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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	Technical DOJ Proposal (3 pages)	n.d.	P5
002. draft	DOJ Draft on JJ Bill [partial] [pages 2-3 withdrawn in whole] (3 pages)	n.d.	P5
003. paper	Detailed Comments (3 pages)	n.d.	P5

COLLECTION:

Clinton Presidential Records
Policy Development
Lisa Green
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FOLDER TITLE:

Charitable Choices [2]

2012-0043-S
ms432

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

HRES 207 IH

Charitable Choice

106th CONGRESS

1st Session

H. RES. 207

Expressing the sense of the House of Representatives with regard to community renewal through community- and faith-based organizations.

IN THE HOUSE OF REPRESENTATIVES

June 15, 1999

Mr. PITTS submitted the following resolution; which was referred to the Committee on Education and the Workforce

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RESOLUTION

Expressing the sense of the House of Representatives with regard to community renewal through community- and faith-based organizations.

Whereas, while the steady economic growth and low inflation in the United States has yielded unprecedented prosperity, many American citizens have not benefited from this prosperity and continue to be socioeconomically disadvantaged;

Whereas millions of our fellow citizens who live in the inner cities and rural communities continue to be plagued by social breakdown, economic disadvantage, and educational failure that fosters hopelessness and despair;

Whereas our most intractable pathologies--crime, drug addiction, teen pregnancy, homelessness, and youth violence--are each being addressed by small, and sometimes unrecognized, community- or faith-based organizations, whose expertise should not be ignored;

Whereas these nonprofit organizations have local experts who are moving individuals from dependency to self-sufficiency and restoring the lives of men, women, and families across the country;

Whereas many community- and faith-based organizations are offering the American public a new vision of compassion, designed to encourage volunteerism, strengthen the community, and care for the poor and vulnerable;

Whereas private sector investment in capital development--social and economic--in the most poverty stricken pockets across the country is key to long-term renewal of urban centers and distressed rural communities;

Whereas economic growth attracts new businesses, provides stability to neighborhoods, as well as provides jobs that yield income to support families and nurture self-respect;

Whereas over 100 bipartisan Members of Congress have cosponsored H.R. 815, the American Community Renewal Act, which targets the 100 poorest communities in the Nation for pro-growth tax benefits, regulatory relief, brownfields cleanup, and home-ownership opportunities that combine to create jobs, hope, and a sense of community;

Whereas the President and the Vice President, along with congressional organizations such as the Renewal Alliance, have recognized the importance of community renewal and have recently promoted strategies designed to rebuild communities to empower faith-based organizations on the front lines of renewal in our country; and

Whereas a concerted effort to empower community institutions, encourage community renewal, and implement educational reform will help those who reside in inner cities and distressed rural communities to gain their share of America's prosperity: Now, therefore, be it

Resolved, That the House of Representatives--

(1) extends gratitude to the private nonprofit organizations and volunteers whose commitment to meet human needs in areas of poverty is key to long-term renewal of urban centers and distressed rural communities;

(2) seeks to empower the strengths of America's communities, local leaders, and mediating institutions such as its families, schools, spiritual leaders, businesses and nonprofit organizations;

(3) should work to empower community- and faith-based organizations to promote effective solutions to the social, financial, and emotional needs of urban centers and rural communities, and the long-term solutions to the problems faced by our culture; and

(4) should work with the Senate and the President to support a compassionate grassroots approach to addressing the family, economic, and cultural breakdown that plagues many of our Nation's urban and rural communities.

END

HR 815 IH

106th CONGRESS

1st Session

H. R. 815

To amend the Internal Revenue Code of 1986 to provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

February 24, 1999

Mr. WATTS of Oklahoma (for himself, Mr. DAVIS of Illinois, Mr. TALENT, Mr. CLYBURN, Mr. ARMEY, Mr. FROST, Mrs. FOWLER, Mr. ENGLISH, Mr. FORD, Ms. PRYCE of Ohio, Mr. KING, Mr. LIPINSKI, Mrs. BONO, Mr. KOLBE, Mr. DELAY, Mrs. CHRISTIAN-CHRISTENSEN, Mrs. EMERSON, Mr. KNOLLENBERG, Mr. HAYWORTH, Mrs. CUBIN, Mr. HORN, Mr. HILL of Montana, Mr. WELDON of Florida, Mr. TERRY, Mr. SOUDER, Mr. BALLENGER, Mr. CHABOT, Mr. CHAMBLISS, Mr. WELLER, Mr. TANCREDO, Mr. SENSENBRENNER, Mr. NORWOOD, Mr. METCALF, Mr. DICKEY, Mr. GILLMOR, Mr. GREEN of Wisconsin, Mr. HULSHOF, Mr. LARGENT, Mr. SCARBOROUGH, Mr. PITTS, Mr. ROHRABACHER, Mr. BURR of North Carolina, Mr. EHLERS, Mr. BUYER, Mr. LATHAM, Mr. SIMPSON, Mr. MCCOLLUM, Mr. LATOURETTE, Mr. CUNNINGHAM, Mr. COOK, Mr. LEWIS of Kentucky, Mr. BLUNT, Mr. NEY, Mr. GARY MILLER of California, Mr. PICKERING, Mr. NETHERCUTT, Mr. MCHUGH, Ms. GRANGER, Mr. FORBES, Mrs. MYRICK, Mr. SHOWS, Mrs. KELLY, Mr. OWENS, Mr. THOMPSON of Mississippi, and Mr. COBURN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend the Internal Revenue Code of 1986 to provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE- This Act may be cited as the `American Community Renewal Act of 1999'.

