if—

''(A) the individual—

''(i) became at birth a citizen of the United States and a citizen of another country and, as of the expatriation date, continues to be a citizen of, and is taxed as a resident of, such other country, and

''(ii) has not been a resident of the United States (as defined in section 7701(b)(1)(A)(ii)) during the 5 taxable years ending with the taxable year during which the expatriation date occurs, or

''(B)(i) the individual's relinquishment of United States citizenship occurs before such individual attains age 18½, and

''(ii) the individual has been a resident of the United States (as so defined) for not more than 5 taxable years before the date of relinquishment.

''(d) EXEMPT PROPERTY; SPECIAL RULES FOR PENSION PLANS.—

''(1) EXEMPT PROPERTY.—This section shall not apply to the following:

''(A) UNITED STATES REAL PROPERTY INTERESTS.—Any United States real property interest (as defined in section 897(c)(1)), other than stock of a United States real property holding corporation which does not, on the day before the expatriation date, meet the requirements of section 897(c)(2).

''(B) SPECIFIED PROPERTY.—Any property or interest in property not described in subparagraph (A) which the Secretary specifies in regulations.

''(2) SPECIAL RULES FOR CERTAIN RETIREMENT PLANS.—

''(A) IN GENERAL.—If a covered expatriate holds on the day before the expatriation date any interest in a retirement plan to which this paragraph applies—

''(i) such interest shall not be treated as sold for purposes of subsection (a)(1), but

''(ii) an amount equal to the present value of the expatriate's nonforfeitable accrued benefit shall be treated as having been received by such individual on such date as a distribution under the plan.

''(B) TREATMENT OF SUBSEQUENT DISTRIBUTIONS.—In the case of any distribution on or after the expatriation date to or on behalf of the covered expatriate from a plan from which the expatriate was treated as receiving a distribution under subparagraph (A), the amount otherwise includible in gross income by reason of the subsequent distribution shall be reduced by the excess of the amount includible in gross income under subparagraph (A) over any portion of such amount to which this subparagraph previously applied.

''(C) TREATMENT OF SUBSEQUENT DISTRIBUTIONS BY PLAN.—For purposes of this title, a retirement plan to which this paragraph applies, and any person acting on the plan's behalf, shall treat any subsequent distribution described in subparagraph (B) in the same manner as such distribution would be treated without regard to this paragraph.

''(D) APPLICABLE PLANS.—This paragraph shall apply to—

''(i) any qualified retirement plan (as defined in section 4974(c)),

''(ii) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

''(iii) to the extent provided in regulations, any foreign pension plan or similar retirement arrangements or programs.

''(e) DEFINITIONS.—For purposes of this section—

''(1) EXPATRIATE.—The term 'expatriate' means—

''(A) any United States citizen who relinquishes citizenship, and

''(B) any long-term resident of the United States who—

''(i) ceases to be a lawful permanent resident of the United States (within the meaning of section 7701(b)(6)), or

''(ii) commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country and who does not waive the benefits of such treaty applicable to residents of the foreign country.

''(2) EXPATRIATION DATE.—The term 'expatriation date' means—

''(A) the date an individual relinquishes United States citizenship, or

''(B) in the case of a long-term resident of the United States, the date of the event described in clause (i) or (ii) of paragraph (1)(B).

''(3) RELINQUISHMENT OF CITIZENSHIP.—A citizen shall be treated as relinquishing United States citizenship on the earliest of—

''(A) the date the individual renounces such individual's United States nationality before a diplomatic or consular officer of the United States pursuant to paragraph (5) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(5)),

''(B) the date the individual furnishes to the United States Department of State a signed statement of voluntary relinquishment of United States nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1)–(4)),

''(C) the date the United States Department of State issues to the individual a certificate of loss of nationality, or

''(D) the date a court of the United States cancels a naturalized citizen's certificate of naturalization.

Subparagraph (A) or (B) shall not apply to any individual unless the renunciation or voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the United States Department of State.

''(4) LONG-TERM RESIDENT.—The term 'long-term resident' has the meaning given to such term by section 877(e)(2).

''(f) SPECIAL RULES APPLICABLE TO BENEFICIARIES' INTERESTS IN TRUST.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if an individual is determined under paragraph (3) to hold an interest in a trust on the day before the expatriation date—

''(A) the individual shall not be treated as having sold such interest,

''(B) such interest shall be treated as a separate share in the trust, and

''(C)(i) such separate share shall be treated as a separate trust consisting of the assets allocable to such share,

''(ii) the separate trust shall be treated as having sold its assets on the day before the expatriation date for their fair market value and as having distributed all of its assets to the individual as of such time, and

''(iii) the individual shall be treated as having recontributed the assets to the separate trust.

Subsection (a)(2) shall apply to any income, gain, or loss of the individual arising from a distribution described in subparagraph (C)(ii). In determining the amount of such distribution, proper adjustments shall be made for liabilities of the trust allocable to an individual's share in the trust.

