

Side-by-Side Comparison of Charitable Tax Incentive Provisions In the House and Senate Bills

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
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| <p><u>Deduction for cash contributions of individuals who do not itemize deductions in addition to their standard deduction</u> – A taxpayer who takes the standard deduction (i.e., who does not itemize deductions) may not take 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, 2002, and before January 1, 2005.</p> <p>In addition, the bill would require that the Treasury complete a study by December 31, 2004, of the effect of the proposal on increased charitable giving, and of taxpayer compliance.</p> <p>Revenue estimate: \$2.79 billion/10 years.</p> | <p>Similar provision.</p> <p>Effective for taxable years beginning after December 31, 2003, and before January 1, 2006.</p> <p>Also, the bill would require that the Treasury complete a study by December 31, 2005, of the effect of the proposal on increased charitable giving, and of taxpayer compliance.</p> <p>Revenue estimate: TBA.</p> |
| <p><u>Tax-free distributions from individual retirement accounts for charitable purposes</u> – Amounts withdrawn from a traditional individual retirement arrangement (“IRA”) or a Roth IRA are subject to the rules relating to the tax treatment of withdrawals from IRAs. If those withdrawn</p> | <p>The bill provides an exclusion from gross income for otherwise taxable withdrawals from a traditional or a Roth IRA</p> <p>A qualified charitable distribution is defined as any that is made directly by the IRA trustee either to (1)</p> | <p>Substantially similar, but the House bill would apply 70 ½ year age requirement for distributions for both IRAs and split-interest entities.</p> <p>Effective for distributions made after December 31, 2003.</p> |

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
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| <p>amounts are donated to a charitable organization, the charitable contribution is subject to the normally applicable limitations on deductibility of such contributions.</p> | <p>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, 2003.</p> <p>Revenue estimate: \$2.97 billion/10 years.</p> | <p>Revenue estimate: TBA.</p> |
| <p><u>Extend sec. 170(e)(3) deduction for food inventory to all businesses</u> – Current law restricts taxpayers’</p> | <p>Under the bill, any taxpayer (not just C corporations) engaged in a trade or business would</p> | <p>Similar provision, but 1) the bill retains current law valuation of food inventory and, 2) is effective for</p> |

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| <p>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. The valuation of food inventory donated to charity has been the subject of ongoing disputes between taxpayers and the IRS.</p> | <p>be allowed to claim an enhanced deduction for donations of “apparently wholesome” food inventory.</p> <p>The bill changes the amount of the present-law enhanced deduction for eligible contributions of food inventory to the lesser of fair market value or twice the taxpayer’s basis in the 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, or if not so sold at such time, in the recent past.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$2.094 billion/10 years.</p> | <p>contributions made after December 31, 2003.</p> <p>Revenue estimate: TBA.</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>No provision.</p> |

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| | <p>as a charitable contribution of books to: (1) an educational organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on; (2) a public library; or (3) a 501(c)(3) organization (except for private nonoperating 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 contributions made after date of enactment.</p> <p>Revenue estimate: \$283 million/10 years.</p> | |
| <p><u>Excise tax related to private foundations</u> – An excise tax of 2% is imposed on the net investment income of private foundations under section 4940.</p> | <p>No provision.</p> | <p>The provision reduces the excise tax on net investment income of private foundations from 2% to 1%, regardless of whether the private foundation meets certain distribution requirements.</p> <p>The bill provides that administrative expenses will not be treated as distributions in terms of calculating the section 4942 excise tax on failure to distribute income.</p> <p>Effective for taxable years after December 31,2003.</p> <p>Revenue estimate: TBA.</p> |
| <p><u>Enhanced deduction for charitable contribution of literary, musical, artistic, and scholarly</u></p> | <p>The proposal would allow a deduction for qualified artistic charitable contributions equal to the fair</p> | <p>No provision.</p> |

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| <p><u>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>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 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. 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> | |