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

(c) TABLE OF CONTENTS-

Sec. 1. Short title; etc.

TITLE I--DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL

COMMUNITIES

Sec. 101. Designation of and tax incentives for renewal communities.

Sec. 102. Extension of expensing of environmental remediation costs to renewal communities.

Sec. 103. Extension of work opportunity tax credit for renewal communities.

Sec. 104. Conforming and clerical amendments.

Sec. 105. Evaluation and reporting requirements.

Sec. 106. Exclusion of effects of this Act from Paygo scorecard.

TITLE II--ADDITIONAL PROVISIONS

Sec. 201. Transfer of unoccupied and substandard HUD-held housing in renewal communities to local governments.

Sec. 202. Prevention and treatment of substance abuse; services provided through religious organizations.

Sec. 203. CRA credit for investments in community development organizations located in renewal communities.

TITLE I--DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES

SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL- Chapter 1 is amended by adding at the end the following new subchapter:

`Subchapter X--Renewal Communities

`Part I. Designation.

`Part II. Renewal community capital gain; renewal community business.

`Part III. Family development accounts.

`Part IV. Additional incentives.

`PART I--DESIGNATION

`Sec. 1400E. Designation of renewal communities.

`SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

`(a) DESIGNATION-

`(1) DEFINITIONS- For purposes of this title, the term `renewal community' means any area--

`(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a `nominated area'); and

`(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with--

`(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

`(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

`(2) NUMBER OF DESIGNATIONS-

`(A) IN GENERAL- The Secretary of Housing and Urban Development may designate not more than 100 nominated areas as renewal communities.

`(B) MINIMUM DESIGNATION IN RURAL AREAS- Of the areas designated under paragraph (1), at least 20 percent must be areas--

`(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

`(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

`(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

`(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC-

`(A) IN GENERAL- Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C),

and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

`(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC- An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

`(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS- With respect to the first 50 percent of the designations made under this section--

`(i) half shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

`(ii) 20 percent shall be areas described in paragraph (2)(B).

`(4) Limitation on designations-

`(A) PUBLICATION OF REGULATIONS- The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)--

`(i) the procedures for nominating an area under paragraph (1)(A);

`(ii) the parameters relating to the size and population characteristics of a renewal community; and

`(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

`(B) TIME LIMITATIONS- The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

`(C) PROCEDURAL RULES- The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless--

`(i) the local governments and the States in which the nominated area is located have the authority--

`(I) to nominate such area for designation as a renewal community;

`(II) to make the State and local commitments described in subsection (d); and

`(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

`(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe; and

`(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

`(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS- For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

`(b) Period for Which Designation Is In Effect-

`(1) IN GENERAL- Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of--

`(A) December 31, 2007,

`(B) the termination date designated by the State and local governments in their nomination, or

`(C) the date the Secretary of Housing and Urban Development revokes such designation.

`(2) REVOCATION OF DESIGNATION- The Secretary of Housing and Urban Development may revoke the designation under this section of an area if

such Secretary determines that the local government or the State in which the area is located--

`(A) has modified the boundaries of the area, or

`(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

`(c) Area and Eligibility Requirements-

`(1) IN GENERAL- The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

`(2) AREA REQUIREMENTS- A nominated area meets the requirements of this paragraph if--

`(A) the area is within the jurisdiction of one or more local governments;

`(B) the boundary of the area is continuous; and

`(C) the area--

`(i) has a population, of at least--

`(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater; or

`(II) 1,000 in any other case; or

`(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

`(3) ELIGIBILITY REQUIREMENTS- A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that--

`(A) the area is one of pervasive poverty, unemployment, and general distress;

`(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1 1/2 times the national unemployment rate for the period to which such data relate;

`(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

`(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

`(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

`(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

`(d) Required State and Local Commitments-

`(1) IN GENERAL- The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if--

`(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area; and

`(B) the economic growth promotion requirements of paragraph (3) are met.

`(2) COURSE OF ACTION-

`(A) IN GENERAL- A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course

of action shall include at least five of the following:

`(i) A reduction of tax rates or fees applying within the renewal community.

`(ii) An increase in the level of efficiency of local services within the renewal community.

`(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

`(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

`(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

`(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

`(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

`(B) RECOGNITION OF PAST EFFORTS- For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

`(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS- The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community--

`(A) licensing requirements for occupations that do not ordinarily require a professional degree;

`(B) zoning restrictions on home-based businesses which do not create a public nuisance;

`(C) permit requirements for street vendors who do not create a public nuisance;

`(D) zoning or other restrictions that impede the formation of schools or child care centers; and

`(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

`(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES- For purposes of this title, if there are in effect with respect to the same area both--

`(1) a designation as a renewal community; and

`(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

`(f) DEFINITIONS AND SPECIAL RULES- For purposes of this subchapter--

`(1) GOVERNMENTS- If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

`(2) STATE- The term `State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

`(3) LOCAL GOVERNMENT- The term `local government' means--

`(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

`(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development; and

`(C) the District of Columbia.