''(2) SPECIAL RULES FOR INTERESTS IN QUALIFIED TRUSTS.—

''(A) IN GENERAL.—If the trust interest described in paragraph (1) is an interest in a qualified trust—

''(i) paragraph (1) and subsection (a) shall not apply, and

''(ii) in addition to any other tax imposed by this title, there is hereby imposed on each distribution with respect to such interest a tax in the amount determined under subparagraph (B).

''(B) AMOUNT OF TAX.—The amount of tax under subparagraph (A)(ii) shall be equal to the lesser of—

''(i) the highest rate of tax imposed by section 1(e) for the taxable year which includes the day before the expatriation date, multiplied by the amount of the distribution, or

''(ii) the balance in the deferred tax account immediately before the distribution determined without regard to any increases under subparagraph (C)(ii) after the 30th day preceding the distribution.

''(C) DEFERRED TAX ACCOUNT.—For purposes of subparagraph (B)(ii)—

''(i) OPENING BALANCE.—The opening balance in a deferred tax account with respect to any trust interest is an amount equal to the tax which would have been imposed on the allocable expatriation gain with respect to the trust interest if such gain had been included in gross income under subsection (a).

''(ii) INCREASE FOR INTEREST.—The balance in the deferred tax account shall be increased by the amount of interest determined (on the balance in the account at the time the interest accrues), for periods after the 90th day after the expatriation date, by using the rates and method applicable under section 6621 for underpayments of tax for such periods, except that section 6621(a)(2) shall be applied by substituting '5 percentage points' for '3 percentage points' in subparagraph (B) thereof.

''(iii) DECREASE FOR TAXES PREVIOUSLY PAID.—The balance in the tax deferred account shall be reduced—

''(I) by the amount of taxes imposed by subparagraph (A) on any distribution to the person holding the trust interest, and

''(II) in the case of a person holding a nonvested interest, to the extent provided in regulations, by the amount of taxes imposed by subparagraph (A) on distributions from the trust with respect to nonvested interests not held by such person.

''(D) ALLOCABLE EXPATRIATION GAIN.—For purposes of this paragraph, the allocable expatriation gain with respect to any beneficiary's interest in a trust is the amount of gain which would be allocable to such beneficiary's vested and nonvested interests in the trust if the beneficiary held directly all assets allocable to such interests.

''(E) TAX DEDUCTED AND WITHHELD.—

''(i) IN GENERAL.—The tax imposed by subparagraph (A)(ii) shall be deducted and withheld by the trustees from the distribution to which it relates.

''(ii) EXCEPTION WHERE FAILURE TO WAIVE TREATY RIGHTS.—If an amount may not be deducted and withheld under clause (i) by reason of the distributee failing to waive any treaty right with respect to such distribution—

''(I) the tax imposed by subparagraph (A)(ii) shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax, and

''(II) any other beneficiary of the trust shall be entitled to recover from the distributee the amount of such tax imposed on the other beneficiary.

''(F) DISPOSITION.—If a trust ceases to be a qualified trust at any time, a covered expatriate disposes of an interest in a qualified trust, or a covered expatriate holding an interest in a qualified trust dies, then, in lieu of the tax imposed by subparagraph (A)(ii), there is hereby imposed a tax equal to the lesser of—

''(i) the tax determined under paragraph (1) as if the day before the expatriation date were the date of such cessation, disposition, or death, whichever is applicable, or

''(ii) the balance in the tax deferred account immediately before such date.

Such tax shall be imposed on the trust and each trustee shall be personally liable for the amount of such tax and any other beneficiary of the trust shall be entitled to recover from the covered expatriate or the estate the amount of such tax imposed on the other beneficiary.

''(G) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

''(i) QUALIFIED TRUST.—The term 'qualified trust' means a trust which is described in section 7701(a)(30)(E).

''(ii) VESTED INTEREST.—The term 'vested interest' means any interest which, as of the day before the expatriation date, is vested in the beneficiary.

''(iii) NONVESTED INTEREST.—The term 'nonvested interest' means, with respect to any beneficiary, any interest in a trust which is not a vested interest. Such interest shall be determined by assuming the maximum exercise of discretion in favor of the beneficiary and the occurrence of all contingencies in favor of the beneficiary.

''(iv) ADJUSTMENTS.—The Secretary may provide for such adjustments to the bases of assets in a trust or a deferred tax account, and the timing of such adjustments, in order to ensure that gain is taxed only once.

''(v) COORDINATION WITH RETIREMENT PLAN RULES.—This subsection shall not apply to an interest in a trust which is part of a retirement plan to which subsection (d)(2) applies.

''(3) DETERMINATION OF BENEFICIARIES' INTEREST IN TRUST.—

''(A) DETERMINATIONS UNDER PARAGRAPH (1).—For purposes of paragraph (1), a beneficiary's interest in a trust shall be based upon all relevant facts and circumstances, including the terms of the trust instrument and any letter of wishes or similar document, historical patterns of trust distributions, and the existence of and functions performed by a trust protector or any similar adviser.

