

Side-by-Side Comparison of Charitable Tax Incentive Provisions Approved by the Senate Finance Committee in 2002 and in 2003

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Deduction for cash contributions of individuals who do not itemize deductions in addition to their standard deduction</u> – Current law prohibits a taxpayer who takes the standard deduction from taking a separate deduction for charitable contributions.</p>	<p>In addition to the standard deduction, the bill would allow a direct charitable deduction from adjusted gross income for the portion of charitable contributions paid in cash that in the aggregate exceeds \$250 (\$500 in the case of a joint return). The maximum deduction would be \$250 (\$500 in the case of a joint return). The deduction would be allowed in computing alternative minimum taxable income.</p> <p>Effective for taxable years beginning after December 31, 2001, and before January 1, 2004.</p> <p>In addition, the bill would require that the Treasury complete a study by December 31, 2003, of the effect of the proposal on increased charitable giving, and of taxpayer compliance, for example, by comparing compliance by taxpayers who itemize their charitable contributions with compliance by those who claim the direct charitable deduction.</p> <p>Revenue estimate: \$2.6 billion/10 years.</p>	<p>Same as last year, with the exception of effective dates.</p> <p>Effective for taxable years beginning after December 31, 2002, and before January 1, 2005.</p> <p>The Treasury report would be required to be completed by December 31, 2004.</p> <p>Revenue estimate: \$3.0 billion/10 years.</p>
<p><u>Tax-free distributions from individual retirement accounts for charitable purposes</u> – Amounts withdrawn from a traditional individual retirement</p>	<p>The bill provides an exclusion from gross income for otherwise taxable withdrawals from a traditional or a Roth IRA</p>	<p>Same as last year, with the exception of effective dates.</p> <p>For direct distributions, the bill is effective for</p>

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<p>arrangement (“IRA”) or a Roth IRA are subject to the rules relating to the tax treatment of withdrawals from IRAs. If those withdrawn amounts are donated to a charitable organization, the charitable contribution is subject to the normally applicable limitations on deductibility of such contributions.</p>	<p>A qualified charitable distribution is defined as any that is made directly by the IRA trustee either to (1) an organization to which deductible contributions can be made or (2) a split-interest entity (i.e., a charitable remainder annuity trust or charitable remainder unitrust, a pooled income fund, or a charitable gift annuity).</p> <p>Direct distributions would be eligible for the exclusion only if made on or after the date the IRA owner attains age 70-1/2. Distributions to a split interest entity would be eligible for the exclusion only if made on or after the date the IRA owner attains age 59-1/2.</p> <p>Under the bill, a pooled income fund would be eligible to receive qualified charitable distributions only if the fund accounts separately for amounts attributable to such distributions. In addition, all distributions from the pooled income fund that are attributable to qualified charitable distributions would be treated as ordinary income to the beneficiary.</p> <p>Qualified charitable distributions to a pooled income fund would not be includible in the fund’s gross income.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$2.9 billion/10 years.</p>	<p>distributions made after the date of enactment. For distributions to a split-interest entity, the bill is effective for distributions made after December 31, 2003.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Extend sec. 170(e)(3) deduction for food inventory to all businesses</u> – Current law restricts taxpayers’ deductions for charitable contributions of inventory property to the taxpayer’s basis (cost). For certain contributions of inventory, C corporations may claim an enhanced deduction equal to the lesser of (1) basis plus one-half of the item’s appreciated value (i.e., basis plus one half of fair market value in excess of basis) or (2) two times basis.</p>	<p>Under the bill, any taxpayer (not just C corporations) engaged in a trade or business would be allowed to claim an enhanced deduction for donations of “apparently wholesome” food inventory.</p> <p>Valuation of donated food: In addition, the proposal would provide that the fair market value of donated food that cannot or will not be sold due to internal standards of the taxpayer or lack of market, would be determined by taking into account the price at which the same or similar foods are sold by the taxpayer at the time of contribution.</p> <p>Revenue estimate: \$665 million/10 years.</p>	<p>Under the bill, any taxpayer (not just C corporations) engaged in a trade or business would be allowed to claim an enhanced deduction for donations of “apparently wholesome” food inventory.</p> <p>Valuation of donated food: In addition, the proposal would provide that the fair market value of donated food that cannot or will not be sold due to internal standards of the taxpayer or lack of market, would be determined by taking into account the price at which the same or similar foods are sold by the taxpayer at the time of contribution.</p> <p>For taxpayers other than C corporations, the total deduction for donations of food inventory in a taxable year generally may not exceed 10 percent of the taxpayer’s net income from the trade or business (or interest therein) from which contributions are made.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$2 billion/10 years.</p>
<p><u>Charitable deduction for contributions of book inventory</u> - Current law restricts taxpayers’ deductions for charitable contributions of inventory property to the taxpayer’s basis (cost). For certain contributions of inventory, C corporations may claim an enhanced deduction equal to the lesser of (1) basis plus one-half of the item’s appreciated value (i.e., basis plus one half of fair market value in excess of basis) or (2) two times basis.</p>	<p>The bill would allow a C corporation to claim an enhanced deduction for charitable contributions of book inventory and modifies the deduction so that it is equal to the lesser of fair market value (i.e., the bona fide published market price published within seven years preceding the contribution) or twice the taxpayer’s basis.</p> <p>In general, a qualified book contribution is defined</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$283 million/10 years.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
	<p>as a charitable contribution of books to: (1) a school; (2) a public library; or (3) a 501(c)(3) organization (except for private non-operating foundations) that is organized primarily to make books available to the general public at no cost or to operate a literacy program.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$379 million/10 years.</p>	