`(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA- The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

`PART II--RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

`Sec. 1400F. Renewal community capital gain.

`Sec. 1400G. Renewal community business defined.

`SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

`(a) GENERAL RULE- Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

`(b) QUALIFIED COMMUNITY ASSET- For purposes of this section--

`(1) IN GENERAL- The term `qualified community asset' means--

`(A) any qualified community stock;

`(B) any qualified community partnership interest; and

`(C) any qualified community business property.

`(2) QUALIFIED COMMUNITY STOCK-

`(A) IN GENERAL- Except as provided in subparagraph (B), the term `qualified community stock' means any stock in a domestic corporation if--

`(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

`(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and

`(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

`(B) REDEMPTIONS- A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

`(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST- The term `qualified community partnership interest' means any interest in a partnership if--

`(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

`(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and

`(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

`(4) QUALIFIED COMMUNITY BUSINESS PROPERTY-

`(A) IN GENERAL- The term `qualified community business property' means tangible property if--

`(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

`(ii) the original use of such property in the renewal community commences with the taxpayer; and

`(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

`(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS- The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to--

`(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

`(ii) any land on which such property is located.

`(c) CERTAIN RULES TO APPLY- Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

`SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

`For purposes of this part, the term `renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if--

`(1) references to renewal communities were substituted for references to empowerment zones in such section; and

`(2) `80 percent' were substituted for `50 percent' in subsections (b)(2) and (c)(1) of such section.

`PART III--FAMILY DEVELOPMENT ACCOUNTS

`Sec. 1400H. Family development accounts for renewal community EITC recipients.

`Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

`Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

`SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

`(a) ALLOWANCE OF DEDUCTION-

`(1) IN GENERAL- There shall be allowed as a deduction--

`(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit; and

`(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

`(2) LIMITATION-

`(A) IN GENERAL- The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of--

`(i) $2,000, or

`(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

`(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS- The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

`(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS- Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

`(4) COORDINATION WITH IRA'S- No deduction shall be allowed under this section to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

`(5) ROLLOVERS- No deduction shall be allowed under this section with respect to any rollover contribution.

`(b) TAX TREATMENT OF DISTRIBUTIONS-

`(1) INCLUSION OF AMOUNTS IN GROSS INCOME- Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

`(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS- Paragraph (1) shall not apply to any qualified family development distribution.

`(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION- For purposes of this section--

`(1) IN GENERAL- The term `qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

`(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES- The term `qualified family development expenses' means any of the following:

`(A) Qualified higher education expenses.

`(B) Qualified first-time homebuyer costs.

`(C) Qualified business capitalization costs.

`(D) Qualified medical expenses.

`(E) Qualified rollovers.

`(3) QUALIFIED HIGHER EDUCATION EXPENSES-

`(A) IN GENERAL- The term `qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

`(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL- The term `postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

`(C) COORDINATION WITH OTHER BENEFITS- The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

`(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS- The term `qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

`(5) QUALIFIED BUSINESS CAPITALIZATION COSTS-

`(A) IN GENERAL- The term `qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

`(B) QUALIFIED EXPENDITURES- The term `qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

`(C) QUALIFIED BUSINESS- The term `qualified business' means any business that does not contravene any law.

`(D) QUALIFIED PLAN- The term `qualified plan' means a business plan which meets such requirements as the Secretary may specify.

`(6) QUALIFIED MEDICAL EXPENSES- The term `qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

`(7) QUALIFIED ROLLOVERS- The term `qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of--

`(A) such taxpayer, or

`(B) any qualified individual who is--

`(i) the spouse of such taxpayer, or

`(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

`(d) TAX TREATMENT OF ACCOUNTS-

`(1) IN GENERAL- Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

`(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS- For purposes of this section, rules similar to the rules of section 408(e) shall apply.

`(3) OTHER RULES TO APPLY- Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

`(e) FAMILY DEVELOPMENT ACCOUNT- For purposes of this title, the term `family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

`(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))--

`(A) no contribution will be accepted unless it is in cash; and

`(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

`(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

`(f) QUALIFIED INDIVIDUAL- For purposes of this section, the term `qualified individual' means, for any taxable year, an individual--

`(1) who is a bona fide resident of a renewal community throughout the taxable year; and

`(2) to whom a credit was allowed under section 32 for the preceding taxable year.

`(g) OTHER DEFINITIONS AND SPECIAL RULES-

`(1) COMPENSATION- The term `compensation' has the meaning given such term by section 219(f)(1).

`(2) MARRIED INDIVIDUALS- The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

`(3) TIME WHEN CONTRIBUTIONS DEEMED MADE- For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

`(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS- Rules similar to the rules of sections

219(f)(5) and 408(h) shall apply for purposes of this section.

`(5) REPORTS- The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph--

`(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

`(B) shall be furnished to individuals--

`(i) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

`(ii) in such manner as the Secretary prescribes in such regulations.

`(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS- Rules similar to the rules of section 408(m) shall apply for purposes of this section.