''(B) OTHER DETERMINATIONS.—For purposes of this section—

''(i) CONSTRUCTIVE OWNERSHIP.—If a beneficiary of a trust is a corporation, partnership, trust, or estate, the shareholders, partners, or beneficiaries shall be deemed to be the trust beneficiaries for purposes of this section.

''(ii) TAXPAYER RETURN POSITION.—A taxpayer shall clearly indicate on its income tax return—

''(I) the methodology used to determine that taxpayer's trust interest under this section, and

''(II) if the taxpayer knows (or has reason to know) that any other beneficiary of such trust is using a different methodology to determine such beneficiary's trust interest under this section.

''(g) TERMINATION OF DEFERRALS, ETC.—In the case of any covered expatriate, notwithstanding any other provision of this title—

''(1) any period during which recognition of income or gain is deferred shall terminate on the day before the expatriation date, and

''(2) any extension of time for payment of tax shall cease to apply on the day before the expatriation date and the unpaid portion of such tax shall be due and payable at the time and in the manner prescribed by the Secretary.

''(h) IMPOSITION OF TENTATIVE TAX.—

''(1) IN GENERAL.—If an individual is required to include any amount in gross income under subsection (a) for any taxable year, there is hereby imposed, immediately before the expatriation date, a tax in an amount equal to the amount of tax which would be imposed if the taxable year were a short taxable year ending on the expatriation date.

''(2) DUE DATE.—The due date for any tax imposed by paragraph (1) shall be the 90th day after the expatriation date.

''(3) TREATMENT OF TAX.—Any tax paid under paragraph (1) shall be treated as a payment of the tax imposed by this chapter for the taxable year to which subsection (a) applies.

''(4) DEFERRAL OF TAX.—The provisions of subsection (b) shall apply to the tax imposed by this subsection to the extent attributable to gain includible in gross income by reason of this section.

''(i) SPECIAL LIENS FOR DEFERRED TAX AMOUNTS.—

''(1) IMPOSITION OF LIEN.—

''(A) IN GENERAL.—If a covered expatriate makes an election under subsection (a)(4) or (b) which results in the deferral of any tax imposed by reason of subsection (a), the deferred amount (including any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the deferred amount) shall be a lien in favor of the United States on all property of the expatriate located in the United States (without regard to whether this section applies to the property).

''(B) DEFERRED AMOUNT.—For purposes of this subsection, the deferred amount is the amount of the increase in the covered expatriate's income tax which, but for the election under subsection (a)(4) or (b), would have occurred by reason of this section for the taxable year including the expatriation date.

''(2) PERIOD OF LIEN.—The lien imposed by this subsection shall arise on the expatriation date and continue until—

''(A) the liability for tax by reason of this section is satisfied or has become unenforceable by reason of lapse of time, or

''(B) it is established to the satisfaction of the Secretary that no further tax liability may arise by reason of this section.

''(3) CERTAIN RULES APPLY.—The rules set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this subsection as if it were a lien imposed by section 6324A.

''(j) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''.

(b) INCLUSION IN INCOME OF GIFTS AND BEQUESTS RECEIVED BY UNITED STATES CITIZENS AND RESIDENTS FROM EXPATRIATES.—Section 102 (relating to gifts, etc. not included in gross income) is amended by adding at the end the following new subsection:

''(d) GIFTS AND INHERITANCES FROM COVERED EXPATRIATES.—

''(1) IN GENERAL.—Subsection (a) shall not exclude from gross income the value of any property acquired by gift, bequest, devise, or inheritance from a covered expatriate after the expatriation date. For purposes of this subsection, any term used in this subsection which is also used in section 877A shall have the same meaning as when used in section 877A.

''(2) EXCEPTIONS FOR TRANSFERS OTHERWISE SUBJECT TO ESTATE OR GIFT TAX.—Paragraph (1) shall not apply to any property if either—

''(A) the gift, bequest, devise, or inheritance is—

''(i) shown on a timely filed return of tax imposed by chapter 12 as a taxable gift by the covered expatriate, or

''(ii) included in the gross estate of the covered expatriate for purposes of chapter 11 and shown on a timely filed return of tax imposed by chapter 11 of the estate of the covered expatriate, or

''(B) no such return was timely filed but no such return would have been required to be filed even if the covered expatriate were a citizen or long-term resident of the United States.''.

(c) DEFINITION OF TERMINATION OF UNITED STATES CITIZENSHIP.—Section 7701(a) is amended by adding at the end the following new paragraph:

''(48) TERMINATION OF UNITED STATES CITIZENSHIP.—

''(A) IN GENERAL.—An individual shall not cease to be treated as a United States citizen before the date on which the individual's citizenship is treated as relinquished under section 877A(e)(3).