<p><u>Enhanced deduction for charitable contribution of literary, musical, artistic, and scholarly compositions</u> - Charitable contributions of literary, musical, and artistic compositions are considered ordinary income property and a taxpayer's deduction of such property is limited to the taxpayer's basis (typically, cost) in the property. To be eligible for the deduction, the contribution must be of an undivided portion of the donor's entire interest in the property.</p> <p>For purposes of the charitable income tax deduction, the copyright and the work in which the copyright is embodied are not treated as separate property interests. Accordingly, if a donor owns a work of art and the copyright to the work of art, a gift of the artwork without the copyright or the copyright without the artwork will constitute a gift of a "partial interest" and will not qualify for the income tax charitable deduction.</p>	<p>The proposal would allow a deduction for qualified artistic charitable contributions equal to the fair market value of the property contributed, measured at the time of the contribution.</p> <p>The amount the deduction could not exceed the amount of the donor's adjusted gross income for the taxable year attributable to: (1) income from the sale or use of property created by the donor that is of the same type as the donated property; and (2) income from teaching, lecturing, performing, or similar activities with respect to such property.</p> <p>In addition, the increase to the present-law deduction provided by the proposal could not be carried over and deducted in other taxable years.</p> <p>The proposal would define a qualified artistic charitable contribution to mean a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both). The tangible property and the copyright on such property would be treated as separate interests in the property for</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimates: \$59 million/10 years.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
	<p>purposes of the “partial interest” rule; thus, a gift of artwork without the copyright or a copyright without the artwork would not constitute a gift of a partial interest and would be deductible.</p> <p>Contributions of letters, memoranda, or similar property that are written, prepared, or produced by or for an individual in his or her capacity as an officer or employee of any person (including a government agency or instrumentality) would not qualify for a fair market value deduction unless the contributed property was entirely personal.</p> <p>In addition, a contribution would have to meet several requirements in order to qualify for the fair market value deduction. First, the contributed property would have to have been created by the personal efforts of the donor at least 18 months prior to the date of contribution.</p> <p>Second, the donor would have to obtain a qualified appraisal of the contributed property, a copy of which would be required to be attached to the donor’s income tax return for the taxable year in which such contribution is made. Third, the contribution would have to be made to a public charity or to certain limited types of private foundations. Finally, the use of donated property by the recipient organization would have to be related to the organization’s charitable purpose or function, and the donor must receive a written statement from the organization verifying such use.</p> <p>Effective for contributions made after December 31, 2002.</p> <p>Revenue estimate: \$52 million/10 years.</p>	

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<p><u>Individual Development Accounts</u> - The Assets for Independence Act authorized \$25 million annually for a five-year demonstration Individual Development Account ('IDA') program. The demonstration program provides direct federal funds to nonprofit organizations, states and localities, tribal governments, community-development financial institutions, and certain credit unions to match the amount of earnings deposited by eligible individuals. Grantees must provide non-federal matching funds (one dollar per federal grant dollar), and the maximum federal grant is \$1 million for each project year.</p>	<p>The bill would provide a nonrefundable tax credit for financial institutions that have an Individual Development Account (IDA) program. The credit would apply with respect to matching funds for participant contributions, up to \$500 per account per year.</p> <p>The credit would apply to the first 300,000 IDAs opened before January 1, 2011, and with respect to matching contributions made after December 31, 2003, and before January 1, 2011.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>The credit would apply to the first 300,000 IDAs opened before January 1, 2012, and with respect to matching contributions made after December 31, 2004, and before January 1, 2012.</p> <p>Revenue estimate: \$487 million/10 years.</p>
<p><u>Contribution of capital gain real property made for conservation purposes</u> - Contributions of capital gain property to a qualified charity are deductible at fair market value within certain limitations. Contributions of capital gain property to charitable organizations described in section 170(b)(1)(A) (e.g., public charities, private foundations other than private non-operating foundations, and certain governmental units) generally are deductible up to 30 percent of the taxpayer's contribution base.</p> <p>An individual may elect, however, to bring all these contributions of capital gain property for a taxable year within the 50-percent limitation category by reducing the amount of the contribution deduction by the amount of the appreciation in the capital gain property.</p> <p>Contributions of capital gain property to charitable</p>	<p>Under the bill, the 30-percent contribution base limitation on contributions of capital gain property by individuals would not apply to qualified conservation contributions (as defined under present law). Thus, individuals could include the fair market value of any qualified conservation contribution of capital gain property in determining the amount of the charitable contributions subject to the 50-percent contribution base limitation. In addition, individuals would be allowed to carry forward any qualified conservation contribution that exceeds the 50-percent limitation for 15 years.</p> <p>The 50-percent contribution base limitation would apply first to contributions other than qualified conservation contributions and then to qualified conservation contributions.</p> <p>In the case of an eligible farmer or rancher, a</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$332 million/10 years.</p>

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<p>organizations described in section 170(b)(1)(B) (e.g., private non-operating foundations) are deductible up to 20 percent of the taxpayer's contribution base.</p> <p>For purposes of determining whether a taxpayer's aggregate charitable contributions in a taxable year exceed the applicable percentage limitation, contributions of capital gain property are taken into account after other charitable contributions. Contributions of capital gain property that exceed the percentage limitation may be carried forward for five years.</p> <p>Qualified conservation contributions are not subject to the "partial interest" rule, which generally bars deductions for charitable contributions of partial interests in property.</p>	<p>qualified conservation contribution would be allowable up to 100 percent of the taxpayer's contribution base (after taking into account other charitable contributions). This rule would apply both to individuals and corporations.</p> <p>In addition, corporate (and non-corporate) eligible farmers and ranchers would be allowed to carry forward any excess qualified conservation contributions for 15 years.</p> <p>The 100-percent contribution base limitation would apply first to contributions other than qualified conservation contributions (to the extent allowable under other percentage limitations) and then to qualified conservation contributions.</p> <p>Effective for contributions made in taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$285 million/10 years.</p>	
<p><u>Exclusion of gain from sales made for conservation purposes</u> - Gain from the sale or exchange of land held more than one year generally is treated as long-term capital gain.</p> <p>Generally the net capital gain of an individual (i.e., long-term capital gain less short-term capital loss) is subject to a maximum rate of 20 percent.</p>	<p>The bill provides a 25-percent exclusion from gross income of capital gain from the qualifying sale of land, or an interest in land or water, for qualified conservation purposes (as described in section 170(h)(4)). The land, or interest in land or water, must have been held by the taxpayer or the taxpayer's family at all times during the five year period preceding the date of sale. A qualifying sale would be a sale or exchange to an agency or department of the Federal Government, State or local governments, or 501(c)(3) organizations organized and operated primarily for qualified conservation purposes.</p>	<p>Same as last year with the exception of the effective date.</p> <p>Effective for sales or exchanges on or after the date of enactment.</p> <p>Revenue estimate: \$766 million/10 years.</p>