`(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES-

`(1) IN GENERAL- If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by the sum of--

`(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration program to provide matching amounts in renewal communities); and

`(B) 10 percent of the portion of such amount which is includible in gross income and is not described in subparagraph (A).

For purposes of this subsection, distributions which are includable in gross income shall be treated as attributable to amounts contributed under section 1400I to the extent thereof. For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

`(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS- Paragraph (1) shall not apply to distributions which are--

`(A) made on or after the date on which the account holder attains age 59 1/2 ,

`(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

`(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

`(i) TERMINATION- No deduction shall be allowed under this section for any amount paid to a family development account for any taxable year beginning after December 31, 2007.

`SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

`(a) Designation-

`(1) DEFINITIONS- For purposes of this section, the term `FDA matching demonstration area' means any renewal community--

`(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1)(A); and

`(B) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with--

`(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

`(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

`(2) Number of designations-

`(A) IN GENERAL- The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

`(B) MINIMUM DESIGNATION IN RURAL AREAS- Of the areas designated under subparagraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

`(3) Limitations on designations-

`(A) PUBLICATION OF REGULATIONS- The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)--

`(i) the procedures for nominating a renewal community under paragraph

(1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E); and

`(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

`(B) TIME LIMITATIONS- The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

`(4) DESIGNATION BASED ON DEGREE OF POVERTY, ETC- The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

`(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT- Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

`(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS-

`(1) IN GENERAL- Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))--

`(A) who is a resident throughout the taxable year of an FDA matching demonstration area; and

`(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year,

an amount equal to the sum of the amounts deposited into all of the family development accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

`(2) LIMITATIONS-

`(A) ANNUAL LIMIT- The Secretary shall not deposit more than $1000 under paragraph (1) with respect to any individual for any taxable year.

`(B) AGGREGATE LIMIT- The Secretary shall not deposit more than $2000 under paragraph (1) with respect to any individual for all taxable years.

`(3) EXCLUSION FROM INCOME- Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

`(d) NOTICE OF PROGRAM- The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

`(e) TERMINATION- No amount may be deposited under this section for any taxable year beginning after December 31, 2007.

`SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

`(a) IN GENERAL- With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development account of such individual. The Secretary shall so deposit such portion designated under this subsection.

`(b) MANNER AND TIME OF DESIGNATION- A designation under subsection (a) may be made with respect to any taxable year--

`(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

`(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

`(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT- For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

`(d) OVERPAYMENTS TREATED AS REFUNDED- For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

`(e) TERMINATION- This section shall not apply to any taxable year beginning after December 31, 2007.

`PART IV--ADDITIONAL INCENTIVES

`Sec. 1400K. Commercial revitalization credit.

`Sec. 1400L. Increase in expensing under section 179.

`SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

`(a) GENERAL RULE- For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

`(b) APPLICABLE PERCENTAGE- For purposes of this section--

`(1) IN GENERAL- The term `applicable percentage' means--

`(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

`(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

`(2) CREDIT PERIOD-

`(A) IN GENERAL- The term `credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

`(B) APPLICABLE RULES- Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

`(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES- For purposes of this section--

`(1) QUALIFIED REVITALIZATION BUILDING- The term `qualified revitalization building' means any building (and its structural components) if--

`(A) such building is located in a renewal community and is placed in service after December 31, 2000;

`(B) a commercial revitalization credit amount is allocated to the building under subsection (e); and

`(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

`(2) QUALIFIED REVITALIZATION EXPENDITURE-

`(A) IN GENERAL- The term `qualified revitalization expenditure' means any amount properly chargeable to capital account--

`(i) for property for which depreciation is allowable under section 168 and which is--

`(I) nonresidential real property; or

`(II) an addition or improvement to property described in subclause (I); and

`(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

`(B) DOLLAR LIMITATION- The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of--

`(i) $10,000,000, reduced by

`(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

`(C) CERTAIN EXPENDITURES NOT INCLUDED- The term `qualified revitalization expenditure' does not include--

`(i) STRAIGHT LINE DEPRECIATION MUST BE USED- Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

`(ii) ACQUISITION COSTS- The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

`(iii) OTHER CREDITS- Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

`(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT-

`(1) IN GENERAL- Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

`(2) PROGRESS EXPENDITURE PAYMENTS- Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

`(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE-

`(1) IN GENERAL- The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount as determined under the rules of section 42(b)(2)(C)) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

`(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCIES-

`(A) IN GENERAL- The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

`(B) STATE COMMERCIAL REVITALIZATION CREDIT CEILING- The State commercial revitalization credit ceiling applicable to any State--

`(i) for each calendar year after 2000 and before 2008 is $2,000,000 for each renewal community in the State; and

`(ii) zero for each calendar year thereafter.

`(C) COMMERCIAL REVITALIZATION CREDIT AGENCY- For purposes of this section, the term `commercial revitalization credit agency' means any agency authorized by a State to carry out this section.