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| | <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.</p> <p>Third, the contribution would have to be made to a public charity or to certain limited types of private foundations.</p> <p>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 date of enactment.</p> <p>Revenue estimate: \$59 million/10 years.</p> | |
| <p><u>Equal Enhanced Deduction for Qualified Corporate Contributions of Inventory to Public Schools</u> - Donations to educational organizations described in section 170(b)(1)(A)(ii) (and that are not described in section 501(c)(3) and exempt under section</p> | <p>The bill would extend the enhanced deduction for inventory property to donations to educational organizations described in section 170(b)(1)(A)(ii). Charitable contributions of computer technology and equipment continue to be covered by the</p> | <p>No provision.</p> |

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| <p>501(a)) are not eligible to receive the enhanced deduction.</p> | <p>present law enhanced deduction of section 170(e)(6) and are not eligible property for an enhanced deduction under the provision.</p> <p>Additionally, the enhanced deduction is available only for inventory that is used by the donee in the direct provision of care to the ill, the needy or infants.</p> <p>Effective for contributions made after December 31, 20003.</p> <p>Revenue effect: \$399 million over ten 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. The enhanced deduction for qualified computer contributions expired for any contribution made during any taxable year beginning after 12/31/2003.</p> | <p>The bill provides that property assembled by the taxpayer in addition to property constructed by the taxpayer is eligible for either the enhanced deduction for contributions of scientific property or the enhanced deduction for contributions of computer technology and equipment. It is not intended that old or used components assembled by the taxpayer into scientific property or computer technology or equipment are eligible for the enhanced deduction.</p> <p>The bill also extends the underlying enhanced deduction for qualified computer contributions.</p> <p>The provision is effective for taxable years beginning after December 31, 2002. The extension makes the enhanced deduction for qualified computer contributions available for contributions made during any taxable year beginning before</p> | <p>Similar provision.</p> <p>The provision is effective for taxable years beginning after December 31, 2003. The extension makes the enhanced deduction for qualified computer contributions available for contributions made during any taxable year beginning before January 1, 2006.</p> <p>Revenue estimate: TBA.</p> |

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
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| | <p>January 1, 2006.</p> <p>Revenue estimate: \$271 million/10 years.</p> | |
| <p><u>Increase in Cap on Corporate Charitable Contributions</u> - Section 170(b)(2) limits corporations’ total deductions for charitable contributions generally for any taxable year to not more than 10% of the taxpayer’s taxable income.</p> | <p>No Provision.</p> | <p>The bill incrementally increases the section 170(b) limitation on deductions for corporate charitable contributions for taxable years beginning in calendar year 2004. The applicable percentage for 2012 and thereafter is 20%.</p> <p>Effective for taxable years beginning after December 31, 2003.</p> <p>Revenue effect: TBA.</p> |
| <p><u>10 Year Divestiture Period for Certain Excess Business Holdings of Private Foundations</u> – Current law subjects private foundations to a tax on excess business holdings. Foundations generally have a five-year period to dispose of excess business holdings without being subject to tax This five-year period may be extended an additional five years in limited circumstances.</p> | <p>The bill provides a ten-year period for disposition of excess business holdings by a private foundation under certain circumstances. To qualify for the ten-year period, a private foundation must have excess business holdings (or an increase in excess business holdings) in a single business enterprise of at least \$1 billion and such excess must be the result of a gift or bequest the fair market value of which is at least \$1 billion. The gift or bequest may not give the foundation effective control of any business enterprise.</p> <p>Upon electing to take advantage of the ten-year rule, the foundation must submit a reasonable plan to the Secretary for disposition of the excess holdings and the certify annually that the foundation is disposing of excess business holdings</p> | <p>The provision provides that private foundations shall not be treated as having excess business holdings in any publicly traded and publicly controlled corporation in which it does not own more than 5% of the vote and value of the corporation.</p> <p>Publicly traded stock shall not be considered a permitted holding under this provision if it was acquired by the private foundation by purchase in a taxable transaction from a disqualified person within 5 years immediately preceding the transfer of stock to private foundation.</p> <p>Effective for taxable years after December 31, 2003.</p> |

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| | <p>in accordance with the reasonable plan and meets the other applicable requirements.</p> <p>Effective for gifts and bequests made after the date of enactment.</p> <p>Revenue estimate: \$117 million over ten years.</p> | <p>Revenue estimate: TBA.</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 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</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 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>No provision.</p> |

