

**AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
**To H.R. 7**  
**OFFERED BY MR. THOMAS**

Strike all after the enacting clause and insert the following:

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

**2 (a) SHORT TITLE.**—This Act may be cited as the  
**3 “Community Solutions Act of 2001”.**

**4 (b) TABLE OF CONTENTS.**—The table of contents is  
**5 as follows:**

Sec. 1. Short title; table of contents.

TITLE I—CHARITABLE GIVING INCENTIVES PACKAGE

- Sec. 101. Deduction for portion of charitable contributions to be allowed to individuals who do not itemize deductions.
- Sec. 102. Tax-free distributions from individual retirement accounts for charitable purposes.
- Sec. 103. Increase in cap on corporate charitable contributions.
- Sec. 104. Charitable donations liability reform for in-kind corporate contributions.
- Sec. 105. Charitable deduction for contributions of food inventory.
- Sec. 106. Reform of excise tax on net investment income of private foundations.
- Sec. 107. Excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 108. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.
- Sec. 109. Adjustment to basis of S corporation stock for certain charitable contributions.

TITLE II—EXPANSION OF CHARITABLE CHOICE

- Sec. 201. Provision of assistance under government programs by religious and community organizations.

TITLE III—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 301. Additional qualified entities eligible to conduct projects under the Assets for Independence Act.
- Sec. 302. Increase in limitation on net worth.
- Sec. 303. Change in limitation on deposits for an individual.

Sec. 304. Elimination of limitation on deposits for a household.

Sec. 305. Extension of program.

Sec. 306. Conforming amendments.

Sec. 307. Applicability.

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

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

6 (a) IN GENERAL.—Section 170 of the Internal Rev-  
7 enue Code of 1986 (relating to charitable, etc., contribu-  
8 tions and gifts) is amended by redesignating subsection  
9 (m) as subsection (n) and by inserting after subsection  
10 (l) the following new subsection:

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

13 “(1) IN GENERAL.—In the case of an individual  
14 who does not itemize his deductions for the taxable  
15 year, there shall be taken into account as a direct  
16 charitable deduction under section 63 an amount  
17 equal to the lesser of—

18 “(A) the amount allowable under sub-  
19 section (a) for the taxable year for cash con-  
20 tributions, or

21 “(B) the applicable amount.

1           “(2) APPLICABLE AMOUNT.—For purposes of  
2 paragraph (1), the applicable amount shall be deter-  
3 mined as follows:

<b>“For taxable years beginning in:</b>	<b>The applicable amount is:</b>
2002 and 2003 .....	\$25
2004, 2005, 2006 .....	\$50
2007, 2008, 2009 .....	\$75
2010 and thereafter .....	\$100.

4           In the case of a joint return, the applicable amount  
5 is twice the applicable amount determined under the  
6 preceding table.”.

7           (b) DIRECT CHARITABLE DEDUCTION.—

8           (1) IN GENERAL.—Subsection (b) of section 63  
9 of such Code is amended by striking “and” at the  
10 end of paragraph (1), by striking the period at the  
11 end of paragraph (2) and inserting “, and”, and by  
12 adding at the end thereof the following new para-  
13 graph:

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

15           (2) DEFINITION.—Section 63 of such Code is  
16 amended by redesignating subsection (g) as sub-  
17 section (h) and by inserting after subsection (f) the  
18 following new subsection:

19           “(g) DIRECT CHARITABLE DEDUCTION.—For pur-  
20 poses of this section, the term ‘direct charitable deduction’  
21 means that portion of the amount allowable under section

1 170(a) which is taken as a direct charitable deduction for  
2 the taxable year under section 170(m).”.

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

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

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

13 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
14 **TIREMENT ACCOUNTS FOR CHARITABLE**  
15 **PURPOSES.**

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

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

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

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

6                   “(i) which is made on or after the  
7                   date that the individual for whose benefit  
8                   the account is maintained has attained age  
9                   70½, and

10                   “(ii) which is made directly by the  
11                   trustee—

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

14                           “(II) to a split-interest entity.

15           A distribution shall be treated as a qualified  
16           charitable distribution only to the extent that  
17           the distribution would be includible in gross in-  
18           come without regard to subparagraph (A) and,  
19           in the case of a distribution to a split-interest  
20           entity, only if no person holds an income inter-  
21           est in the amounts in the split-interest entity  
22           attributable to such distribution other than one  
23           or more of the following: the individual for  
24           whose benefit such account is maintained, the

1 spouse of such individual, or any organization  
2 described in section 170(e).

3 “(C) CONTRIBUTIONS MUST BE OTHER-  
4 WISE DEDUCTIBLE.—For purposes of this  
5 paragraph—

6 “(i) DIRECT CONTRIBUTIONS.—A dis-  
7 tribution to an organization described in  
8 section 170(e) shall be treated as a quali-  
9 fied charitable distribution only if a deduc-  
10 tion for the entire distribution would be al-  
11 lowable under section 170 (determined  
12 without regard to subsection (b) thereof  
13 and this paragraph).