`(f) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION CREDIT AGENCIES-

`(1) PLANS FOR ALLOCATION- Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless--

`(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part; and

`(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

`(2) QUALIFIED ALLOCATION PLAN- For purposes of this subsection, the term `qualified allocation plan' means any plan--

`(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions;

`(B) which considers--

`(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process;

`(ii) the amount of any increase in permanent, full-time employment by reason of any project; and

`(iii) the active involvement of residents and nonprofit groups within the renewal community; and

`(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

`(g) TERMINATION- This section shall not apply to any building placed in service after December 31, 2007.

`SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

`(a) GENERAL RULE- In the case of a renewal community business (as defined in section 1400G), for purposes of section 179--

`(1) the limitation under section 179(b)(1) shall be increased by the lesser of--

`(A) $35,000; or

`(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

`(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

`(b) RECAPTURE- Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

`(c) QUALIFIED RENEWAL PROPERTY- For purposes of this section--

`(1) IN GENERAL- The term `qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if--

`(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

`(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

`(2) CERTAIN RULES TO APPLY- The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.'.

SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION- Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

`(C) RENEWAL COMMUNITIES INCLUDED- Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E).'.

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES- Subsection (h) of section 198 is amended by inserting before the period `(December 31, 2007, in the case of a renewal community, as defined in section 1400E).'.

SEC. 103. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES.

(a) EXTENSION- Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

`(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES-

`(A) IN GENERAL- In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38--

`(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to--

`(I) 15 percent of the qualified first-year wages for such year; and

`(II) 30 percent of the qualified second-year wages for such year;

`(ii) subsection (b)(3) shall be applied by substituting `$10,000' for `$6,000';

`(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect; and

`(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

`(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES- For purposes of subparagraph (A)--

`(i) IN GENERAL- The term `qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if--

`(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

`(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

`(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

`(ii) QUALIFIED FIRST-YEAR WAGES- The term `qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

`(iii) QUALIFIED SECOND-YEAR WAGES- The term `qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).'.

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS-

(1) HIGH-RISK YOUTH- Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking `empowerment zone or enterprise community' and inserting `empowerment zone, enterprise community, or renewal community'.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE- Clause (iv) of section 51(d)(7)(A) is amended by striking `empowerment zone or enterprise community' and inserting `empowerment zone, enterprise community, or renewal community'.

(3) HEADINGS- Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting `OR COMMUNITY' in the heading after `ZONE'.

SEC. 104. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES- Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (17) the following new paragraph:

`(18) FAMILY DEVELOPMENT ACCOUNTS- The deduction allowed by section 1400H(a)(1)(A).'.

(b) TAX ON EXCESS CONTRIBUTIONS-

(1) TAX IMPOSED- Subsection (a) of section 4973 is amended by striking `or' at the end of paragraph (3), adding `or' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

`(5) a family development account (within the meaning of section 1400H(e)),'.

(2) EXCESS CONTRIBUTIONS- Section 4973 is amended by adding at the end the following new subsection:

`(g) FAMILY DEVELOPMENT ACCOUNTS- For purposes of this section, in the case of a family development account, the term `excess contributions' means the sum of--

`(1) the excess (if any) of--

`(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7), or a contribution under section 1400I), over

`(B) the amount allowable as a deduction under section 1400H for such contributions; and

`(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of--

`(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);

`(B) the distributions out of the account for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3); and

`(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400I).

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.'.

(c) TAX ON PROHIBITED TRANSACTIONS- Section 4975 is amended--

(1) by adding at the end of subsection (c) the following new paragraph:

`(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS- An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.'; and

(2) in subsection (e)(1), by striking `or' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

`(F) a family development account described in section 1400H(e), or'.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS- Subsection (c) of section 6047 is amended--

(1) by inserting `or section 1400H' after `section 219'; and

(2) by inserting `, of any family development account described in section 1400H(e),', after `section 408(a)'.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION- Clause (i) of section 6104(a)(1)(B) is amended by inserting `a family development account described in section 1400H(e),' after `section 408(a),'.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS- Paragraph (2) of section 6693(a) is amended by striking `and' at the end of subparagraph (C), by striking the period and inserting `, and' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

`(E) section 1400H(g)(6) (relating to family development accounts).'.

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT-

(1) Section 46 (relating to investment credit) is amended by striking `and' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting `, and', and by adding at the end the following new paragraph:

`(4) the commercial revitalization credit provided under section 1400K.'.

(2) Section 39(d) is amended by adding at the end the following new paragraph:

`(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT- No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.'.

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting `or commercial revitalization' after `rehabilitation' each place it appears in the text and heading.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking `and' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting `, and', and by adding at the end the following new clause:

`(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures.'.

(5) Paragraph (2) of section 50(a) is amended by inserting `or 1400K(d)(2)' after `section 47(d)' each place it appears.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting `or qualified revitalization building (respectively)' after `qualified rehabilitated building'.

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: `A similar rule shall apply for purposes of section 1400K.'.

(8) Paragraph (2) of section 50(b) is amended by striking `and' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting `; and', and by adding at the end the following new subparagraph:

`(E) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis which is attributable to qualified revitalization expenditures (as defined in section 1400K).'.

(9) The last sentence of section 50(b)(3) is amended to read as follows: `If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes of determining the amount of the rehabilitation credit or the commercial revitalization credit.'.