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| <p>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>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 after date of enactment.</p> <p>Revenue estimate: \$332 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 long-term 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 taxpayer must, have held the land, or interest in land or water, 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>The exclusion would not be available for sales or exchanges of ordinary income property or improvements. Only sales or exchanges of: (1) the</p> | <p>No provision.</p> |

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| | <p>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 organization acquiring the land, or interest in land or water, must provide the taxpayer with a letter stating that the intent of the acquirer 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 stock in a C corporation if the qualified organization ultimately obtains a controlling stock interest in the corporation, and if at least 90 percent of the fair market value of the assets of the C corporation at the time of the sale consist of land or water rights that were held by the corporation for at least five years before the sale.</p> <p>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 or exchanges occurring after the date of enactment.</p> <p>Revenue estimate: \$632 million/10 years.</p> | |

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| <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 bill encourages forest conservation activities by providing two types of tax benefits to qualified organizations that acquire forest and forestlands for conservation management.</p> <p>First, the bill creates a new category of tax-exempt bonds, allowing State and local governments to issue forest conservation bonds as “exempt facility” bonds under Section 142.</p> <p>Such bonds include any State and local bond issue if at least 95% of the proceeds are used for qualified project costs, which are issued for a qualified organization, and which is issued before December 31, 2006.</p> <p>No more than \$2 billion in such bonds may be issued under the pilot program, excluding refunding bonds. The Secretary of the Treasury shall allocate the \$2 billion among qualified organizations.</p> <p>Qualified project costs include the cost of acquisition of forests and forestlands are subject to a conservation restriction that meets certain requirements.</p> <p>Second, the bill allows qualified organizations to exclude from gross income received from certain timber harvesting activities on lands acquired with proceeds from forest conservation bonds.</p> <p>Timber cutting and the sale or lease of timber is not a qualified harvesting activity to the extent the</p> | <p>No provision.</p> |

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| | <p>harvesting exceeds prescribe limits. Generally, the area harvested cannot exceed 2.5 percent of the lands acquired through the qualified forest conservation bonds.</p> <p>The amount of income the qualified organization can exclude from gross income may not exceed the amount the qualified organization pays in debt service during the taxable year on qualified forest conservation bonds.</p> <p>The exclusion of income from qualified harvesting activity is only available if the qualified organization obtains written acknowledgement from the State or local governments with jurisdiction over the acquired land that the acquisition by the qualified organization lessens the burdens of such government with respect to such land.</p> <p>Effective for bonds issued on or after 180 days after date of enactment.</p> <p>Revenue estimate \$315 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 payments received after date of enactment.</p> <p>Revenue estimate: \$26 million/10 years.</p> | <p>Similar provision, but refers to payments received under: 1) the Fish and Wildlife Coordination Act, 2) the Fish and Wildlife Act of 1956, and 3) section 6 of the Endangered Species Act.</p> <p>Effective for amounts received after date of enactment, in taxable years ending after such date.</p> |

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| | | Revenue estimate: TBA. |
| <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. Consistent with present law, the tax is treated as paid from corpus. The unrelated business taxable income is considered income of the trust for purposes of determining the character of the distribution made to the beneficiary.</p> <p>Effective for taxable years beginning after December 31, 2002, regardless of when the trust was created.</p> <p>Revenue estimate: \$53 million/10 years.</p> | <p>Similar provision but effective for taxable years beginning after December 31, 2003, regardless of when the trust was created.</p> <p>Revenue estimate: TBA.</p> |
| <p><u>Exclusion for certain mileage reimbursements to charitable volunteers</u> - Unreimbursed out-of-pocket 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-</p> | <p>The bill provides that reimbursement by an organization described in section 170(c) (including 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</p> | <p>No Provision</p> |

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| <p>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>satisfied. The bill does not permit a volunteer to claim a deduction or credit with respect to excludible 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 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.</p> <p>Effective for contributions made after date of enactment.</p> <p>Revenue estimate: \$453 million/10 years.</p> | <p>Similar provision, but effective date of provision is taxable years after December 31,2003.</p> <p>Revenue estimate: TBA.</p> |
| <p><u>Disclosure of written determinations</u> – Section 6103 provides a general rule that tax returns and return information generally are not subject to disclosure unless authorized by the Code. Section 6104 grants an exception to the confidentiality rule of section 6103 for certain categories of tax-exempt organization documents and information. Section</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</p> | <p>No provision.</p> |