14 “(ii) SPLIT-INTEREST GIFTS.—A dis-  
15 tribution to a split-interest entity shall be  
16 treated as a qualified charitable distribu-  
17 tion only if a deduction for the entire value  
18 of the interest in the distribution for the  
19 use of an organization described in section  
20 170(e) would be allowable under section  
21 170 (determined without regard to sub-  
22 section (b) thereof and this paragraph).

23 “(D) APPLICATION OF SECTION 72.—Not-  
24 withstanding section 72, in determining the ex-  
25 tent to which a distribution is a qualified chari-

1           table distribution, the entire amount of the dis-  
2           tribution shall be treated as includible in gross  
3           income without regard to subparagraph (A) to  
4           the extent that such amount does not exceed  
5           the aggregate amount which would be so includ-  
6           ible if all amounts were distributed from all in-  
7           dividual retirement accounts otherwise taken  
8           into account in determining the inclusion on  
9           such distribution under section 72. Proper ad-  
10          justments shall be made in applying section 72  
11          to other distributions in such taxable year and  
12          subsequent taxable years.

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

15                           “(i)       CHARITABLE       REMAINDER  
16                           TRUSTS.—Distributions made from an in-  
17                           dividual retirement account to a trust de-  
18                           scribed in subparagraph (G)(ii)(I) shall be  
19                           treated as income described in section  
20                           664(b)(1) except to the extent that the  
21                           beneficiary of the individual retirement ac-  
22                           count notifies the trustee of the trust of  
23                           the amount which is not allocable to in-  
24                           come under subparagraph (D).

1           “(ii) POOLED INCOME FUNDS.—No  
2           amount shall be includible in the gross in-  
3           come of a pooled income fund (as defined  
4           in subparagraph (G)(ii)(II)) by reason of a  
5           qualified charitable distribution to such  
6           fund.

7           “(iii) CHARITABLE GIFT ANNU-  
8           ITIES.—Qualified charitable distributions  
9           made for a charitable gift annuity shall not  
10          be treated as an investment in the con-  
11          tract.

12          “(F) DENIAL OF DEDUCTION.—Qualified  
13          charitable distributions shall not be taken into  
14          account in determining the deduction under sec-  
15          tion 170.

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

19                 “(i) a charitable remainder annuity  
20                 trust or a charitable remainder unitrust  
21                 (as such terms are defined in section  
22                 664(d)),

23                 “(ii) a pooled income fund (as defined  
24                 in section 642(c)(5)), and

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

3           (b) MODIFICATIONS RELATING TO INFORMATION RE-  
4   TURNS BY CERTAIN TRUSTS.—

5           (1) RETURNS.—Section 6034 of such Code (re-  
6   lating to returns by trusts described in section  
7   4947(a)(2) or claiming charitable deductions under  
8   section 642(e)) is amended to read as follows:

9   **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**  
10                   **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**  
11                   **TIONS UNDER SECTION 642(e).**

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

16           “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION  
17   UNDER SECTION 642(e).—

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

1           “(A) the amount of the charitable, etc., de-  
2           duction taken under section 642(c) within such  
3           year,

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

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

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

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

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

21          “(2) EXCEPTIONS.—Paragraph (1) shall not  
22          apply in the case of a taxable year if all the net in-  
23          come for such year, determined under the applicable  
24          principles of the law of trusts, is required to be dis-  
25          tributed currently to the beneficiaries. Paragraph (1)

1 shall not apply in the case of a trust described in  
2 section 4947(a)(1).”.

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

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

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

19 “(ii) in the case of any trust with  
20 gross income in excess of \$250,000, the  
21 first sentence of paragraph (1)(A) shall be  
22 applied by substituting ‘\$100’ for ‘\$20’,  
23 and the second sentence thereof shall be  
24 applied by substituting ‘\$50,000’ for  
25 ‘\$10,000’, and

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

3                   If the person required to file such return know-  
4                   ingly fails to file the return, such person shall  
5                   be personally liable for the penalty imposed  
6                   pursuant to this subparagraph.”.

7                   (3) CONFIDENTIALITY OF NONCHARITABLE  
8                   BENEFICIARIES.—Subsection (b) of section 6104 of  
9                   such Code (relating to inspection of annual informa-  
10                  tion returns) is amended by adding at the end the  
11                  following new sentence: “In the case of a trust which  
12                  is required to file a return under section 6034(a),  
13                  this subsection shall not apply to information re-  
14                  garding beneficiaries which are not organizations de-  
15                  scribed in section 170(c).”.

16                  (c) EFFECTIVE DATES.—

17                  (1) SUBSECTION (a).—The amendment made by  
18                  subsection (a) shall apply to taxable years beginning  
19                  after December 31, 2001.

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

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

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

7 (b) APPLICABLE PERCENTAGE.—Subsection (b) of  
8 section 170 of such Code is amended by adding at the  
9 end the following new paragraph:

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

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2002 through 2007 .....	11
2008 .....	12
2009 .....	13
2010 and thereafter .....	15.”.

14 (c) CONFORMING AMENDMENTS.—

15 (1) Sections 512(b)(10) and 805(b)(2)(A) of  
16 such Code are each amended by striking “10 per-  
17 cent” each place it occurs and inserting “the appli-  
18 cable percentage (determined under section  
19 170(b)(3))”.