(10) Subparagraph (C) of section 50(b)(4) is amended--

(A) by inserting `or commercial revitalization' after `rehabilitated' in the text and heading; and

(B) by inserting `or commercial revitalization' after `rehabilitation'.

(11) Subparagraph (C) of section 469(i)(3) is amended--

(A) by inserting `or section 1400K' after `section 42'; and

(B) by striking `CREDIT' in the heading and inserting `AND COMMERCIAL REVITALIZATION CREDITS'.

(h) CLERICAL AMENDMENTS- The table of subchapters for chapter 1 is amended by adding at the end the following new item:

`Subchapter X. Renewal Communities.'.

SEC. 105. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue

Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

SEC. 106. EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act.

TITLE II--ADDITIONAL PROVISIONS

SEC. 201. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING IN RENEWAL COMMUNITIES TO LOCAL GOVERNMENTS.

(a) TRANSFER REQUIREMENT- Pursuant to the authority under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997, the Secretary shall transfer ownership of any qualified HUD property to the unit of general local government having jurisdiction for the area in which the property is located in accordance with this section, but only if the unit of general local government enters into an agreement with the Secretary meeting the requirements of subsection (d).

(b) QUALIFIED HUD PROPERTIES- For purposes of this section, the term `qualified HUD property' means any unoccupied multifamily housing, project, substandard multifamily housing project, or unoccupied single family property, that is--

(1) owned by the Secretary; and

(2) located within a renewal community.

(c) TIMING OF TRANSFER- Any transfer of ownership required under subsection (a) shall be completed--

(1) with respect to any multifamily housing project or single family property that is acquired by the Secretary before the date on which the area in which property is located is designated as a renewal community and that is substandard or unoccupied (as applicable) upon such date, not later than 1 year after such date; and

(2) with respect to any multifamily housing project or single family property that is acquired by the Secretary on or after the date on which the area in which the property is located is designated as a renewal community, not later than 1 year after--

(A) the date on which the project is determined to be substandard or unoccupied (as applicable), in the case of a property that is not unoccupied or substandard upon acquisition by the Secretary; or

(B) the date on which the project is acquired by the Secretary, in the case of a property that is substandard or unoccupied (as applicable) upon such acquisition.

(d) AGREEMENTS TO SELL PROPERTY TO COMMUNITY DEVELOPMENT CORPORATIONS- An agreement described in this subsection is an agreement that requires a unit of general local government to dispose of the qualified HUD property acquired by the unit of general local government in accordance with the following requirements:

(1) NOTIFICATION TO COMMUNITY DEVELOPMENT CORPORATIONS- Not later than 30 days after the date on which the unit of general local government acquires title to the property under subsection (a), the unit of general local government shall notify each community development corporation located in the State in which the property is located--

(A) of such acquisition of title; and

(B) that, during the 6-month period beginning on the date on which such notification is made, such community development corporations shall have the exclusive right under this subsection to make bona fide offers to purchase the property on a cost recovery basis.

(2) RIGHT OF FIRST REFUSAL- During the 6-month period described in paragraph (1)(B)--

(A) the unit of general local government may not sell or offer to sell the qualified HUD property other than to a party notified under paragraph (1), unless each community development corporation required to be so notified has notified the unit of general local government

that the corporation will not make an offer to purchase the property; and

(B) the unit of general local government shall accept a bona fide offer to purchase the property made during such period if the offer is acceptable to the unit of general local government, except that a unit of general local government may not sell a property to a community development corporation during that 6-month period other than on a cost recovery basis.

(3) OTHER DISPOSITION- During the 6-month period beginning on the expiration of the 6-month period described in paragraph (1)(B), the unit of general local government shall dispose of the property on a negotiated, competitive bid, or other basis, on such terms as the unit of general local government deems appropriate.

(e) SATISFACTION OF INDEBTEDNESS- Before transferring ownership of any qualified HUD property pursuant to subsection (a), the Secretary shall satisfy any indebtedness incurred in connection with the property to be transferred, by--

(1) canceling the indebtedness; or

(2) reimbursing the unit of general local government to which the property is transferred for the amount of the indebtedness.

(f) DETERMINATION OF STATUS OF PROPERTIES- To ensure compliance with the requirements of subsection (c), the Secretary shall take the following actions:

(1) UPON DESIGNATION OF RENEWAL COMMUNITIES- Upon the designation of any renewal community, the Secretary shall promptly assess each residential property owned by the Secretary that is located within such renewal community to determine whether such property is a qualified HUD property.

(2) UPON ACQUISITION- Upon acquiring any residential property that is located with a renewal community, the Secretary shall promptly determine whether the property is a qualified HUD property.

(3) UPDATES- The Secretary shall periodically reassess the residential properties owned by the Secretary to determine whether any such properties have become qualified HUD properties.

(g) TENANT LEASES- This section shall not affect the terms or the enforceability of any contract or lease entered into with respect to any residential property before the date that such property becomes a qualified HUD property.

(h) PROCEDURES- Not later than the expiration of the 6-month period beginning on the date of the enactment of this Act, the Secretary shall establish, by rule, regulation, or order, such procedures as may be necessary to carry out this section.