''(B) DUAL CITIZENS.—Under regulations prescribed by the Secretary, subparagraph (A) shall not apply to an individual who became at birth a citizen of the United States and a citizen of another country.''.

(d) INELIGIBILITY FOR VISA OR ADMISSION TO UNITED STATES.—

(1) IN GENERAL.—Section 212(a)(10)(E) of the Immigration and Nationality Act (8 U.S.C. 1182(a)(10)(E)) is amended to read as follows:

''(E) FORMER CITIZENS NOT IN COMPLIANCE WITH EXPATRIATION REVENUE PROVISIONS.—Any alien who is a former citizen of the United States who relinquishes United States citizenship (within the meaning of section 877A(e)(3) of the Internal Revenue Code of 1986) and who is not in compliance with section 877A of such Code (relating to expatriation).''.

(2) AVAILABILITY OF INFORMATION.—

(A) IN GENERAL.—Section 6103(l) (relating to disclosure of returns and return information for purposes other than tax administration) is amended by adding at the end the following new paragraph:

''(19) DISCLOSURE TO DENY VISA OR ADMISSION TO CERTAIN EXPATRIATES.—Upon written request of the Attorney General or the Attorney General's delegate, the Secretary shall disclose whether an individual is in compliance with section 877A (and if not in compliance, any items of noncompliance) to officers and employees of the Federal agency responsible for administering section 212(a)(10)(E) of the Immigration and Nationality Act solely for the purpose of, and to the extent necessary in, administering such section 212(a)(10)(E).''.

(B) SAFEGUARDS.—

(i) TECHNICAL AMENDMENTS.—Paragraph (4) of section 6103(p) of the Internal Revenue Code of 1986, as amended by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107–210; 116 Stat. 961), is amended by striking ''or (17)'' after ''any other person described in subsection (l)(16)'' each place it appears and inserting ''or (18)''.

(ii) CONFORMING AMENDMENTS.—Section 6103(p)(4) (relating to safeguards), as amended by clause (i), is amended by striking ''or (18)'' after ''any other person described in subsection (l)(16)'' each place it appears and inserting ''(18), or (19)''.

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to individuals who relinquish United States citizenship on or after the date of the enactment of this Act.

(B) TECHNICAL AMENDMENTS.—The amendments made by paragraph (2)(B)(i) shall take effect as if included in the amendments made by section 202(b)(2)(B) of the Trade Act of 2002 (Public Law 107–210; 116 Stat. 961).

(e) CONFORMING AMENDMENTS.—

(1) Section 877 is amended by adding at the end the following new subsection:

''(g) APPLICATION.—This section shall not apply to an expatriate (as defined in section 877A(e)) whose expatriation date (as so defined) occurs on or after February 5, 2003.''.

(2) Section 2107 is amended by adding at the end the following new subsection:

''(f) APPLICATION.—This section shall not apply to any expatriate subject to section 877A.''.

(3) Section 2501(a)(3) is amended by adding at the end the following new subparagraph:

''(F) APPLICATION.—This paragraph shall not apply to any expatriate subject to section 877A.''.

(4)(A) Paragraph (1) of section 6039G(d) is amended by inserting ''or 877A'' after ''section 877''.

(B) The second sentence of section 6039G(e) is amended by inserting ''or who relinquishes

United States citizenship (within the meaning of section 877A(e)(3))'' after ''877(a))''.

(C) Section 6039G(f) is amended by inserting ''or 877A(e)(2)(B)'' after ''877(e)(1)''.

(f) CLERICAL AMENDMENT.—The table of sections for subpart A of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 877 the following new item:

''Sec. 877A. Tax responsibilities of expatriation.''.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to expatriates (within the meaning of section 877A(e) of the Internal Revenue Code of 1986, as added by this section) whose expatriation date (as so defined) occurs on or after February 5, 2003.

(2) GIFTS AND BEQUESTS.—Section 102(d) of the Internal Revenue Code of 1986 (as added by subsection (b)) shall apply to gifts and bequests received on or after February 5, 2003, from an individual or the estate of an individual whose expatriation date (as so defined) occurs after such date.

(3) DUE DATE FOR TENTATIVE TAX.—The due date under section 877A(h)(2) of the Internal Revenue Code of 1986, as added by this section, shall in no event occur before the 90th day after the date of the enactment of this Act.

Mr. NEAL of Massachusetts (during the reading). Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Massachusetts (Mr. NEAL) is recognized for 5 minutes in support of his motion.

Mr. NEAL of Massachusetts. Mr. Speaker, my motion is indeed very simple. It adds two matters to this charity tax bill: tax benefits for our military families and an enhanced child tax credit.

Both the Senate and House versions provide much-needed military tax relief, including the expansion of combat zone filing rules and clarification of dependent care benefits, as well as relief for families of as the *Columbia* Space Shuttle astronauts. But the Senate bill is better in several ways. It would not tax any increase in death benefits, whereas the House bill would; it provides a 10-year extension of tax relief from the gains on the sale of a residence by a military member, whereas the House bill only provides 5 years; and the Senate bill has no limit on the deduction for overnight travel expenses of the National Guard and Reserve members, whereas the House limits this deduction.