20 (2) Sections 545(b)(2) and 556(b)(2) of such  
21 Code are each amended by striking “10-percent limi-

1       tation” and inserting “applicable percentage limita-  
2       tion”.

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

6 **SEC. 104. CHARITABLE DONATIONS LIABILITY REFORM**  
7                   **FOR IN-KIND CORPORATE CONTRIBUTIONS.**

8       (a) DEFINITIONS.—For purposes of this section:

9           (1) AIRCRAFT.—The term “aircraft” has the  
10 meaning provided that term in section 40102(6) of  
11 title 49, United States Code.

12          (2) BUSINESS ENTITY.—The term “business  
13 entity” means a firm, corporation, association, part-  
14 nership, consortium, joint venture, or other form of  
15 enterprise.

16          (3) EQUIPMENT.—The term “equipment” in-  
17 cludes mechanical equipment, electronic equipment,  
18 and office equipment.

19          (4) FACILITY.—The term “facility” means any  
20 real property, including any building, improvement,  
21 or appurtenance.

22          (5) GROSS NEGLIGENCE.—The term “gross  
23 negligence” means voluntary and conscious conduct  
24 by a person with knowledge (at the time of the con-

1       duct) that the conduct is likely to be harmful to the  
2       health or well-being of another person.

3           (6) INTENTIONAL MISCONDUCT.—The term  
4       “intentional misconduct” means conduct by a person  
5       with knowledge (at the time of the conduct) that the  
6       conduct is harmful to the health or well-being of an-  
7       other person.

8           (7) MOTOR VEHICLE.—The term “motor vehi-  
9       cle” has the meaning provided that term in section  
10      30102(6) of title 49, United States Code.

11          (8) NONPROFIT ORGANIZATION.—The term  
12      “nonprofit organization” means—

13           (A) any organization described in section  
14           501(c)(3) of the Internal Revenue Code of 1986  
15           and exempt from tax under section 501(a) of  
16           such Code; or

17           (B) any not-for-profit organization orga-  
18           nized and conducted for public benefit and op-  
19           erated primarily for charitable, civic, edu-  
20           cational, religious, welfare, or health purposes.

21          (9) STATE.—The term “State” means each of  
22      the several States, the District of Columbia, the  
23      Commonwealth of Puerto Rico, the Virgin Islands,  
24      Guam, American Samoa, the Northern Mariana Is-  
25      lands, any other territory or possession of the

1 United States, or any political subdivision of any  
2 such State, territory, or possession.

3 (b) LIABILITY.—

4 (1) LIABILITY OF BUSINESS ENTITIES THAT  
5 DONATE EQUIPMENT TO NONPROFIT ORGANIZA-  
6 TIONS.—

7 (A) IN GENERAL.—Subject to subsection  
8 (c), a business entity shall not be subject to  
9 civil liability relating to any injury or death that  
10 results from the use of equipment donated by a  
11 business entity to a nonprofit organization.

12 (B) APPLICATION.—This paragraph shall  
13 apply with respect to civil liability under Fed-  
14 eral and State law.

15 (2) LIABILITY OF BUSINESS ENTITIES PRO-  
16 VIDING USE OF FACILITIES TO NONPROFIT ORGANI-  
17 ZATIONS.—

18 (A) IN GENERAL.—Subject to subsection  
19 (c), a business entity shall not be subject to  
20 civil liability relating to any injury or death oc-  
21 ccurring at a facility of the business entity in  
22 connection with a use of such facility by a non-  
23 profit organization, if—

24 (i) the use occurs outside of the scope  
25 of business of the business entity;

1 (ii) such injury or death occurs during  
2 a period that such facility is used by the  
3 nonprofit organization; and

4 (iii) the business entity authorized the  
5 use of such facility by the nonprofit orga-  
6 nization.

7 (B) APPLICATION.—This paragraph shall  
8 apply—

9 (i) with respect to civil liability under  
10 Federal and State law; and

11 (ii) regardless of whether a nonprofit  
12 organization pays for the use of a facility.

13 (3) LIABILITY OF BUSINESS ENTITIES PRO-  
14 VIDING USE OF A MOTOR VEHICLE OR AIRCRAFT.—

15 (A) IN GENERAL.—Subject to subsection  
16 (c), a business entity shall not be subject to  
17 civil liability relating to any injury or death oc-  
18 ccurring as a result of the operation of aircraft  
19 or a motor vehicle of a business entity loaned  
20 to a nonprofit organization for use outside of  
21 the scope of business of the business entity, if—

22 (i) such injury or death occurs during  
23 a period that such motor vehicle or aircraft  
24 is used by a nonprofit organization; and

1 (ii) the business entity authorized the  
2 use by the nonprofit organization of motor  
3 vehicle or aircraft that resulted in the in-  
4 jury or death.

5 (B) APPLICATION.—This paragraph shall  
6 apply—

7 (i) with respect to civil liability under  
8 Federal and State law; and

9 (ii) regardless of whether a nonprofit  
10 organization pays for the use of the air-  
11 craft or motor vehicle.