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	<p>The exclusion would not be available for sales or exchanges of ordinary income property or improvements. Only sales or exchanges of: (1) the entire interest of the taxpayer other than a qualified mineral interest; (2) a remainder interest; or (3) a restriction (granted in perpetuity) on the use which may be made of the land or interest in land or water, would qualify for the exclusion.</p> <p>In addition, to be a qualifying sale, the person acquiring the land, or interest in land or water, must provide the taxpayer with a letter stating that the intent of the purchase is to further a qualified conservation purpose and that any subsequent transfer of the acquired interest will protect the conservation purpose in perpetuity.</p> <p>In addition, under the bill the exclusion would be available for capital gain from certain sales or exchanges of a controlling stock interest (generally a stock interest of at least 90 percent of the total voting power and total value of the corporation's stock) in a corporation if at least 90 percent of the fair market value of the corporation's assets at all times during the three year period preceding the sale consisted of land or interests in land. Only controlling stock interests held by the taxpayer or the taxpayer's family at all times during the five years preceding the sale would qualify for the 25-percent exclusion.</p> <p>Effective for sales made after December 31, 2003.</p> <p>Revenue estimate: \$698 million/10 years.</p>	

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Modify rules governing tax-exempt bonds for section 501(c)(3) organizations as applied to organizations engaged in timber conservation activities</u> - Qualified 501(c)(3) bonds may be issued only to finance the activities that qualify the organization for tax-exemption, as opposed to unrelated business activities of these organizations. If the bonds are issued to finance property that is intended to be sold to a private business while the bonds are outstanding, bond interest may not qualify for tax-exemption.</p> <p>Similarly, if the property is in fact sold, bond interest may become retroactively taxable unless remedial actions specified in Treasury Department regulations are taken.</p>	<p>The rules governing issuance of qualified 501(c)(3) bonds would be modified to permit the issuance of long-term bonds for the acquisition of land and timber associated with such land subject to a conservation restriction.</p> <p>Under the proposal, the bonds would not fail to be qualified 501(c)(3) bonds if the timber was sold, leased, or otherwise used by an unaffiliated person to the extent that such sale, leasing, or other use did not constitute an unrelated trade or business, and so long as the other requirements of the proposal were met.</p> <p>In addition, these bonds may not constitute qualified 501(c)(3) bonds unless the seller of the land and timber property that is to be acquired with the bond proceeds irrevocably elects not to exclude from income any portion of the gain on the sale of such property made for qualifying conservation purposes.</p> <p>Under the proposal, section 501(c)(3) organizations could enter into certain otherwise prohibited timber management arrangements with private businesses without losing tax-exemption on bonds used to finance the property and timber.</p> <p>Similarly, the bonds could be issued on a tax-exempt basis notwithstanding plans by the section 501(c)(3) organization to harvest and sell standing timber on land being acquired.</p> <p>The aggregate amount of bonds that could be issued pursuant to this proposal would be subject to a</p>	<p>No provision.</p>

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	<p>national limitation of \$2 billion. This volume limitation, for the period October 1, 2002, to December 31, 2005, would be allocated by the Department of Treasury to qualified Section 501(c)(3) organizations.</p> <p>Effective for bonds issued after September 30, 2002, and before January 1, 2006.</p> <p>Revenue estimate \$255 million/10 years.</p>	
<p><u>Cost-sharing payments under the Partners for Fish and Wildlife Program</u> - Under present law, gross income does not include the excludable portion of payments made to taxpayers by federal and state governments for a share of the cost of improvements to property under certain conservation programs.</p>	<p>The proposal would expand the types of qualified cost-sharing payments to include payments under the Partners for Fish and Wildlife Program.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$23 million/10 years.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for payments received after date of enactment.</p> <p>Revenue estimate \$26 million/10 years.</p>
<p><u>Modify the unrelated business income tax for charitable remainder trusts</u> – Under current law, a charitable remainder trust that has any unrelated business income loses its tax-exempt status for that year.</p>	<p>In lieu of removing the income tax exemption of a charitable remainder trust for any year in which the trust has any unrelated business taxable income, the bill imposes a 100 percent excise tax on the unrelated business taxable income of the trust.</p> <p>Effective for taxable years beginning after December 31, 2001, regardless of when the trust was created.</p> <p>Revenue estimate: \$55 million/10 years.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for taxable years beginning after December 31, 2002.</p>
<p><u>Exclusion for certain mileage reimbursements to charitable volunteers</u> - Unreimbursed out-of-pocket</p>	<p>No Provision.</p>	<p>The bill provides that reimbursement by an organization described in section 170(c) (including</p>

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<p>expenditures made incident to providing donated services to a qualified charitable organization -- such as out-of-pocket transportation expenses necessarily incurred in performing donated services -- may constitute an itemized deduction for charitable contributions. In determining the amount treated as a charitable contribution where a taxpayer operates a vehicle in providing services to a charity, the taxpayer either may deduct actual out-of-pocket expenditures or may use the charitable standard mileage rate. The charitable standard mileage rate is set by statute at 14 cents per mile. Volunteer drivers who are reimbursed for mileage expenses have taxable income to the extent the reimbursement exceeds deductible travel expenses.</p>		<p>public charities and private foundations) to a volunteer for the costs of using an automobile in connection with providing donated services is excludable from the gross income of the volunteer, provided that (1) the reimbursement does not exceed the business standard mileage rate prescribed for business use (as periodically adjusted), and (2) recordkeeping requirements applicable to deductible business expenses are satisfied. The bill does not permit a volunteer to claim a deduction or credit with respect to excludable expenses.</p> <p>Information reporting required by section 6041 is not required with respect to reimbursements excluded under the proposal.</p> <p>Effective for taxable years beginning after date of enactment.</p> <p>Revenue estimate: \$3 million/10 years.</p>