Mr. Speaker, at a time when our Reservists are being told that 1-year deployments will quickly turn into 2, when our brave soldiers are facing even longer periods of absence from family and home, this Congress should, at a minimum, provide some relief for those families. The delay is inexcusable.

Secondly, Mr. Speaker, this motion to recommit will add the Senate-passed child tax credit bill. Since June we have debated whether 12 million children in low-income families are worthy of the same enhanced tax credit as children of wealthier families, and one, indeed, that they have already received. While President Bush said the child credit must be given to low-income Americans as well, there has been resistance from the majority in this institution. In fact, I might quote two: ''Ain't going to happen,'' said one of the leaders. ''All but dead,'' said another, in a quote last week.

The conferees have never even met, and every vote to revive this legislation thus far has failed. But today we have a chance to pass the Senate version, which eliminates one terrible flaw. Under the House bill, 200,000 military families who were formerly ineligible for enhanced tax credit would receive it, even though they served honorably in Iraq and Afghanistan and other combat zones.

Before we leave here today in anticipation of Isabel, let us resolve ourselves to do something good for these families. Let us encourage more charitable giving, let us provide much-needed tax relief to the families of our brave soldiers, and let us heed President Bush's call to help those struggling families at the bottom of the ladder with the same benefits that those at the top have already received.

I hope there will be broad support for this motion to recommit.

Mr. Speaker, I yield the balance of my time to the gentleman from Texas (Mr. EDWARDS).

Mr. EDWARDS. Mr. Speaker, this issue is simple, but important, to our military families. If you want to support increased tax benefits for the loved ones who have lost a soldier, sailor, airman or Marine in Iraq, then you should vote for this motion to recommit. If you want to help Guardsmen and Reservists who take money out of their own pocket to serve our country to travel over 100 miles and stay in hotels to do the duty that our country asked them to do, if you want to help those people with tax benefits on those expenses, then you ought to vote ''yes'' on this motion to recommit.

Mr. Speaker, I think the American people would be offended to find out why we have to support this motion to recommit. For 6 months there has been a bill sitting in this Chamber at the Speaker's desk that would provide these benefits, earned benefits, to our servicemen and -women and to the families of servicemen and -women killed in combat.

But do you know why that bill has been held up by the House Republican leadership? Because the military tax benefits are paid for by closing the loophole of tax benefits for those who leave this country and renounce their American citizenship in order not to pay taxes.

Let me repeat that. A bill has been held up for 6 months at the Speaker's desk. We could pass it by unanimous consent today if the Republican leadership would work with us on it. But for 6 months it has been held up. We are holding up military benefits because the Republican House leadership is more interested in protecting tax benefits for those who would renounce their American citizenship.

Mr. Speaker, that offends every American value that I have ever been taught. I think that goes against the grain of every patriotic speech that has been given on the floor this year saluting the sacrifices of our servicemen and -women.

I know we all intend to support our servicemen and -women, but in Congress we should be judged not by what we say, but by what we do.

Right now, on a bipartisan basis, we can vote to provide increased military tax benefits to those who have not only served our country, but the families of those who have died for our country.

The SPEAKER pro tempore. The gentleman's time has expired.

Mr. THOMAS. Mr. Speaker, I rise in opposition to the motion to recommit.

The SPEAKER pro tempore. The gentleman from California is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, first of all, I want to compliment the gentleman from Massachusetts for structuring this motion to recommit actually as a motion to recommit, rather than one which cannot be honored. So what we do is we look at the content of the motion to recommit, rather than the key words that determine whether or not he is serious. The gentleman from Massachusetts, by the way he has structured his motion to recommit, is serious.

If in fact the House is judged on what we do, rather than what we say, all you have to do is go back to last March when this House passed the provisions which deal directly with this issue. Way before hurricane season, the House of Representatives said a child credit should be $1,000 and it should stay at $1,000 for the rest of the decade. If the Senate bill is better, why does the Senate bill contain a snap-back to $700 in December of 2004, right after the election?

If the Senate bill is better, the House bill said marriage penalty, now, for the rest of the decade. The Senate bill says marriage penalty eliminated in 2010. They say, therefore, helping the military. The bill we passed last March offers more help dollar-wise and substance-wise to the military than the one they are proposing now.

So I think it is fairly ironic that they are asking us to do what we have done.

The argument that the conference on this bill has not met should not be directed to the House; it should be directed to the other body, because the other body chairs that conference. No call has been made.

What we need to do for the rest of the afternoon is simple: vote ''no'' for 15 minutes, vote ''yes'' for 5 minutes, and we can beat the hurricane home.

Ms. JONES of Ohio. Mr. Speaker, I want to take this opportunity to support my colleague

from Massachusetts who has offered this motion to recommit H.R. 7 to the Ways and Means Committee with instructions to incorporate provisions that have not received the attention they deserve from this Congress.