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| <p>6110 provides that written determinations by the IRS and related background file documents generally are open to public inspection in redacted form.</p> | <p>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> | |
| <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, 2003.</p> <p>Revenue estimate: Negligible.</p> | <p>No provision.</p> |
| <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</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.</p> <p>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</p> | <p>No provision.</p> |

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| <p>foundation’s net investment income. The Form 990-PF is required to be made available to the public.</p> | <p>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, 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 appropriate publications that an exempt organization’s Form 990, Form 990-EZ, or 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>No provision.</p> |
| <p><u>Disclosure to state officials of proposed actions related to section 501(c)(3) organizations</u> – In the case of tax-exempt organizations, present law requires the Secretary to notify the appropriate State officer of (1) a refusal to recognize an organization as an organization described in section 501(c)(3), (2) a revocation of a section 501(c)(3) organization’s tax-exempt status, and (3) the mailing of a notice of deficiency for any tax imposed under section 507, chapter 41, or chapter 42.</p> | <p>The bill provides that upon written request by an appropriate State officer, the Treasury Secretary may disclose: (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</p> | <p>No provision.</p> |

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| | <p>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 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> | |

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| <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>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> <p>Effective for documents prepared after date of enactment.</p> <p>Revenue estimate: Negligible.</p> | <p>No provision.</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. Also exempt from the</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</p> | <p>No provision.</p> |

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| <p>requirement are churches, their integrated auxiliaries, and conventions or associations of churches; the exclusively religious activities of any religious order; section 501(c)(1) instrumentalities of the United States; section 501(c)(21) trusts; an interchurch organization of local units of a church; certain mission societies; certain church-affiliated elementary and high schools; certain state institutions whose income is excluded from gross income under section 115; certain governmental units and affiliates of governmental units; and other organization that the IRS has relieved from the filing requirement pursuant to its statutory discretionary authority.</p> | <p>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. In addition, if an organization that is required to file an annual information return under section 6033(a) 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. If upon reapplication for tax-exempt</p> | |

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| | <p>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 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>Effective for notices with respect to annual periods beginning after December 31,2003.</p> <p>Revenue estimate: Negligible.</p> | |
| <p><u>Suspension of tax-exempt status of terrorist organizations.</u> The IRS generally issues a letter revoking recognition of an organization’s tax-exempt status only after (1) conducting an examination of the organization, (2) issuing a letter to the organization proposing revocation, and (3) allowing the organization to exhaust the administrative appeal rights that follow the issuance of the proposed revocation letter. There is no procedure under current law for the IRS to suspend the tax-exempt status of an organization.</p> <p>To combat terrorism, the Federal government has</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. The bill also makes such an organization ineligible to apply for tax exemption under section 501(a).</p> <p>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</p> | <p>Identical provision.</p> |

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| <p>designated a number of organizations as terrorist organizations or supporters of terrorism under the Immigration and Nationality Act, the International Emergency Economic Powers Act, and the United Nations Participation Act of 1945.</p> | <p>pursuant to the law or Executive order under which the designation or identification was made. Nor organization or other person may challenge, under section 7428 or any other provision of law, in any administrative or judicial proceeding relating to the Federal Tax liability of such organization or other person, the suspension of tax-exemption, the ineligibility to apply for tax-exemption, a designation or identification described above, the timing of the period of suspension, or a denial of deduction described above.</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-exempt organizations to take account of organizations that have had their exemption</p> | |

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| | <p>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.</p> <p>Revenue effect: negligible.</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 net unrelated loss) of the controlled entity.</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 without regard to any amendment or supplement to a return of tax, or such excess determined with regard to all such amendments and supplements.</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 provided by the 1997 Act, then such modifications also would not apply to amounts received or accrued under such contract before January 1,</p> | <p>Similar provision, but House bill is effective for payments received or accrued after 12/31/2003.</p> <p>However, binding contract rule states that: “if the amendments made by section 1041 of the Taxpayer Relief Act of 1997 did not apply to any amount received or accrued in the first two taxable years beginning on or after the date of the enactment of the Taxpayer Relief Act of 1997 under any contract described in subsection (b)(2) of such section, such amendments also shall not apply to amounts received or accrued under such contract before January 1, 2001”.</p> |