12 (4) LIABILITY OF BUSINESS ENTITIES PRO-  
13 VIDING TOURS OF FACILITIES.—

14 (A) IN GENERAL.—Subject to subsection  
15 (c), a business entity shall not be subject to  
16 civil liability relating to any injury to, or death  
17 of an individual occurring at a facility of the  
18 business entity, if—

19 (i) such injury or death occurs during  
20 a tour of the facility in an area of the fa-  
21 cility that is not otherwise accessible to the  
22 general public; and

23 (ii) the business entity authorized the  
24 tour.

1 (B) APPLICATION.—This paragraph shall  
2 apply—

3 (i) with respect to civil liability under  
4 Federal and State law; and

5 (ii) regardless of whether an indi-  
6 vidual pays for the tour.

7 (c) EXCEPTIONS.—Subsection (b) shall not apply to  
8 an injury or death that results from an act or omission  
9 of a business entity that constitutes gross negligence or  
10 intentional misconduct, including any misconduct that—

11 (1) constitutes a crime of violence (as that term  
12 is defined in section 16 of title 18, United States  
13 Code) or act of international terrorism (as that term  
14 is defined in section 2331 of title 18, United States  
15 Code) for which the defendant has been convicted in  
16 any court;

17 (2) constitutes a hate crime (as that term is  
18 used in the Hate Crime Statistics Act (28 U.S.C.  
19 534 note));

20 (3) involves a sexual offense, as defined by ap-  
21 plicable State law, for which the defendant has been  
22 convicted in any court; or

23 (4) involves misconduct for which the defendant  
24 has been found to have violated a Federal or State  
25 civil rights law.

1 (d) SUPERSEDING PROVISION.—

2 (1) IN GENERAL.—Subject to paragraph (2)  
3 and subsection (e), this title preempts the laws of  
4 any State to the extent that such laws are incon-  
5 sistent with this title, except that this title shall not  
6 preempt any State law that provides additional pro-  
7 tection for a business entity for an injury or death  
8 described in a paragraph of subsection (b) with re-  
9 spect to which the conditions specified in such para-  
10 graph apply.

11 (2) LIMITATION.—Nothing in this title shall be  
12 construed to supersede any Federal or State health  
13 or safety law.

14 (e) ELECTION OF STATE REGARDING NONAPPLICA-  
15 BILITY.—A provision of this title shall not apply to any  
16 civil action in a State court against a business entity in  
17 which all parties are citizens of the State if such State  
18 enacts a statute—

19 (1) citing the authority of this section;

20 (2) declaring the election of such State that  
21 such provision shall not apply to such civil action in  
22 the State; and

23 (3) containing no other provisions.

1 (f) EFFECTIVE DATE.—This section shall apply to in-  
2 juries (and deaths resulting therefrom) occurring on or  
3 after the date of the enactment of this Act.

4 **SEC. 105. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**  
5 **OF FOOD INVENTORY.**

6 (a) IN GENERAL.—Paragraph (3) of section 170(e)  
7 of the Internal Revenue Code of 1986 (relating to special  
8 rule for certain contributions of inventory and other prop-  
9 erty) is amended by redesignating subparagraph (C) as  
10 subparagraph (D) and by inserting after subparagraph  
11 (B) the following new subparagraph:

12 “(C) SPECIAL RULE FOR CONTRIBUTIONS  
13 OF FOOD INVENTORY.—

14 “(i) GENERAL RULE.—In the case of  
15 a charitable contribution of food, this para-  
16 graph shall be applied—

17 “(I) without regard to whether  
18 the contribution is made by a C cor-  
19 poration, and

20 “(II) only for food that is appar-  
21 ently wholesome food.

22 “(ii) DETERMINATION OF FAIR MAR-  
23 KET VALUE.—In the case of a qualified  
24 contribution of apparently wholesome food  
25 to which this paragraph applies and which,

1 solely by reason of internal standards of  
2 the taxpayer or lack of market, cannot or  
3 will not be sold, the fair market value of  
4 such food shall be determined by taking  
5 into account the price at which the same  
6 or similar food items are sold by the tax-  
7 payer at the time of the contribution (or,  
8 if not so sold at such time, in the recent  
9 past).

10 “(iii) APPARENTLY WHOLESOME  
11 FOOD.—For purposes of this subpara-  
12 graph, the term ‘apparently wholesome  
13 food’ shall have the meaning given to such  
14 term by section 22(b)(2) of the Bill Emer-  
15 son Good Samaritan Food Donation Act  
16 (42 U.S.C. 1791(b)(2)), as in effect on the  
17 date of the enactment of this subpara-  
18 graph.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 subsection (a) shall apply to taxable years beginning after  
21 December 31, 2001.

22 **SEC. 106. REFORM OF EXCISE TAX ON NET INVESTMENT IN-**  
23 **COME OF PRIVATE FOUNDATIONS.**

24 (a) IN GENERAL.—Subsection (a) of section 4940 of  
25 the Internal Revenue Code of 1986 (relating to excise tax

1 based on investment income) is amended by striking “2  
2 percent” and inserting “1 percent”.