I am speaking of course about the child tax credit that Democrats have been calling to strengthen, only to see our calls fall on deaf ears, despite the clear benefits such action will have on strengthening our stagnant economy.

This plea was ignored while Congress went on vacation, it was ignored while a tax cut that increased our Federal deficit to new highs was signed into law, it was ignored while young men and women were sent to fight in Iraq, and is being ignored while the Congress is being asked to consider authorizing even more money for Iraq operations. It is being ignored while those very men and women who we sent to Iraq could benefit from action expanding the child tax credit to lower income families.

In a time where a saying like ''I support the troops'' is a common mantra among Congressional leaders on both sides of the aisle, in both chambers of Congress, and among all walks of life and ideologies, I call on my colleagues in the House of Representatives to put your money where your mouth is and support this motion to recommit that will bring much needed, much appreciated, and much deserved tax relief to Americans who will most benefit from it.

Mr. THOMAS. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. NEAL of Massachusetts. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 9, rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of passage.

The vote was taken by electronic device, and there were—ayes 201, noes 221, not voting 12, as follows:

[Roll No. 507]

AYES—201

Abercrombie	Cardin	Dicks
Ackerman	Cardoza	Dingell
Alexander	Carson (IN)	Doggett
Allen	Carson (OK)	Dooley (CA)
Andrews	Case	Doyle
Baca	Castle	Edwards
Baird	Clay	Emanuel
Baldwin	Clyburn	Engel
Ballance	Conyers	Eshoo
Becerra	Cooper	Etheridge
Bell	Costello	Evans
Berkley	Cramer	Farr
Berman	Crowley	Fattah
Bishop (GA)	Cummings	Filner
Bishop (NY)	Davis (AL)	Ford
Blumenauer	Davis (CA)	Frank (MA)
Boswell	Davis (FL)	Frost
Boucher	Davis (IL)	Gonzalez
Boyd	Davis (TN)	Gordon
Brady (PA)	DeFazio	Green (TX)
Brown (OH)	DeGette	Grijalva
Brown, Corrine	Delahunt	Gutierrez
Capps	DeLauro	Hall
Capuano	Deutsch	Harman
Hastings (FL)	Matsui	Ryan (OH)
Hill	McCarthy (MO)	Sabo
Hinchey	McCarthy (NY)	Sanchez, Linda T.
Hinojosa	McCollum	Sanchez, Loretta
Hoeffel	McDermott	Sanders
Holden	McGovern	Sandlin
Holt	McNulty	Schakowsky
Honda	Meehan	Schiff
Hooley (OR)	Meek (FL)	Scott (GA)
Inslee	Meeks (NY)	Scott (VA)
Israel	Menendez	Serrano
Jackson (IL)	Michaud	Sherman
Jackson-Lee (TX)	Millender-McDonald	Skelton
Jefferson	Miller (NC)	Slaughter
John	Miller, George	Smith (WA)
Johnson, E. B.	Mollohan	Snyder
Jones (OH)	Moore	Solis
Kanjorski	Moran (VA)	Spratt
Kaptur	Murtha	Stark
Kennedy (RI)	Nadler	Stenholm
Kildee	Napolitano	Strickland
Kilpatrick	Neal (MA)	Stupak
Kind	Oberstar	Tanner
Kleczka	Obey	Tauscher
Kucinich	Olver	Taylor (MS)
Lampson	Ortiz	Thompson (MS)
Langevin	Owens	Tierney
Lantos	Pallone	Towns
Larsen (WA)	Pascrell	Turner (TX)
Larson (CT)	Pastor	Udall (CO)
Lee	Payne	Udall (NM)
Levin	Pelosi	Van Hollen
Lewis (GA)	Peterson (MN)	Velazquez
Lipinski	Pomeroy	Visclosky
Lofgren	Price (NC)	Waters
Lowey	Rahall	Watson
Lucas (KY)	Rangel	Watt
Lynch	Reyes	Waxman
Majette	Rodriguez	Weiner
Maloney	Ross	Wexler
Markey	Rothman	Woolsey
Marshall	Roybal-Allard	Wu
Matheson	Ruppersberger	Wynn