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| | <p>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 that normally exceeds either of two “ceiling</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, 2002.</p> <p>Revenue estimate: \$15 million/10 years.</p> | <p>Similar provision, except effective date applies to taxable years after December 31,2003.</p> <p>Revenue effect: TBA.</p> |

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
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| <p>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</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>To be eligible, the organization must: (1) be seeking a contract or grant under a Federal, State, or local program that provides funding for social service programs; (2) establish that tax-exempt status is condition of applying for such contract or grant; (3) include a completed copy of the contract or grant application with the application for exemption; and (4) meet such other criteria as the Secretary may provide.</p> <p>Effective for applications for tax-exempt status filed after December 31, 2003.</p> <p>Revenue estimate: Negligible.</p> | <p>No provision.</p> |

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| consideration. | | |
| <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: No revenue effect.</p> | Identical provision. |
| <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) and 501(d) 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, 2002.</p> <p>Revenue estimate: Negligible revenue effect.</p> | Identical provision. |
| <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</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> | No provision. |

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| <p>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>Effective on date of enactment.</p> <p>Revenue estimate: Negligible revenue effect.</p> | |
| <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 \$10,000 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, 2003.</p> <p>Revenue estimate: \$4 million/10 years.</p> | <p>No provision.</p> |
| <p><u>Payments by charitable organizations to victims of</u></p> | <p>The bill provides that organizations described in</p> | <p>No provision.</p> |

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| <p><u>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>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 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. The provision also applies to payments to an individual of an astronaut’s immediate family by reason of the death of such astronaut occurring in the line of duty after 12/31/2002.</p> <p>Effective for payments made after the date of enactment and before September 11, 2004. Effective for payments made after December 31, 2002 with respect to astronauts killed in the line of duty after December 31, 2002.</p> <p>Revenue estimate: Negligible.</p> | |
| <p><u>Increase percentage limits for certain employer-related scholarship programs - Private foundations</u></p> | <p>The percentage limits set forth in Revenue Procedure 76-47 for grants to children of</p> | <p>No provision.</p> |

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| <p>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 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>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 affiliated with the employer of such employees.</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 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> | |

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| <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 institutions, and title-holding companies.</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 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>No Provision.</p> |

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| | <p>Effective for indebtedness incurred after December 31, 2003.</p> <p>Revenue estimate: \$189 million/10 year</p> | |
| <p><u>Matching Grants to Low-Income Taxpayer Clinics for Return Preparation</u> – Current law authorizes the Secretary to provide up to \$6 million per year in matching grants to certain low-income taxpayer clinics. Eligible clinics are those that charge no more than a nominal fee to either represent low-income taxpayers in controversies with the IRS or provide tax information to individuals for whom English is a second language.</p> <p>No clinic may receive more than \$100,000 per year.</p> | <p>The bill authorizes up to \$10 million annually in matching grants for low-income taxpayer assistance clinics. These clinics may provide routine tax return preparation and filing services to low income taxpayers.</p> <p>Effective upon date of enactment.</p> <p>Revenue effect: No revenue effect.</p> | <p>No provision.</p> |
| <p><u>One-Year Exemption of Qualified 501(c)(3) Bonds for Nursing Homes from Federal Guarantee Prohibitions</u> – Interest on State or local government bonds is tax-exempt when the proceeds of the bonds are used to finance activities carried out by or paid for by those governmental units. Interest on bonds issued by State or local governments acting as conduit borrowers for private businesses is taxable unless a specific exception is included in the Code. One such exception allows tax-exempt bonds to be issued to finance activities of non-profit organizations described in section 501(c)(3).</p> | <p>Under the bill, the Federal guarantee prohibition will not apply to qualified 501(c)(3) bonds issued for the benefit of an organization described in subsection 501(c)(3), if such bonds are part of an issue, the proceeds of which are used to finance one or more of the following facilities primarily for the benefit of the elderly: (1) licensed nursing home facilities, (2) licensed or certified assisted living facilities, (3) licensed personal care facilities, or (4) continuing care retirement communities.</p> <p>The provision is limited to \$15 million or less of aggregate bond issuance per issuer per calendar</p> | <p>No provision.</p> |

