

107TH CONGRESS
1ST SESSION

S. 780

To amend the Internal Revenue Code of 1986 to allow individuals who do not itemize their deductions a deduction for a portion of their charitable contributions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 26, 2001

Mr. INHOFE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals who do not itemize their deductions a deduction for a portion of their charitable contributions, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Neighbor to Neighbor
5 Act”.

1 **SEC. 2. DEDUCTION FOR PORTION OF CHARITABLE CON-**
 2 **TRIBUTIONS TO BE ALLOWED TO INDIVID-**
 3 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

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

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

11 “(1) IN GENERAL.—In the case of an individual
 12 who does not itemize the individual’s deductions for
 13 the taxable year, the amount allowable under sub-
 14 section (a) shall be taken into account as a direct
 15 charitable deduction under section 63.

16 “(2) LIMITATION.—The portion of the amount
 17 allowable under subsection (a) to which paragraph
 18 (1) applies for the taxable year shall not exceed the
 19 amount in effect for such taxable year under section
 20 63(c)(2)(C) (section 63(c)(2)(A) in the case of a
 21 joint return under section 6013).”.

22 (b) DIRECT CHARITABLE DEDUCTION.—

23 (1) IN GENERAL.—Section 63(b) of such Code
 24 (relating to individuals who do not itemize their de-
 25 ductions) is amended by striking “and” at the end
 26 of paragraph (1), by striking the period at the end

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

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

4 (2) DEFINITION.—Section 63 of such Code (re-
5 lating to taxable income defined) is amended by re-
6 designating subsection (g) as subsection (h) and by
7 inserting after subsection (f) the following new sub-
8 section:

9 “(g) DIRECT CHARITABLE DEDUCTION.—For pur-
10 poses of this section, the term ‘direct charitable deduction’
11 means that portion of the amount allowable under section
12 170(a) which is taken as a direct charitable deduction for
13 the taxable year under section 170(m).”.

14 (3) CONFORMING AMENDMENT.—Section 63(d)
15 of such Code (defining itemized deductions) is
16 amended by striking “and” at the end of paragraph
17 (1), by striking the period at the end of paragraph
18 (2) and inserting “, and”, and by adding at the end
19 the following new paragraph:

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

21 (c) TIME WHEN CONTRIBUTIONS DEEMED MADE.—
22 Section 170(f) of such Code (relating to disallowance of
23 deduction in certain cases and special rules) is amended
24 by adding at the end the following new paragraph:

1 “(10) TIME WHEN CONTRIBUTIONS DEEMED
2 PAID.—For purposes of this section, in the case of
3 an individual, a taxpayer shall be deemed to have
4 paid a charitable contribution on the last day of the
5 preceding taxable year if the contribution is paid on
6 account of such taxable year and is paid not later
7 than the time prescribed by law for filing the return
8 for such taxable year (not including extensions
9 thereof).”.

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2000.

13 **SEC. 3. CHARITABLE DEDUCTION EXCEPTION TO OVERALL**
14 **LIMITATION ON ITEMIZED DEDUCTIONS.**

15 (a) IN GENERAL.—Subsection (c) of section 68 of the
16 Internal Revenue Code of 1986 (relating to exception for
17 certain itemized deductions) is amended by striking “and”
18 at the end of paragraph (2), by striking the period at the
19 end of paragraph (3) and inserting “, and”, and by adding
20 at the end the following:

21 “(4) the deduction under section 170 (relating
22 to charitable, etc., contributions and gifts).”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 this section shall apply to taxable years beginning after
25 December 31, 2000.

1 **SEC. 4. REPEAL OF SPECIAL LIMITATION ON CONTRIBU-**
2 **TIONS OF CAPITAL GAIN PROPERTY.**

3 (a) IN GENERAL.—Paragraph (1) of section 170(b)
4 of the Internal Revenue Code of 1986 (relating to percent-
5 age limitations on charitable contributions by individuals)
6 is amended—

7 (1) by striking subparagraphs (C) and (D), and

8 (2) by redesignating subparagraphs (E) and
9 (F) as subparagraphs (C) and (D), respectively.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Subparagraph (B) of section 170(e)(5) of
12 such Code is amended—

13 (A) in clause (ii) by striking “(as defined
14 in subsection (b)(1)(C)(iv))”, and

15 (B) by adding at the end the following new
16 flush sentence:

17 “For purposes of clause (ii), the term ‘capital
18 gain property’ means with respect to any con-
19 tribution, any capital asset the sale of which at
20 its fair market value at the time of the con-
21 tribution would have resulted in gain which
22 would have been long-term capital gain. For
23 purposes of the preceding sentence, any prop-
24 erty which is property used in the trade or busi-
25 ness (as defined in section 1231(b)) shall be
26 treated as a capital asset.”.