3 (b) REPEAL OF REDUCTION IN TAX WHERE PRI-  
4 VATE FOUNDATION MEETS CERTAIN DISTRIBUTION RE-  
5 QUIREMENTS.—Section 4940 of such Code is amended by  
6 striking subsection (e).

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

10 **SEC. 107. EXCISE TAX ON UNRELATED BUSINESS TAXABLE**  
11 **INCOME OF CHARITABLE REMAINDER**  
12 **TRUSTS.**

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

16 “(c) TAXATION OF TRUSTS.—

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

21 “(2) EXCISE TAX.—

22 “(A) IN GENERAL.—In the case of a chari-  
23 table remainder annuity trust or a charitable  
24 remainder unitrust that has unrelated business  
25 taxable income (within the meaning of section

1           512, determined as if part III of subchapter F  
2           applied to such trust) for a taxable year, there  
3           is hereby imposed on such trust or unitrust an  
4           excise tax equal to the amount of such unre-  
5           lated business taxable income.

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

10          “(C) CHARACTER OF DISTRIBUTIONS AND  
11          COORDINATION WITH DISTRIBUTION REQUIRE-  
12          MENTS.—The amounts taken into account in  
13          determining unrelated business taxable income  
14          (as defined in subparagraph (A)) shall not be  
15          taken into account for purposes of—

16                 “(i) subsection (b),

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

19                 “(iii) determining income under sub-  
20                 section (d)(3).

21          “(D) TAX COURT PROCEEDINGS.—For  
22          purposes of this paragraph, the references in  
23          section 6212(c)(1) to section 4940 shall be  
24          deemed to include references to this para-  
25          graph.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to taxable years beginning after  
3 December 31, 2001.

4 **SEC. 108. EXPANSION OF CHARITABLE CONTRIBUTION AL-**  
5 **LOWED FOR SCIENTIFIC PROPERTY USED**  
6 **FOR RESEARCH AND FOR COMPUTER TECH-**  
7 **NOLOGY AND EQUIPMENT USED FOR EDU-**  
8 **CATIONAL PURPOSES.**

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

14 (b) COMPUTER TECHNOLOGY AND EQUIPMENT FOR  
15 EDUCATIONAL PURPOSES.—Clause (ii) of section  
16 170(e)(6)(B) of such Code is amended by inserting “or  
17 assembled” after “constructed” and “or assembling” after  
18 “construction”.

19 (c) CONFORMING AMENDMENT.—Subparagraph (D)  
20 of section 170(e)(6) of such Code is amended by inserting  
21 “or assembled” after “constructed” and “or assembling”  
22 after “construction”.

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

1 **SEC. 109. ADJUSTMENT TO BASIS OF S CORPORATION**  
2 **STOCK FOR CERTAIN CHARITABLE CON-**  
3 **TRIBUTIONS.**

4 (a) **IN GENERAL.**—Paragraph (1) of section 1367(a)  
5 of such Code (relating to adjustments to basis of stock  
6 of shareholders, etc.) is amended by striking “and” at the  
7 end of subparagraph (B), by striking the period at the  
8 end of subparagraphs (C) and inserting “, and”, and by  
9 adding at the end the following new subparagraph:

10 “(D) the excess of the amount of the  
11 shareholder’s deduction for any charitable con-  
12 tribution made by the S corporation over the  
13 shareholder’s proportionate share of the ad-  
14 justed basis of the property contributed.”.

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

18 **TITLE II—EXPANSION OF**  
19 **CHARITABLE CHOICE**

20 **SEC. 201. PROVISION OF ASSISTANCE UNDER GOVERN-**  
21 **MENT PROGRAMS BY RELIGIOUS AND COM-**  
22 **MUNITY ORGANIZATIONS.**

23 Title XXIV of the Revised Statutes is amended by  
24 inserting after section 1990 (42 U.S.C. 1994) the fol-  
25 lowing:

1 **“SEC. 1994A. CHARITABLE CHOICE.**

2 “(a) SHORT TITLE.—This section may be cited as the  
3 ‘Charitable Choice Act of 2001’.

4 “(b) PURPOSES.—The purposes of this section are—

5 “(1) to provide assistance to individuals and  
6 families in need in the most effective and efficient  
7 manner;

8 “(2) to prohibit discrimination against religious  
9 organizations on the basis of religion in the adminis-  
10 tration and distribution of government assistance  
11 under the government programs described in sub-  
12 section (c)(4);

13 “(3) to allow religious organizations to assist in  
14 the administration and distribution of such assist-  
15 ance without impairing the religious character of  
16 such organizations; and

17 “(4) to protect the religious freedom of individ-  
18 uals and families in need who are eligible for govern-  
19 ment assistance, including expanding the possibility  
20 of choosing to receive services from a religious orga-  
21 nization providing such assistance.

22 “(c) RELIGIOUS ORGANIZATIONS INCLUDED AS NON-  
23 GOVERNMENTAL PROVIDERS.—

24 “(1) IN GENERAL.—

25 “(A) INCLUSION.—For any program de-  
26 scribed in paragraph (4) that is carried out by

1           the Federal Government, or by a State or local  
2           government with Federal funds, the government  
3           shall consider, on the same basis as other non-  
4           governmental organizations, religious organiza-  
5           tions to provide the assistance under the pro-  
6           gram, if the program is implemented in a man-  
7           ner that is consistent with the Establishment  
8           Clause and the Free Exercise Clause of the  
9           first amendment to the Constitution.