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| <p>Subject to exceptions for certain Federal programs in existence before 1984, interest on any obligation is not tax-exempt if the obligation is Federally guaranteed. The Code provides exceptions to the Federal guarantee prohibition for certain insurance programs and certain housing-related bond issues.</p> | <p>year. The bonds must be issued within one year after the date of enactment of the provision.</p> <p>Effective for bonds issued after date of enactment.</p> <p>Revenue effect: 23 million over ten years.</p> | |
| <p><u>Federal Excise Tax Exemptions for Blood Collector Organizations -</u></p> | <p>The bill exempts qualified blood collector organizations from certain retail and manufacturers excise taxes to the extent such items are for the exclusive use of such an organization.</p> <p>Under the provision, qualified blood collector organizations are exempt from the communications excise tax as provided by Treasury regulations. The provision also provides an exemption from the special fuels tax, the retail excise tax on heavy trucks and trailers, and the manufacturers excise taxes on tires, vaccines, and recreational equipment. The provision also permits a refund of tax for diesel fuel, kerosene or aviation fuel used by a qualified blood</p> <p>Effective generally for excise tax imposed on sales or uses occurring on or after 10/01/2003. For purposes of the refund on gasoline sales and any other provision that allows for a refund or a payment in respect of an excise tax payment at a level before the sale to a qualified blood collector organization, the provision applies to sales to a qualified blood collector organization on or after January 1, 2003.</p> | <p>No provision.</p> |

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
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| | Revenue effect: 13 million over ten years. | |
| <p><u>Patriot Trusts</u> – The Homeland Security Act of 2002 provides that certain entities are entitled to be designated as Johnny Micheal Spann Patriot Trusts. The primary beneficiaries of a Patriot Trust must be surviving spouses, children, or dependent parents, grandparents, or siblings of one or more of the following: (1) members of the Armed Forces of the United States; (2) personnel, including contractors, of elements of the intelligence community; (3) employees of the FBI; and (4) officers, employees, or contract employees of the Federal government, whose deaths occur in the line of duty and arise out of terrorist attacks, military operations, intelligence operations, or law enforcement operations or accidents connected with activities occurring after September 11, 2001, and related to domestic or foreign efforts to curb international terrorism.</p> | <p>The bill clarifies that for an entity to be eligible for the Patriot Trust designation, the entity must be described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a). The bill conforms the private inurement prohibition that was originally provided in the Homeland Security Act of 2002 to that of section 501(c)(3).</p> <p>The bill replaces the requirement that a Patriot Trust “should” take into account collateral source compensation when making distributions with a requirement that a Patriot Trust “shall” take such compensation into account.</p> <p>The bill omits the requirement that mandated audits of Patriot Trusts be filed with the IRS. The bill requires that such audits be open to public inspection in a manner consistent with section 6104(d)(1), except that, as under present law, the availability of the audit must be consistent with the protection of sensitive national security and law enforcement information.</p> <p>Effective as if included in the enactment of the Homeland Security Act of 2002.</p> <p>Revenue effect: No revenue effect.</p> | No provision. |
| <u>Individual Development Accounts</u> - The Assets for | The bill would provide a nonrefundable tax credit | No tax provision. However, section 302 of the bill |

| Present Law | S. 476, “CARE Act of 2003” as passed by Senate | H.R. 7, “Charitable Giving Act of 2003” as Introduced |
|--|--|---|
| <p>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. The Department of Health and Human Services administers the individual development account program.</p> | <p>for financial institutions that have an Individual Development Account (IDA) program. The tax credit equals the amount of matching contributions made by the eligible entity under the program (up to \$500 per taxable year) plus \$50 for each individual development account maintained during the taxable year under the program. Except in the first year that each account is open, the \$50 credit is available only for accounts with a balance of more than \$100 at year-end (including matching funds). The \$50 credit is limited to seven years, and the credit for matching funds is not allowed with respect to an individual’s account if such individual has outstanding student loans, child support payments, or Federal tax liability.</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>reauthorizes the Assets for Independence Act through 2008.</p> |