1 (2) Section 545(b)(2) of such Code is amended
2 by striking “section 170(b)(1)(A), (B), and (D)”
3 and inserting “section 170(b)(1)(A) and (B)”.

4 (3) Section 556(b)(2) of such Code is amended
5 by striking “section 170(b)(1)(A), (B), and (D)”
6 and inserting “section 170(b)(1)(A) and (B)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2000.

10 **SEC. 5. EXTENSION OF CARRYOVER PERIOD FOR EXCESS**
11 **CONTRIBUTIONS.**

12 (a) IN GENERAL.—The following provisions of sec-
13 tion 170 of the Internal Revenue Code of 1986 are each
14 amended by striking “5” and inserting “10”:

15 (1) Subsection (d)(1)(A) (general rule for
16 carryovers of excess contributions by individuals).

17 (2) Subsection (d)(2)(A) (general rule for
18 carryovers of excess contributions by corporations).

19 (3) Subsection (b)(1)(B) (relating to percent
20 limitation on other contributions by individuals).

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2000.

1 **SEC. 6. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
2 **TIREMENT ACCOUNTS FOR CHARITABLE**
3 **PURPOSES.**

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

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

10 “(A) IN GENERAL.—No amount shall be
11 includible in gross income by reason of a quali-
12 fied charitable distribution from an individual
13 retirement account to an organization described
14 in section 170(c).

15 “(B) SPECIAL RULES RELATING TO CHARI-
16 TABLE REMAINDER TRUSTS, POOLED INCOME
17 FUNDS, AND CHARITABLE GIFT ANNUITIES.—

18 “(i) IN GENERAL.—No amount shall
19 be includible in gross income by reason of
20 a qualified charitable distribution from an
21 individual retirement account—

22 “(I) to a charitable remainder
23 annuity trust or a charitable remain-
24 der unitrust (as such terms are de-
25 fined in section 664(d)),

1 “(II) to a pooled income fund (as
2 defined in section 642(c)(5)), or

3 “(III) for the issuance of a chari-
4 table gift annuity (as defined in sec-
5 tion 501(m)(5)).

6 The preceding sentence shall apply only if
7 no person holds an income interest in the
8 amounts in the trust, fund, or annuity at-
9 tributable to such distribution other than
10 one or more of the following: the individual
11 for whose benefit such account is main-
12 tained, the spouse of such individual, or
13 any organization described in section
14 170(e).

15 “(ii) DETERMINATION OF INCLUSION
16 OF AMOUNTS DISTRIBUTED.—In deter-
17 mining the amount includible in the gross
18 income of any person by reason of a pay-
19 ment or distribution from a trust referred
20 to in clause (i)(I) or a charitable gift annu-
21 ity (as so defined), the portion of any
22 qualified charitable distribution to such
23 trust or for such annuity which would (but
24 for this subparagraph) have been includible
25 in gross income—

1 “(I) shall be treated as income
2 described in section 664(b)(1), and

3 “(II) shall not be treated as an
4 investment in the contract.

5 “(iii) NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No
6 amount shall be includible in the gross in-
7 come of a pooled income fund (as so de-
8 fined) by reason of a qualified charitable
9 distribution to such fund.
10 “(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the

11 term ‘qualified charitable distribution’ means
12 any distribution from an individual retirement
13 account—
14 account—
15 account—

16 “(i) which is made on or after the
17 date that the individual for whose benefit
18 the account is maintained has attained age
19 59½, and

20 “(ii) which is made directly from the
21 account to—

22 “(I) an organization described in
23 section 170(c), or

24 “(II) a trust, fund, or annuity re-
25 ferred to in subparagraph (B).

1 section applied to such private foundation for
2 the taxable year),” and inserting “(A) an
3 amount equal to 2 percent of the net invest-
4 ment income of such foundation for the taxable
5 year,”.

6 (2) Section 4942(f)(3)(A) of such Code is
7 amended by striking “section 4940(c)(3)(B)” and
8 inserting “section 4940(b)(3)(B)”.

9 (3) Section 4945(d)(4)(A) of such Code is
10 amended by striking “section 4940(d)(2)” and in-
11 serting “section 4940(c)(2)”.

12 (4) Section 4948(a) of such Code is amended
13 by striking “section 4940(c)(2)” and inserting “sec-
14 tion 4940(b)(2)”.

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

○