<p><u>Modify the self-constructed property rule for certain charitable contributions</u> – Sec. 170(e)(4) allows an enhanced deduction for corporate contributions of scientific and computer technology and equipment that is constructed by the taxpayer.</p>	<p>The bill provides that property assembled by the taxpayer in addition to property constructed by the taxpayer is eligible for the enhanced deduction under Section 170(e).</p> <p>The provision is effective for taxable years beginning after December 31, 2001.</p> <p>Revenue estimate: \$10 million/10 years</p>	<p>The bill provides that property assembled by the taxpayer in addition to property constructed by the taxpayer is eligible for the enhanced deduction under Section 170(e).</p> <p>The bill extends the enhanced deduction for qualified computer contributions to contributions made before January 1, 2006.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$420 million/10 years.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Modify the basis rules for gifts of S corporation stock</u> - Under present law, if an S corporation contributes money or other property to a charity, each shareholder takes into account the shareholder's pro rata share of the contribution in determining its own income tax liability. A shareholder of an S corporation reduces the basis in the stock of the S corporation by the amount of the charitable contribution that flows through to the shareholder.</p>	<p>The bill provides that the amount of a shareholder's basis reduction in the stock of an S corporation by reason of a charitable contribution made by the corporation would be equal to the shareholder's pro rata share of the adjusted basis of the contributed property. Under the bill, the basis in the S corporation stock would be adjusted so that on the sale of the S corporation stock, there would be no tax on the appreciation in the contributed property.</p> <p>Effective for contributions made in taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$388 million/10 years.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$453 million/10 years.</p>
<p><u>Disclosure of written determinations</u></p>	<p>The bill requires disclosure in redacted form of written determinations relating to the tax-exempt status of an organization described in section 501(c) or (d) that are not required to be disclosed by section 6104(a)(1)(A) but that are within the scope of section 6104.</p> <p>Such written determinations (and related background file documents) would be disclosed under the provisions of section 6110 and would include: (1) unfavorable rulings or determination letters issued in response to applications for tax exemption; (2) rulings or determination letters revoking or modifying a favorable determination letter; (3) technical advice memoranda relating to a disapproved application for tax exemption or the revocation or modification of a favorable</p>	<p>The bill provides that the provisions of section 6110 apply to written determinations and related background file documents relating to an organization described in section 501(c) or (d) (including any written determination denying an organization exempt status under such subsection), or to a political organization described in section 527, that are not required to be disclosed by section 6104(a)(1)(A).</p> <p>Effective for written determinations issued after date of enactment.</p> <p>Revenue estimate: Negligible.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
	<p>determination letter; (4) any letter or document filed with or issued by the IRS relating to whether a proposed or accomplished transaction is a prohibited transaction under section 503; (5) any letter or document filed with or issued by the IRS relating to an organization's status as a private foundation or private operating foundation, unless the letter or document relates to the organization's application for tax exemption; and (6) any other letter or document filed with or issued by the IRS which, although it relates to an organization's tax exempt status as an organization described in section 501(c) or (d), does not relate to that organization's application for tax exemption.</p> <p>Effective for written determinations issued after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p>	
<p><u>Disclosure of internet web site and name under which organization does business</u> - Most types of tax-exempt organizations are required to file annually an information return.</p> <p>The Internal Revenue Code does not require an exempt organization to furnish on the applicable information return any name under which the organization operates or does business, if such name differs from the legal name of the organization, or the organization's Internet web site address, if any.</p>	<p>The bill requires a tax-exempt organization subject to reporting requirements under section 6033(a) to include on its annual return any name under which such organization operates or does business, and the Internet web site address (if any) of such organization.</p> <p>Effective for returns filed after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for returns filed after December 31, 2003.</p> <p>Revenue estimate: Negligible.</p>

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<p><u>Modification to reporting of capital transactions</u> - Part IV of the Form 990-PF requires that private foundations report detailed information regarding the gain or loss from the sale or other disposition of property, including a description of the property sold, how it was acquired (purchase or donation), the date acquired, the date sold, the gross sales price, the amount of depreciation allowed or allowable, and the cost or other basis plus expenses of the sale. Such information generally is required for the IRS to calculate the tax on the private foundation's net investment income. The Form 990-PF is required to be made available to the public.</p>	<p>The bill requires that any information regarding capital gains and losses that is required to be furnished by private foundations in order to calculate the tax on net investment income would be furnished also in summary form. Any such information regarding capital gains and losses that is required to be filed with the IRS but that is not in summary form would not be required to be made available to the public except by the explicit request of a member of the public to the organization or to the IRS. Private foundations would be required to state on the furnished summary that the more detailed description is available upon such request.</p> <p>Effective for returns filed after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for returns filed after December 31, 2003.</p> <p>Revenue estimate: Negligible.</p>
<p><u>Disclosure that Form 990 is publicly available</u> - Under present law, there is no requirement that the IRS notify the public that the Form 990 is publicly available.</p>	<p>The proposal would require the IRS to notify the public in Publication 17, Publication 526, and the Instructions to Schedule A of Form 1040 that an exempt organization's Form 990, Form 990-EZ, and Form 990-PF are publicly available.</p> <p>Effective for instructions or publications issued or revised after the date of enactment.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year.</p>
<p><u>Disclosure to state officials of proposed actions related to section 501(c)(3) organizations</u> -</p>	<p>The bill provides that upon written request by an appropriate State officer, the Treasury Secretary may disclose, with respect to a section 501(c)(2) (certain title holding companies), 501(c)(3)</p>	<p>Same as last year.</p>