10           “(B) DISCRIMINATION PROHIBITED.—Nei-  
11           ther the Federal Government nor a State or  
12           local government receiving funds under a pro-  
13           gram described in paragraph (4) shall discrimi-  
14           nate against an organization that provides as-  
15           sistance under, or applies to provide assistance  
16           under, such program, on the basis that the or-  
17           ganization has a religious character.

18           “(2) FUNDS NOT AID TO RELIGION.—Federal,  
19           State, or local government funds or other assistance  
20           that is received by a religious organization for the  
21           provision of services under this section constitutes  
22           aid to individuals and families in need, the ultimate  
23           beneficiaries of such services, and not aid to the reli-  
24           gious organization.

1           “(3) FUNDS NOT ENDORSEMENT OF RELI-  
2           GION.—The receipt by a religious organization of  
3           Federal, State, or local government funds or other  
4           assistance under this section is not and should not  
5           be perceived as an endorsement by the government  
6           of religion or the organization’s religious beliefs or  
7           practices.

8           “(4) PROGRAMS.—For purposes of this section,  
9           a program is described in this paragraph—

10           “(A) if it involves activities carried out  
11           using Federal funds—

12           “(i) related to the prevention and  
13           treatment of juvenile delinquency and the  
14           improvement of the juvenile justice system,  
15           including programs funded under the Juve-  
16           nile Justice and Delinquency Prevention  
17           Act of 1974 (42 U.S.C. 5601 et seq.);

18           “(ii) related to the prevention of  
19           crime, including programs funded under  
20           title I of the Omnibus Crime Control and  
21           Safe Streets Act of 1968 (42 U.S.C. 3701  
22           et seq.);

23           “(iii) under the Federal housing laws;

1           “(iv) under title I of the Workforce  
2           Investment Act of 1998 (29 U.S.C. 2801  
3           et seq.)

4           “(v) under the Older Americans Act  
5           of 1965 (42 U.S.C. 3001 et seq.);

6           “(vi) under the Child Care Develop-  
7           ment Block Grant Act of 1990 (42 U.S.C.  
8           9858 et seq.);

9           “(vii) under the Community Develop-  
10          ment Block Grant Program established  
11          under title I of the Housing and Commu-  
12          nity Development Act of 1974 (42 U.S.C.  
13          5301 et seq.);

14          “(viii) related to the intervention in  
15          and prevention of domestic violence;

16          “(ix) related to hunger relief activi-  
17          ties; or

18          “(x) under the Job Access and Re-  
19          verse Commute grant program established  
20          under section 3037 of the Federal Transit  
21          Act of 1998 (49 U.S.C. 5309 note); or

22          “(B)(i) if it involves activities to assist stu-  
23          dents in obtaining the recognized equivalents of  
24          secondary school diplomas and activities relat-  
25          ing to non-school-hours programs; and

1           “(ii) except as provided in subparagraph  
2           (A) and clause (i), does not include activities  
3           carried out under Federal programs providing  
4           education to children eligible to attend elemen-  
5           tary schools or secondary schools, as defined in  
6           section 14101 of the Elementary and Secondary  
7           Education Act of 1965 (20 U.S.C. 8801).

8           “(d) ORGANIZATIONAL CHARACTER AND AUTON-  
9           OMY.—

10           “(1) IN GENERAL.—A religious organization  
11           that provides assistance under a program described  
12           in subsection (c)(4) shall retain its autonomy from  
13           Federal, State, and local governments, including  
14           such organization’s control over the definition, devel-  
15           opment, practice, and expression of its religious be-  
16           liefs.

17           “(2) ADDITIONAL SAFEGUARDS.—Neither the  
18           Federal Government nor a State or local government  
19           shall require a religious organization in order to be  
20           eligible to provide assistance under a program de-  
21           scribed in subsection (c)(4)—

22           “(A) to alter its form of internal govern-  
23           ance; or

1           “(B) to remove religious art, icons, scrip-  
2           ture, or other symbols because they are reli-  
3           gious.

4           “(e) EMPLOYMENT PRACTICES.—

5           “(1) IN GENERAL.—In order to aid in the pres-  
6           ervation of its religious character, a religious organi-  
7           zation that provides assistance under a program de-  
8           scribed in subsection (c)(4) may, notwithstanding  
9           any other provision of law, require that its employ-  
10          ees adhere to the religious practices of the organiza-  
11          tion.

12          “(2) TITLE VII EXEMPTION.—The exemption of  
13          a religious organization provided under section 702  
14          or 703(e)(2) of the Civil Rights Act of 1964 (42  
15          U.S.C. 2000e–1, 2000e–2(e)(2)) regarding employ-  
16          ment practices shall not be affected by the religious  
17          organization’s provision of assistance under, or re-  
18          ceipt of funds from, a program described in sub-  
19          section (c)(4).