(i) DEFINITIONS- For purposes of this section, the following definitions shall apply:

(1) COMMUNITY DEVELOPMENT CORPORATION- The term `community development corporation' means a nonprofit organization whose primary purpose is to promote community development by providing housing opportunities for low-income families.

(2) COST RECOVERY BASIS- The term `cost recovery basis' means, with respect to any sale of a residential property by a unit of general local government to a community development corporation under subsection (d)(2), that the purchase price paid by the community development corporation is less than or equal to the costs incurred by the unit of general local government in connection with such property during the period beginning on the date on which the unit of general local government acquires title to the property under subsection (a) and ending on the date on which the sale is consummated.

(3) LOW-INCOME FAMILIES- The term `low-income families' has the meaning given the term in section 3(b) of the United States Housing Act of 1937.

(4) MULTIFAMILY HOUSING PROJECT- The term `multifamily housing project' has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

(5) RENEWAL COMMUNITY- The term `renewal community' means an area designated (under subchapter X of chapter 1 of the Internal Revenue Code of 1986) as a renewal community.

(6) RESIDENTIAL PROPERTY- The term `residential property' means a property that is a multifamily housing project or a single family property.

(7) SECRETARY- The term `Secretary' means the Secretary of Housing and Urban Development.

(8) SEVERE PHYSICAL PROBLEMS- The term `severe physical problems' means, with respect to a dwelling unit, that the unit--

(A) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

(B) on not less than 3 separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

(C) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced 3 or more blown fuses or tripped circuit breakers during the preceding 90-day period;

(D) is accessible through a public hallway in which there are no working light fixtures,

loose or missing steps or railings, and no elevator; or

(E) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

(9) SINGLE FAMILY PROPERTY- The term `single family property' means a 1- to 4-family residence.

(10) SUBSTANDARD- The term `substandard' means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

(11) UNIT OF GENERAL LOCAL GOVERNMENT- The term `unit of general local government' has the meaning given the term in section 102(a) of the Housing and Community Development Act of 1974.

(12) UNOCCUPIED- The term `unoccupied' means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

SEC. 202. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

`Part G--Services Provided Through Religious Organizations

`SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

`(a) DESIGNATED PROGRAMS- Subject to subsection (b), this part applies to each program under this Act that makes awards of Federal financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a `designated program'). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

`(b) LIMITATION- This part does not apply to any award of Federal financial assistance under a designated program for a purpose other than the purpose specified in subsection (a).

`(c) DEFINITIONS- For purposes of this part (and subject to subsection (b)):

`(1) The term `designated award recipient' means a public or private entity that has received an award under a designated program (whether the award is a designated direct award or a designated subaward).

`(2) The term `designated direct award' means an award under a designated program that is received directly from the Federal Government.

`(3) The term `designated subaward' means an award of financial assistance made by a non-Federal entity, which award consists in whole or in part of Federal financial assistance provided through an award under a designated program.

`(4) The term `designated program' has the meaning given such term in subsection (a).

`(5) The term `financial assistance' means a grant, cooperative agreement, contract, or voucherized assistance.

`(6) The term `program beneficiary' means an individual who receives program services.

`(7) The term `program participant' has the meaning given such term in section 582(a)(2).

`(8) The term `program services' means treatment for substance abuse, or preventive services regarding such abuse, provided pursuant to an award under a designated program.

`(9) The term `religious organization' means a nonprofit religious organization.

`(10) The term `voucherized assistance' means--

`(A) a system of selecting and reimbursing program services in which--

`(i) the beneficiary is given a document or other authorization that may be used to pay for program services;

`(ii) the beneficiary chooses the organization that will provide services to him or her according to rules specified by the designated award recipient; and

`(iii) the organization selected by the beneficiary is reimbursed by the designated award recipient for program services provided; or

`(B) any other mode of financial assistance to pay for program services in which the program beneficiary determines the allocation of program funds through his or her selection of one service provider from among alternatives.

`SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

`(a) IN GENERAL-

`(1) SCOPE OF AUTHORITY- Notwithstanding any other provision of law, a religious organization--

`(A) may be a designated award recipient;

`(B) may make designated subawards to other public or nonprofit private entities (including other religious organizations);

`(C) may provide for the provision of program services to program beneficiaries through the use of voucherized assistance; and

`(D) may be a provider of services under a designated program, including a provider that accepts voucherized assistance.

`(2) DEFINITION OF PROGRAM PARTICIPANT- For purposes of this part, the term `program participant' means a public or private entity that has received a designated direct award, or a designated subaward, regardless of whether the entity provides program services. Such term includes an entity whose only participation in a designated program is to provide program services pursuant to the acceptance of voucherized assistance.

`(b) RELIGIOUS ORGANIZATIONS- The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

`(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS-

`(1) FINDINGS- The Congress finds that the establishment clause of the first amendment to the Constitution of the United States does not require that--

`(A) social-welfare programs discriminate against faith-based providers of services; or

`(B) faith-based providers of services, as a prerequisite to participation in Federal programs, abandon their religious character and censor their religious expression.

`(2) NONDISCRIMINATION- Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization. Neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

`(d) RELIGIOUS CHARACTER AND FREEDOM-

`(1) RELIGIOUS ORGANIZATIONS- Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

`(2) ADDITIONAL SAFEGUARDS- Neither the Federal Government nor a State shall require a religious organization to--

`(A) alter its form of internal governance; or

`(B) remove religious art, icons, scripture, or other symbols;

in order to be a program participant.