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	<p>(charitable and similar organizations), 501(c)(4) (certain social welfare organizations), 501(c)(6) (certain business leagues and similar organizations), 501(c)(7) (certain recreational clubs), 501(c)(8) (certain fraternal organizations), 501(c)(10) (certain domestic fraternal organizations operating under the lodge system), and 501(c)(13) (certain cemetery companies) organization: (1) a notice of proposed refusal to recognize an organization as an organization exempt from tax; (2) a notice of proposed revocation of tax-exemption; (3) with respect to private foundations, the issuance of a proposed deficiency of tax imposed under section 507, chapter 41, or chapter 42; (4) the names and taxpayer identification numbers of organizations that have applied for recognition as tax-exempt organizations; and (5) return and return information of organizations with respect to which information has been disclosed under (1) through (4) above.</p> <p>Disclosure or inspection would be permitted for the purpose of, and only to the extent necessary in, the administration of State laws regulating the applicable tax-exempt organization, such as laws regulating tax-exempt status, charitable trusts, charitable solicitation, and fraud.</p> <p>The Secretary also would be permitted to disclose or open to inspection the return and return information of an organization that is recognized as tax-exempt under sections 501(c)(2), 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7), 501(c)(8), 501(c)(10), and 501(c)(13), or that has applied for such recognition, to an appropriate State officer if the Secretary determines that disclosure or</p>	

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
	<p>inspection may facilitate the resolution of Federal and State issues relating to the organization.</p> <p>In addition the bill would provide that return and return information disclosed under section 6104(c) may be disclosed in civil administrative and judicial proceedings pertaining to the enforcement of State laws regulating the applicable tax-exempt organization in a manner prescribed by the Secretary.</p> <p>Effective on the date of enactment but would not apply to requests made before such date.</p> <p>Revenue estimate: Negligible.</p>	
<p><u>Expansion of penalties to preparers of Form 990</u> - Income tax return preparers are subject to a penalty of \$250 with respect to any return if a portion of an understatement of tax liability is due to a position for which there was not a realistic possibility of success on the merits, the preparer knew or reasonably should have known of the position, and the position was not disclosed or was frivolous. In addition, present law imposes a penalty on income tax return preparers of \$1,000 with respect to a tax return if a portion of an understatement of tax liability is due to a willful attempt to understate liability or to reckless or intentional disregard of rules or regulations.</p>	<p>No provision.</p>	<p>The bill provides that a preparer (for compensation) of an information return of an exempt organization is subject to a penalty of \$250 if the preparer omits or misrepresents any information with respect to such return that was known or should have been known by the preparer. The penalty does not apply to minor, inadvertent omissions.</p> <p>In addition, such preparers would be subject to a penalty of \$1,000 if the preparer recklessly or intentionally misrepresents any information or recklessly or intentionally disregards any rule or regulation with respect to such return. With respect to any return, the \$1,000 penalty is reduced by the amount of any penalty paid by such person with respect to the return for omissions and misrepresentations (the \$250 penalty imposed by the proposal) or a penalty imposed by section 6694.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
		<p>Effective for documents prepared after date of enactment.</p> <p>Revenue estimate: Negligible.</p>
<p><u>Notification requirement for exempt entities not currently required to file an annual information return</u> - The requirement that an exempt organization file an annual information return does not apply to organizations (other than private foundations), that have gross receipts in each taxable of \$25,000 or less.</p>	<p>No provision.</p>	<p>The bill provides that organizations (other than private foundations) with gross receipts of \$25,000 or less shall furnish to the Secretary annually the legal name of the organization, any name under which the organization operates or does business, the organization's mailing address and Internet web site address (if any), the organization's taxpayer identification number, the name and address of a principal officer, and evidence of the organization's continuing basis for its exemption from the generally applicable information return filing requirements. Upon such organization's termination of existence, the organization is required to furnish notice of such termination.</p> <p>Under the bill, if an organization fails to provide the required notice for three consecutive years, the organization's tax-exempt status is revoked. If upon reapplication for tax-exempt status, the organization shows to the satisfaction of the Secretary reasonable cause for failing to file the required annual notices, the organization's tax-exempt status will be reinstated retroactive to the date of revocation.</p> <p>An organization may not challenge under the Code's declaratory judgment procedures (section 7428) a revocation of tax-exemption made pursuant</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
		<p>to this proposal. There is no monetary penalty for failure to file the notice. The bill does not require that the notices be made available to the public under the public disclosure and inspection rules generally applicable to exempt organizations.</p> <p>In addition, the bill extends the penalty of revocation of tax-exempt status to organizations that are required to file an information return under section 6033(a) (Form 990). If an organization fails to file such an information return for three consecutive years, the organization's tax-exempt status is revoked. In addition, an organization's tax-exemption is revoked if the organization fails to meet its filing obligation to the Secretary for three consecutive years in cases where the organization is subject to the information return requirement in one or more years during a three-year period and also is subject to the notice requirement for one or more years during the same three-year period.</p> <p>The revocation is effective from the date that the Secretary determines was the last day the organization could have timely filed the third required information return or notice. To again be recognized as tax-exempt, the organization must apply to the Secretary for recognition of tax-exemption, irrespective of whether the organization was required to make an application for recognition of tax-exemption in order to gain tax-exemption originally.</p> <p>Effective for notices with respect to annual periods beginning after 2003.</p> <p>Revenue estimate: Negligible.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Suspension of tax-exempt status of terrorist organizations.</u></p>	<p>No provision.</p>	<p>The bill suspends the tax-exempt status of an organization that is exempt from tax under section 501(a) for any period during which the organization is designated or identified by U.S. Federal authorities as a terrorist organization or supporter of terrorism.</p> <p>The bill also makes such an organization ineligible to apply for tax exemption under section 501(a). The period of suspension runs from the date the organization is first designated or identified to the date when all designations or identifications with respect to the organization have been rescinded pursuant to the law or Executive order under which the designation or identification was made.</p> <p>If the tax-exemption of an organization is suspended and each designation and identification that has been made with respect to the organization is determined to be erroneous pursuant to the law or Executive order making the designation or identification, and such erroneous designation results in an overpayment of income tax for any taxable year with respect to such organization, a credit or refund (with interest) with respect to such overpayment shall be made. If the operation of any law or rule of law (including res judicata) prevents the credit or refund at any time, the credit or refund may nevertheless be allowed or made if the claim for such credit or refund is filed before the close of the one-year period beginning on the date that the last remaining designation or identification with respect to the organization is determined to be erroneous.</p> <p>The bill directs the IRS to update the listings of tax-</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