20          “(3) EFFECT ON OTHER LAWS.—Nothing in  
21          this section alters the duty of a religious organiza-  
22          tion to comply with the nondiscrimination provisions  
23          in title VI of the Civil Rights Act of 1964 (42  
24          U.S.C. 2000d et seq.) (prohibiting discrimination on  
25          the basis of race, color, and national origin), title IX

1 of the Education Amendments of 1972 (20 U.S.C.  
2 1681–1686) (prohibiting discrimination in edu-  
3 cational institutions on the basis of sex and visual  
4 impairment), section 504 of the Rehabilitation Act  
5 of 1973 (29 U.S.C. 794) (prohibiting discrimination  
6 against otherwise qualified disabled individuals), and  
7 the Age Discrimination Act of 1975 (42 U.S.C.  
8 6101–6107) (prohibiting discrimination on the basis  
9 of age).

10 “(f) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

11 “(1) IN GENERAL.—If an individual described  
12 in paragraph (3) has an objection to the religious  
13 character of the organization from which the indi-  
14 vidual receives, or would receive, assistance funded  
15 under any program described in subsection (c)(4),  
16 the appropriate Federal, State, or local govern-  
17 mental entity shall provide to such individual (if oth-  
18 erwise eligible for such assistance) within a reason-  
19 able period of time after the date of such objection,  
20 assistance that—

21 “(A) is an alternative, including a nonreli-  
22 gious alternative, that is accessible to the indi-  
23 vidual; and

1           “(B) has a value that is not less than the  
2           value of the assistance that the individual would  
3           have received from such organization.

4           “(2) NOTICE.—The appropriate Federal, State,  
5           or local governmental entity shall guarantee that no-  
6           tice is provided to the individuals described in para-  
7           graph (3) of the rights of such individuals under this  
8           section.

9           “(3) INDIVIDUAL DESCRIBED.—An individual  
10          described in this paragraph is an individual who re-  
11          ceives or applies for assistance under a program de-  
12          scribed in subsection (c)(4).

13          “(g) NONDISCRIMINATION AGAINST BENE-  
14          FICIARIES.—

15          “(1) GRANTS AND CONTRACTS.—A religious or-  
16          ganization providing assistance through a grant or  
17          contract under a program described in subsection  
18          (c)(4) shall not discriminate, in carrying out the pro-  
19          gram, against an individual described in subsection  
20          (f)(3) on the basis of religion, a religious belief, or a  
21          refusal to hold a religious belief..

22          “(2) INDIRECT FORMS OF DISBURSEMENT.—A  
23          religious organization providing assistance through a  
24          voucher, certificate, or other form of indirect dis-  
25          bursement under a program described in subsection

1 (c)(4) shall not discriminate, in carrying out the pro-  
2 gram, against an individual described in subsection  
3 (f)(3) on the basis of religion, a religious belief, or  
4 a refusal to hold a religious belief.

5 “(h) ACCOUNTABILITY.—

6 “(1) IN GENERAL.—Except as provided in para-  
7 graph (2), a religious organization providing assist-  
8 ance under any program described in subsection  
9 (c)(4) shall be subject to the same regulations as  
10 other nongovernmental organizations to account in  
11 accord with generally accepted accounting principles  
12 for the use of such funds provided under such pro-  
13 gram.

14 “(2) LIMITED AUDIT.—Such organization shall  
15 segregate government funds provided under such  
16 program into a separate account or accounts. Only  
17 the government funds shall be subject to audit by  
18 the government.

19 “(i) LIMITATIONS ON USE OF FUNDS FOR CERTAIN  
20 PURPOSES.—No funds provided through a grant or con-  
21 tract to a religious organization to provide assistance  
22 under any program described in subsection (c)(4) shall be  
23 expended for sectarian worship, instruction, or proselytiza-  
24 tion. A certificate shall be signed by such organizations  
25 and filed with the government agency that disbursed the

1 funds that gives assurance the organization will comply  
2 with this subsection.

3       “(j) EFFECT ON STATE AND LOCAL FUNDS.—If a  
4 State or local government contributes State or local funds  
5 to carry out a program described in subsection (c)(4), the  
6 State or local government may segregate the State or local  
7 funds from the Federal funds provided to carry out the  
8 program or may commingle the State or local funds with  
9 the Federal funds. If the State or local government com-  
10 mingles the State or local funds, the provisions of this sec-  
11 tion shall apply to the commingled funds in the same man-  
12 ner, and to the same extent, as the provisions apply to  
13 the Federal funds.

14       “(k) TREATMENT OF INTERMEDIATE CONTRAC-  
15 TORS.—If a nongovernmental organization (referred to in  
16 this subsection as an ‘intermediate contractor’), acting  
17 under a contract or other agreement with the Federal Gov-  
18 ernment or a State or local government, is given the au-  
19 thority under the contract or agreement to select non-  
20 governmental organizations to provide assistance under  
21 the programs described in subsection (c)(4), the inter-  
22 mediate contractor shall have the same duties under this  
23 section as the government when selecting or otherwise  
24 dealing with subcontractors, but the intermediate con-

1 tractor, if it is a religious organization, shall retain all  
2 other rights of a religious organization under this section.