NOES—221

Aderholt	Diaz-Balart, L.	Johnson (CT)
Akin	Diaz-Balart, M.	Johnson (IL)
Bachus	Doolittle	Johnson, Sam
Baker	Dreier	Jones (NC)
Ballenger	Duncan	Keller
Barrett (SC)	Dunn	Kelly
Bartlett (MD)	Ehlers	Kennedy (MN)
Barton (TX)	Emerson	King (IA)
Bass	English	King (NY)
Beauprez	Everett	Kingston
Bereuter	Feeney	Kirk
Biggert	Ferguson	Kline
Bilirakis	Flake	Knollenberg
Bishop (UT)	Fletcher	Kolbe
Blackburn	Foley	LaHood
Blunt	Fossella	Latham
Boehlert	Franks (AZ)	LaTourette
Boehner	Frelinghuysen	Leach
Bonilla	Gallegly	Lewis (CA)
Bonner	Garrett (NJ)	Lewis (KY)
Bono	Gerlach	Linder
Boozman	Gibbons	LoBiondo
Bradley (NH)	Gilchrest	Lucas (OK)
Brady (TX)	Gillmor	Manzullo
Brown (SC)	Gingrey	McCotter
Brown-Waite, Ginny	Goode	McCrery
Burgess	Goodlatte	McHugh
Burns	Goss	McInnis
Burr	Granger	McKeon
Burton (IN)	Graves	Mica
Buyer	Green (WI)	Miller (MI)
Calvert	Greenwood	Miller, Gary
Camp	Gutknecht	Moran (KS)
Cannon	Harris	Murphy
Cantor	Hart	Musgrave
Capito	Hastings (WA)	Myrick
Carter	Hayes	Nethercutt
Chabot	Hayworth	Neugebauer
Chocola	Hefley	Ney
Coble	Hensarling	Northup
Cole	Herger	Norwood
Collins	Hobson	Nunes
Cox	Hoekstra	Nussle
Crane	Hostettler	Osborne
Crenshaw	Houghton	Ose
Culberson	Hulshof	Otter
Cunningham	Hunter	Oxley
Davis, Jo Ann	Hyde	Paul
Davis, Tom	Isakson	Pearce
Deal (GA)	Issa	Pence
DeLay	Istook	Peterson (PA)
DeMint	Janklow	Petri
	Jenkins	Pickering
		Pitts
		Pombo
		Porter
		Portman
		Pryce (OH)
		Putnam
		Quinn
		Radanovich
		Ramstad
		Regula
		Rehberg
		Renzi
		Reynolds
		Rogers (AL)
		Rogers (KY)
		Rogers (MI)
		Ros-Lehtinen
		Royce
		Ryan (WI)
		Ryun (KS)
		Saxton
		Schrock
		Sensenbrenner
		Sessions
		Shadegg
		Shaw
		Shays
		Sherwood
		Shimkus
		Shuster
		Simmons
		Simpson
		Smith (MI)
		Smith (NJ)
		Smith (TX)
		Souder
		Sullivan
		Sweeney
		Tancredo
		Tauzin
		Taylor (NC)
		Terry
		Thomas
		Thornberry
		Tiahrt
		Tiberi
		Toomey
		Turner (OH)
		Upton
		Vitter
		Walden (OR)
		Walsh
		Wamp
		Weldon (FL)
		Weldon (PA)
		Weller
		Whitfield
		Wicker
		Wilson (NM)
		Wilson (SC)
		Wolf
		Young (AK)
		Young (FL)

NOT VOTING—12

Berry	Hoyer	Rohrabacher
Cubin	McIntyre	Rush
Forbes	Miller (FL)	Stearns
Gephardt	Platts	Thompson (CA)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. TERRY) (during the vote). Members are advised that there are 2 minutes in this vote.

□ 1515

Mrs. MYRICK changed her vote from ''aye'' to ''no.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. KLECZKA. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 408, nays 13, not voting 13, as follows:

[Roll No. 508]

YEAS—408

Abercrombie	Bono	Clyburn
Ackerman	Boozman	Coble
Aderholt	Boswell	Cole
Akin	Boucher	Collins
Alexander	Boyd	Conyers
Allen	Bradley (NH)	Cooper
Andrews	Brady (PA)	Costello
Baca	Brady (TX)	Cox
Bachus	Brown (OH)	Cramer
Baird	Brown (SC)	Crane
Baker	Brown, Corrine	Crenshaw
Baldwin	Brown-Waite, Ginny	Crowley
Ballance	Burgess	Culberson
Ballenger	Burns	Cummings
Barrett (SC)	Burr	Cunningham
Bartlett (MD)	Burton (IN)	Davis (AL)
Barton (TX)	Buyer	Davis (CA)
Bass	Calvert	Davis (FL)
Beauprez	Camp	Davis (IL)
Becerra	Cannon	Davis (TN)
Bell	Cantor	Davis, Jo Ann
Bereuter	Capito	Davis, Tom
Berkley	Capps	Deal (GA)
Berman	Capuano	DeGette
Biggert	Cardin	Delahunt
Bilirakis	Cardoza	DeLauro
Bishop (GA)	Carson (IN)	DeMint
Bishop (NY)	Carson (OK)	Deutsch
Bishop (UT)	Carter	Diaz-Balart, L.
Blackburn	Case	Diaz-Balart, M.
Blunt	Castle	Dicks
Boehlert	Chabot	Dingell
Boehner	Chocola	Dooley (CA)
Bonilla	Clay	Doolittle
Bonner		

Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Feeney
Ferguson
Filner
Flake
Fletcher
Foley
Ford
Fossella
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley (OR)
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Janklow
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Maloney
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCotter
McCrery
McGovern
McHugh
McInnis
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Moore
Moran (KS)
Moran (VA)
Murphy
Musgrave
Myrick
Nadler
Napolitano
Neal (MA)
Nethercutt
Neugebauer
Ney
Northup
Norwood
Nunes
Nussle
Oberstar
Obey
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pallone
Pastor
Paul
Payne
Pearce
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reyes
Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Saxton
Schakowsky
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spratt
Strickland
Stupak
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Toomey
Towns
Turner (OH)
Turner (TX)
Udall (CO)
Udall (NM)
Upton
Van Hollen
Velazquez
Visclosky
Vitter
Walden (OR)
Walsh
Wamp
Waters
Watson
Watt
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—13

Doggett
Hill
Kanjorski
Kleczka
Kucinich
McDermott
Mollohan
Murtha
Pascrell
Stark
Stenholm
Taylor (MS)
Tierney

NOT VOTING—13

Berry
Blumenauer
Cubin
DeFazio
Forbes
Gephardt
McIntyre
Miller (FL)
Platts
Rohrabacher
Rush
Stearns
Thompson (CA)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). Members are advised that there are 2 minutes remaining in the vote.

□ 1526

Ms. JACKSON-LEE of Texas changed her vote from ''nay'' to ''yea''.

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid upon the table.

PERSONAL EXPLANATION

Mr. THOMPSON of California. Mr. Speaker. I was not present for rollcall votes 506, 507, and 508, held earlier this afternoon on the Charitable Giving Act (H.R. 7). Had I been present, I would have voted ''yes'' on the Cardin Substitute (No. 506). I would have voted ''yes'' on the Motion to Recommit (No. 507). I would have voted ''yes'' on Final Passage (No. 508).

AUTHORIZING SPEAKER TO POSTPONE VOTES ON MOTIONS TO INSTRUCT CONFEREES CONSIDERED TODAY UNTIL TUESDAY, SEPTEMBER 23, 2003

Mr. DELAY. Mr. Speaker, I ask unanimous consent that the Speaker be authorized to postpone further proceedings on any record vote ordered on the question of agreeing to a motion to instruct conferees considered today until Tuesday, September 23, 2003.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

LEGISLATIVE PROGRAM

(Mr. HOYER asked and was given permission to address the House for 1 minute.)

Mr. HOYER. Mr. Speaker, I yield to the gentleman from Texas (Mr. DELAY), the distinguished majority leader, for the purposes of informing the House for the following week and perhaps thereafter.

Mr. DELAY. I appreciate the distinguished whip, the gentleman from Maryland (Mr. HOYER), for yielding to me.

Mr. Speaker, I would like to make all Members aware that the House has completed voting for the day and for the week. We will take any votes called for on the three pending motions to instruct next week.

Regarding next week's schedule, the House will convene on Tuesday at 12:30 p.m. for morning hour and 2 p.m. for legislative business. At that time we expect to consider several measures under suspension of the rules, and any votes called on those measures will be rolled until after 6:30 p.m.

On Wednesday the House will meet for legislative business at 10 a.m. We expect to begin consideration of H.R. 2557, the Water Resources Development Act of 2003.

Members should also be aware that we may be considering conference reports at any time next week. We have a growing list of bills that could be ready. These include but are not limited to the fiscal year 2004 Homeland Security Appropriations Act, the fiscal 2004 Department of Defense Appropriations Act, and the Department of Defense authorization bill for fiscal 2004.

In addition, I would like to note that despite the great efforts of the House to complete all appropriations bills by the end of the fiscal year, we will have to consider a continuing resolution next week.

Finally, I would like to note for all Members that we do not plan to have votes next Friday, September 26.

Mr. Speaker, I thank gentleman for yielding.

Mr. HOYER. Mr. Speaker, I thank the gentleman for that information.

If I might, I would like to start with the general and then go to the specific for next week. I know that there are some of our colleagues who are trying to plan schedules for not only next week but weeks out and I know there has been a lot of discussion going on.

Can the leader tell me what he anticipates the schedule will be generally speaking in the month of October? My presumption is that we are going to be here through the end of October, as the Senate has not passed some of the bills and sent them to us. Our anticipation is that we will be here at least that long.

Can the gentleman tell us what he anticipates to be the schedule for the weeks of October? We know that the Senate is taking off one of those weeks. I think the first full week of October they will be taking off. I think Members would find it very useful if the gentleman could give us his thoughts on what our schedule would be.

Mr. Speaker, I yield to the gentleman.

□ 1530

Mr. DELAY. Mr. Speaker, I thank the gentleman for yielding.

I do not want to prejudge the Committee on Appropriations' work, but I think in dealing with the Senate, the House and with both sides of the aisle it looks like everybody is coming together in a consensus around a continuing resolution that might run us to October 31, and that should be a very