		<p>exempt organizations to take account of organizations that have had their exemption suspended and to publish notice to taxpayers of the suspension of an organization's tax-exemption and the fact that contributions to such organization are not deductible during the period of suspension.</p> <p>The bill applies to organizations that are designated or identified as a terrorist organization prior to, on, or after the date of enactment. In addition, if an organization is designated or identified as a terrorist organization prior to the date of enactment, the suspension of the organization's tax-exemption begins from the date of enactment and is not retroactive to the date the organization is designated or identified as a terrorist organization.</p>
<p><u>Modify Section 512(b)(13)</u> - In general, interest, rents, royalties and annuities are excluded from the unrelated business income ("UBI") of tax-exempt organizations. However, section 512(b)(13) treats otherwise excluded rent, royalty, annuity, and interest income as UBI if such income is received from a taxable or tax-exempt subsidiary that is 50 percent controlled by the parent tax-exempt organization.</p> <p>Under present law, interest, rent, annuity, or royalty payments made by a controlled entity to a tax-exempt organization are includable in the latter organization's UBI and are subject to the unrelated business income tax to the extent the payment reduces the net unrelated income (or increases any</p>	<p>The proposal would provide that the general rule of section 512(b)(13), which includes interest, rent, annuity, or royalty payments made by a controlled entity to a tax-exempt organization in the latter organization's UBI, applies only to the portion of payments received in a taxable year that exceed the amount of the specified payment that would have been paid if such payment had been determined under the principles of section 482.</p> <p>In addition, the proposal would impose a 20 percent penalty on the excess amount of any such payment.</p> <p>The proposal would provide that if modifications to section 512(b)(13) made by the 1997 Act did not apply to a contract because of the transitional relief</p>	<p>Same as last year.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>net unrelated loss) of the controlled entity.</p>	<p>provided by the 1997 Act, then such modifications also would not apply to amounts received or accrued under such contract before January 1, 2001.</p> <p>Effective payments received or accrued after December 31, 2000.</p> <p>Revenue estimate: \$139 million/10 years.</p>	
<p><u>Simplification of lobbying expenditure limitation</u> – Organizations that make a section 501(h) election are subject to tax if the electing charity makes either “lobbying expenditures” or “grassroots expenditures” in excess of a certain amount established for each type of expenditure for each taxable year.</p> <p>Lobbying expenditures are the sum of grassroots expenditures and “direct lobbying” expenditures. The expenditure limits are based on a “lobbying nontaxable amount” for the taxable year and a “grassroots nontaxable amount” for the taxable year. The lobbying nontaxable amount is the lesser of \$1 million or an amount determined as a percentage of an organization’s exempt purpose expenditures. The grassroots nontaxable amount is 25 percent of the organization’s lobbying nontaxable amount. An electing charity that exceeds either of the spending limitations is subject to a 25 percent tax on the excess. An electing charity that exceeds both of the spending limitations is subject to a 25 percent tax on the greater of the excess of the lobbying expenditures or the grassroots expenditures. An electing charity</p>	<p>The bill eliminates the separate limitation for grassroots lobbying expenditures applicable to electing charities. Electing charities would remain subject to the overall limitation on lobbying expenditures, which would not change in amount, but electing charities would not be required to limit grassroots expenditures as a percentage of overall lobbying.</p> <p>For purposes of the section 501(h) election, electing charities would no longer be required to distinguish between grassroots lobbying and direct lobbying, whether for mixed lobbying expenditures or otherwise.</p> <p>Effective for taxable years beginning after December 31, 2001.</p> <p>Revenue estimate: \$15 million/10 years.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate: \$15 million/10 years.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>that normally exceeds either of two “ceiling amounts,” which are based on the expenditure limits, will lose its tax exemption.</p> <p>The “lobbying ceiling amount” is 150 percent of the electing charity’s lobbying nontaxable amount for the taxable year and the “grass roots ceiling amount” is 150 percent of the grass-roots nontaxable amount for the taxable year. For this purpose, “normal” expenditures are calculated based on a four-year averaging mechanism.</p>		
<p><u>Expedited review process for certain tax-exemption applications</u> - Most organizations that seek tax-exempt status as a charitable organization are required to file an Application for Recognition of Exemption (Form 1023) with the IRS. Organizations that file Form 1023 within 15 months of the end of the month of the organization’s formation will, if the application is approved, be recognized as tax-exempt from the date of formation.</p> <p>The IRS will automatically grant an organization’s request for an additional 12-month extension of the 15-month period. Otherwise, exemption normally will be recognized as of the date the application was received by the IRS.</p> <p>In appropriate circumstances, upon written request, the IRS will expedite consideration of applications for tax-exemption. For example, organizations formed to provide relief to victims of disasters or other emergencies often receive expedited consideration.</p>	<p>The bill allows expedited consideration of applications for exempt status by organizations that are organized and operated for the primary purpose of providing social services.</p> <p>Effective for applications for tax-exempt status filed after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for applications for tax-exempt status filed after December 31, 2003.</p> <p>Revenue estimate: Negligible.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Clarification of definition of church tax inquiry</u> - Under present law, the IRS may begin a church tax inquiry only if an appropriate high-level Treasury official reasonably believes, on the basis of the facts and circumstances recorded in writing, that an organization (1) may not qualify for tax exemption as a church, (2) may be carrying on an unrelated trade or business, or (3) otherwise may be engaged in taxable activities.</p>	<p>The bill clarifies that the present-law church tax inquiry procedures do not apply to contacts made by the IRS for the purpose of educating churches with respect to the law governing tax-exempt organizations.</p> <p>Effective date of enactment.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year.</p>