3 “(l) COMPLIANCE.—A party alleging that the rights  
4 of the party under this section have been violated by a  
5 State or local government may bring a civil action pursu-  
6 ant to section 1979 against the official or government  
7 agency that has allegedly committed such violation. A  
8 party alleging that the rights of the party under this sec-  
9 tion have been violated by the Federal Government may  
10 bring a civil action for appropriate relief in Federal dis-  
11 trict court against the official or government agency that  
12 has allegedly committed such violation.”.

13 **TITLE III—INDIVIDUAL**  
14 **DEVELOPMENT ACCOUNTS**

15 **SEC. 301. ADDITIONAL QUALIFIED ENTITIES ELIGIBLE TO**  
16 **CONDUCT PROJECTS UNDER THE ASSETS**  
17 **FOR INDEPENDENCE ACT.**

18 Section 404(7)(A)(iii)(I)(aa) of the Assets for Inde-  
19 pendence Act (42 U.S.C. 604 note) is amended to read  
20 as follows:

21 “(aa) a federally insured  
22 credit union; or”.

1 **SEC. 302. INCREASE IN LIMITATION ON NET WORTH.**

2 Section 408(a)(2)(A) of the Assets for Independence  
3 Act (42 U.S.C. 604 note) is amended by striking  
4 “\$10,000” and inserting “\$20,000”.

5 **SEC. 303. CHANGE IN LIMITATION ON DEPOSITS FOR AN IN-**  
6 **DIVIDUAL.**

7 Section 410(b) of the Assets for Independence Act  
8 (42 U.S.C. 604 note) is amended to read as follows:

9 “(b) LIMITATION ON DEPOSITS FOR AN INDI-  
10 VIDUAL.—Not more than \$500 from a grant made under  
11 section 406(b) shall be provided per year to any one indi-  
12 vidual during the project.”.

13 **SEC. 304. ELIMINATION OF LIMITATION ON DEPOSITS FOR**  
14 **A HOUSEHOLD.**

15 Section 410 of the Assets for Independence Act (42  
16 U.S.C. 604 note) is amended by striking subsection (c)  
17 and redesignating subsections (d) and (e) as subsections  
18 (c) and (d), respectively.

19 **SEC. 305. EXTENSION OF PROGRAM.**

20 Section 416 of the Assets for Independence Act (42  
21 U.S.C. 604 note) is amended by striking “2001, 2002, and  
22 2003” and inserting “and 2001, and \$50,000,000 for each  
23 of fiscal years 2002 through 2008”.

24 **SEC. 306. CONFORMING AMENDMENTS.**

25 (a) AMENDMENTS TO TEXT.—The text of each of the  
26 following provisions of the Assets for Independence Act

1 (42 U.S.C. 604 note) is amended by striking “demonstra-  
2 tion” each place it appears:

- 3 (1) Section 403.
- 4 (2) Section 404(2).
- 5 (3) Section 405(a).
- 6 (4) Section 405(b).
- 7 (5) Section 405(c).
- 8 (6) Section 405(d).
- 9 (7) Section 405(e).
- 10 (8) Section 405(g).
- 11 (9) Section 406(a).
- 12 (10) Section 406(b).
- 13 (11) Section 407(b)(1)(A).
- 14 (12) Section 407(c)(1)(A).
- 15 (13) Section 407(c)(1)(B).
- 16 (14) Section 407(c)(1)(C).
- 17 (15) Section 407(c)(1)(D).
- 18 (16) Section 407(d).
- 19 (17) Section 408(a).
- 20 (18) Section 408(b).
- 21 (19) Section 409.
- 22 (20) Section 410(e).
- 23 (21) Section 411.
- 24 (22) Section 412(a).
- 25 (23) Section 412(b)(2).

1 (24) Section 412(c).

2 (25) Section 413(a).

3 (26) Section 413(b).

4 (27) Section 414(a).

5 (28) Section 414(b).

6 (29) Section 414(c).

7 (30) Section 414(d)(1).

8 (31) Section 414(d)(2).

9 (b) AMENDMENTS TO SUBSECTION HEADINGS.—The  
10 heading of each of the following provisions of the Assets  
11 for Independence Act (42 U.S.C. 604 note) is amended  
12 by striking “DEMONSTRATION”:

13 (1) Section 405(a).

14 (2) Section 406(a).

15 (3) Section 413(a).

16 (c) AMENDMENT TO SECTION HEADING.—The head-  
17 ing of section 406 of the Assets for Independence Act (42  
18 U.S.C. 604 note) is amended by striking “**DEM-**  
19 **ONSTRATION**”.

20 **SEC. 307. APPLICABILITY.**

21 (a) IN GENERAL.—The amendments made by this  
22 title shall apply to funds provided before, on or after the  
23 date of the enactment of this Act.

24 (b) PRIOR AMENDMENTS.—The amendments made  
25 by title VI of the Departments of Labor, Health and

1 Human Services, and Education, and Related Agencies  
2 Appropriations Act, 2001 (as enacted into law by Public  
3 Law 106-554) shall apply to funds provided before, on  
4 or after the date of the enactment of such Act.