<p><u>Extension of declaratory judgment procedures to non-501(c)(3) tax-exempt organizations</u> - Under present law, a non-charity (i.e., an organization not described in section 501(c)(3)) may not seek a declaratory judgment with respect to an IRS determination regarding its tax-exempt status. The only remedies available to such an organization are to petition the U.S. Tax Court for relief following the issuance of a notice of deficiency or to pay any tax owed and sue for refund in federal district court or the U.S. Court of Federal Claims.</p>	<p>The bill extends declaratory judgment procedures similar to those currently available only to charities under section 7428 to other section 501(c) determinations. The provision would limit jurisdiction over controversies involving such determinations to the United States Tax Court.</p> <p>Effective for pleadings with respect to determinations made after December 31, 2001.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year, with the exception of the effective date.</p> <p>Effective for pleadings filed with respect to determinations (or requests for determinations) made after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p>
<p><u>Definition of convention or association of churches</u> - Under present law, an organization that qualifies as a “convention or association of churches” (within the meaning of sec. 170(b)(1)(A)(i)) is not required to file an annual return, is subject to the church tax inquiry and church tax examination provisions applicable to organizations claiming to be a church, and is subject to certain other provisions generally applicable to churches.</p> <p>The Internal Revenue Code does not define the term “convention or association of churches.”</p>	<p>The bill provides that an organization that otherwise is a convention or association of churches would not fail to so qualify merely because the membership of the organization includes individuals as well as churches, or because individuals have voting rights in the organization.</p> <p>Effective on date of enactment.</p> <p>Revenue estimate: Negligible.</p>	<p>Same as last year.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p><u>Charitable contribution deduction for certain expenses in support of native Alaskan subsistence whaling</u> - No charitable contribution deduction is allowed for a contribution of services. However, unreimbursed expenditures made incident to the rendition of services to an organization, contributions to which are deductible, may constitute a deductible contribution (Treas. Reg. sec. 1.170A-1(g)). Specifically, section 170(j) provides that no charitable contribution deduction is allowed for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel.</p>	<p>The bill allows individuals to claim a deduction under section 170 not exceeding \$7,500 per taxable year for certain expenses incurred in carrying out sanctioned whaling activities. The deduction would be available only to an individual who is recognized by the Alaska Eskimo Whaling Commission as a whaling captain charged with the responsibility of maintaining and carrying out sanctioned whaling activities.</p> <p>The deduction would be available for reasonable and necessary expenses paid by the taxpayer during the taxable year for: (1) the acquisition and maintenance of whaling boats, weapons, and gear used in sanctioned whaling activities, (2) the supplying of food for the crew and other provisions for carrying out such activities, and (3) storage and distribution of the catch from such activities.</p> <p>Effective for contributions made after December 31, 2002.</p> <p>Revenue estimate: \$3 million/10 years.</p>	
<p><u>Payments by charitable organizations to victims of war on terrorism</u> – An organization is not organized or operated exclusively for one or more exempt purposes unless the organization serves a public rather than a private interest. Thus, an organization described in section 501(c)(3) generally must serve a charitable class of persons that is indefinite or of sufficient size.</p>	<p>The bill provides that organizations described in section 501(c)(3) that make certain payments are not required to make a specific assessment of need for the payments to be related to the purpose or function constituting the basis for the organization’s exemption, provided that the organization makes the payments in good faith and uses an objective formula that is consistently applied in making the payments.</p>	<p>The bill provides that organizations described in section 501(c)(3) that make certain payments are not required to make a specific assessment of need for the payments to be related to the purpose or function constituting the basis for the organization’s exemption, provided that the organization makes the payments in good faith and uses an objective formula that is consistently applied in making the payments.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
	<p>The proposal would apply to payments to a member of the Armed Forces of the United States (as defined in section 7701(a)(15)), or to a member of such person’s immediate family, by reason of the death, injury, wounding, or illness of a member of the Armed Forces of the United States that was incurred as a result of the military response of the United States to the terrorist attacks against the United States on September 11, 2001.</p> <p>Effective for payments made after the date of enactment and before September 11, 2003.</p> <p>Revenue estimate: Negligible.</p>	<p>The proposal would apply to payments to a member of the Armed Forces of the United States (as defined in section 7701(a)(15)), or to a member of such person’s immediate family, by reason of the death, injury, wounding, or illness of a member of the Armed Forces of the United States that was incurred as a result of the military response of the United States to the terrorist attacks against the United States on September 11, 2001.</p> <p>The bill also applies to the families of astronauts killed in the line of duty.</p> <p>The proposal applies to payments made after the date of enactment and before September 11, 2004, and is effective for astronauts killed and payments made after January 1, 2003.</p>
<p><u>Increase percentage limits for certain employer-related scholarship programs</u> - Private foundations may in the course of their activities make scholarship or fellowship grants to individuals to be used for educational purposes. However, a private foundation’s grant program may not be designed or administered to the end of providing compensation, an employment incentive, or an employee fringe benefit to persons employed by the foundation or by another employer (including, for example, employees of a “related” employer organization).</p> <p>Revenue Procedure 76-47 provides advance approval guidelines to determine whether grants made by private foundations under employer-related grant programs to an employee or to a child of an employee of the employer to which the program relates is considered a scholarship or</p>	<p>No provision.</p>	<p>The percentage limits set forth in Revenue Procedure 76-47 for grants to children of employees are increased to 35 percent of eligible applicants considered by the selection committee or 20 percent of those eligible for the grants.</p> <p>The higher percentage limits are available only if the private foundation meets the other requirements of the Revenue Procedure and demonstrates that the foundation provides a comparable number and aggregate amount of grants during the same grant-program year to individuals who are not employees, children or dependents of employees, or employees of a related employer organization.</p> <p>The proposal does not amend the percentage limits for grants to employees, or the percentage limits of Revenue Procedure 80-39 relating to loan programs</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>fellowship grant subject to the provisions of section 117(a). Under Revenue Procedure 76-47, a grant made under an employer-related grant program that satisfies seven conditions and a percentage test is considered a scholarship or fellowship.</p> <p>The percentage test applicable to grants to children of employees requires that the number of grants awarded not exceed either 25 percent of the eligible applicants considered by the selection committee in selecting grant recipients or 10 percent of those eligible for grants (regardless of whether they submitted grant applications). The percentage test applicable to grants to employees requires that the number of grants awarded not exceed 10 percent of eligible applicants considered by the selection committee in selecting grant recipients.</p>		<p>or programs that encompass both loans and grants.</p> <p>Revenue Procedure 76-47 is to be amended effective for grants awarded after the date of enactment.</p> <p>Revenue estimate: \$150 million/10 years.</p>
<p><u>Treatment of certain hospital support organizations in determining acquisition indebtedness</u> - In general, income of a tax-exempt organization that is produced by debt-financed property is treated as unrelated business income in proportion to the acquisition indebtedness on the income-producing property. Acquisition indebtedness generally means the amount of unpaid indebtedness incurred by an organization to acquire or improve the property and indebtedness that would not have been incurred but for the acquisition or improvement of the property.</p> <p>However, under an exception, acquisition indebtedness does not include indebtedness incurred by certain qualified organizations to acquire or improve real property. Qualified organizations include pension trusts, educational</p>	<p>No provision.</p>	<p>The bill expands the exception to the definition of acquisition to apply to eligible indebtedness (or the qualified refinancing thereof) of a qualified hospital support organization.</p> <p>A qualified hospital support organization is a supporting organization (under section 509(a)(3)) of a hospital that is an academic health center (under section 119(d)(4)(B)). The assets of the supporting organization have to meet certain requirements. First, more than half of the value of the organization's assets at any time since its organization (1) have to have been acquired, directly or indirectly, by testamentary gift or devise, and (2) have to consist of real property. In addition, the fair market value of the organization's real estate acquired by gift or devise has to exceed 25</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>institutions, and title-holding companies.</p>		<p>percent of the fair market value of all investment assets held by the organization immediately prior to the time that the eligible indebtedness was incurred. These requirements have to be met each time eligible indebtedness was incurred or a qualified refinancing thereof occurs.</p> <p>Eligible indebtedness means indebtedness secured by real property acquired directly or indirectly by gift or devise, the proceeds of which are used exclusively to acquire a leasehold interest in or to improve or repair the property. A qualified refinancing of eligible indebtedness occurs if the refinancing does not exceed the amount of refinanced eligible indebtedness immediately before the refinancing.</p> <p>Effective for indebtedness incurred after December 31, 2003.</p> <p>Revenue estimate: \$189 million/10 years.</p>
<p><u>Provide tax exemption for organizations created by a State to provide property and casualty insurance coverage for property for which such coverage is otherwise unavailable</u> - Certain insurance risk pools have qualified for tax exemption under Code section 501(c)(6). In general, these organizations (1) assign any insurance policies and administrative functions to their member organizations (although they may reimburse their members for amounts paid and expenses); (2) serve an important common business interest of their members; and (3) must be membership organizations financed, at least in part, by membership dues.</p>	<p>The proposal would provide tax-exempt status for any association created before January 1, 1999, by State law and organized and operated exclusively to provide property and casualty insurance coverage for wind storm, hail and fire damage to property located within the State for which the State has determined that coverage in the authorized insurance market is limited or unavailable at reasonable rates, provided certain requirements are met.</p> <p>The proposal would provide a special rule in the case of any entity or fund created before January 1,</p>	<p>No provision.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>State insurance risk pools may also qualify for tax-exempt status under section 501(c)(4) as a social welfare organization or under section 115 as serving an essential governmental function of a State. In seeking qualification under section 501(c)(4), insurance organizations generally are constrained by the restrictions on the provision of “commercial-type insurance” contained in section 501(m). Section 115 generally provides that gross income does not include income derived from the exercise of any essential governmental function and accruing to a State or any political subdivision thereof. Certain specific provisions provide tax-exempt status to organizations meeting statutory requirements.</p>	<p>1999, pursuant to State law and organized and operated exclusively to receive, hold, and invest remittances from an association exempt from tax under the proposal, to make disbursements to pay claims on insurance contracts issued by the association, and to make disbursements to support governmental programs to prepare for or mitigate the effects of natural catastrophic events.</p> <p>Effective for taxable years beginning after December 31, 2002.</p> <p>Revenue estimate \$68 million/10 years.</p>	
<p><u>Conform provisions relating to arbitrage treatment of certain university fund to State constitutional amendments</u> - In general, present-law tax-exempt arbitrage restrictions provide that interest on a State or local government bond is not eligible for tax-exemption if the proceeds are invested, directly or indirectly, in materially higher yielding investments or if the debt service on the bond is secured by or paid from (directly or indirectly) such investments. An exception, enacted in 1984, provides that the pledge of income from investments in a Fund established under a provision of a State constitution adopted in 1876 as security for a limited amount of tax-exempt bonds will not cause interest on those bonds to be taxable. The terms of this exception are limited to State constitutional or statutory restrictions in effect as of October 9, 1969.</p>	<p>The 1984 exception would be conformed to the present State constitutional provisions governing the Fund’s ability to make annual distributions in a manner similar to standard university endowment funds. Limitations on the aggregate amount of bonds that may benefit from the exception would not be modified.</p> <p>Effective date of enactment.</p> <p>Revenue estimate: \$4 million/10 years.</p>	<p>No provision.</p>

Present Law	2002 Finance Committee Bill	2003 Finance Committee Bill
<p>The State constitutional rules governing the Fund have been modified with regard to the manner in which amounts in the Fund are paid for the benefit of the two university systems.</p>		
<p><u>Require CEO signature on tax returns</u> - The Code requires that the income tax return of a corporation must be signed by either the president, the vice-president, the treasurer, the assistant treasurer, the chief accounting officer, or any other officer of the corporation authorized by the corporation to sign the return.</p> <p>The Code also imposes a criminal penalty on any person who willfully signs any tax return under penalties of perjury that that person does not believe to be true and correct with respect to every material matter at the time of filing. If convicted, the person is guilty of a felony; the Code imposes a fine of not more than \$100,000 (\$500,000 in the case of a corporation) or imprisonment of not more than three years, or both, together with the costs of prosecution.</p>	<p>No provision.</p>	<p>The bill would require that the chief executive officer of a corporation. sign the income tax return of that corporation.</p> <p>Effective for returns filed after the date of enactment.</p>