`(e) NONDISCRIMINATION IN EMPLOYMENT-

`(1) IN GENERAL- Except as provided in paragraph (2), nothing in this section shall be construed to modify or affect the provisions of any other Federal or State law or regulation that relates to discrimination in employment on the basis of religion.

`(2) EXCEPTION- A religious organization that is a program participant may require that an employee rendering programs services adhere to--

`(A) the religious beliefs and practices of such organization; and

`(B) any rules of the organization regarding the use of drugs or alcohol.

`(f) RIGHTS OF PROGRAM BENEFICIARIES- With respect to an individual who is a program beneficiary or a prospective program beneficiary, if the individual objects to a program participant on the basis that the participant is a religious organization, the following applies:

`(1) If the organization received a designated direct award, the organization shall arrange for the individual to receive program services through an alternative entity.

`(2) If the organization received a designated subaward, the non-Federal entity that made the subaward shall arrange for the individual to receive the program services through an alternative program participant.

`(3) If the organization is providing services pursuant to voucherized assistance, the designated award recipient that operates the voucherized assistance program shall arrange for the individual to receive the program services through an alternative provider.

`(4) Arrangements under any of paragraphs (1) through (3) with an alternative entity shall provide for program services the monetary value of which is not less than the monetary value of the program services that the individual would have received from the religious organization involved.

`(5) NONDISCRIMINATION-

`(A) IN GENERAL- Except as provided in subparagraph (B) or as otherwise provided in law, a religious organization that is a program participant shall not in providing program services discriminate against a program beneficiary on the basis of religion or religious belief.

`(B) LIMITATION- A religious organization that is a program participant may require a program beneficiary who has elected in accordance with paragraph (1) to receive program services from such organization--

`(i) to actively participate in religious practice, worship, and instruction; and

`(ii) to follow rules of behavior devised by the organizations that are religious in content or origin.

`(g) FISCAL ACCOUNTABILITY-

`(1) IN GENERAL- Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

`(2) LIMITED AUDIT- With respect to the award involved, if a religious organization that is a

program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit.

`(h) COMPLIANCE- With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

`SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

`(a) IN GENERAL- Except as provided in subsection (b), no funds provided directly to an entity under a designated program shall be expended for sectarian worship or instruction.

`(b) EXCEPTION- Subsection (a) shall not apply to assistance provided to or on behalf of a program beneficiary if the beneficiary may choose where such assistance is redeemed or allocated.

`SEC. 584. ADMINISTRATION OF PROGRAM AND TREATMENT OF FUNDS.

`(a) FUNDS NOT AID TO INSTITUTIONS- Financial assistance under a designated program provided to or on behalf of program beneficiaries is aid to the beneficiary, not to the organization providing program services. The receipt by a program beneficiary of program services at the facilities of the organization shall not constitute Federal financial assistance to the organization involved.

`(b) PROHIBITION ON STATE DISCRIMINATION IN USE OF FUNDS- No provision in any State constitution or State law shall be construed to prohibit the expenditure of Federal funds under a designated program in a religious facility or by a religious organization that is a program participant. If a State law or constitution would prevent the expenditure of State or local public funds in such a facility or by such an organization, then the State or local government shall segregate the Federal funds from State or other public funds for purposes of carrying out the designated program.

`SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

`(a) FINDINGS- The Congress finds that--

`(1) establishing formal educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

`(2) such formal educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

`(b) LIMITATION ON EDUCATIONAL REQUIREMENTS OF PERSONNEL-

`(1) TREATMENT OF RELIGIOUS EDUCATION- If any State or local government that is a program participant imposes formal educational qualifications on providers of program services, including religious organizations,

such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services. In applying educational qualifications for personnel in religious organizations, such State or local government shall give credit for religious education and training equivalent to credit given for secular course work in drug treatment or any other secular subject that is of similar grade level and duration.

`(2) RESTRICTION OF DISCRIMINATION REQUIREMENTS-

`(A) IN GENERAL- Subject to paragraph (1), a State or local government that is a program participant may establish formal educational qualifications for personnel in organizations providing program services that contribute to success in reducing drug use among program beneficiaries.

`(B) EXCEPTION- The Secretary shall waive the application of any educational qualification imposed under subparagraph (A) for an individual religious organization, if the Secretary determines that--

`(i) the religious organization has a record of prior successful drug treatment for at least the preceding three years;

`(ii) the educational qualifications have effectively barred such religious organization from becoming a program provider;

`(iii) the organization has applied to the Secretary to waive the qualifications; and

`(iv) the State or local government has failed to demonstrate empirically that the educational qualifications in question are necessary to the successful operation of a drug treatment program.'.

SEC. 203. CRA CREDIT FOR INVESTMENTS IN COMMUNITY DEVELOPMENT ORGANIZATIONS LOCATED IN RENEWAL COMMUNITIES.

Section 804 of the Community Reinvestment Act of 1977 (12 U.S.C. 2903) is amended by adding at the end the following new subsection:

`(c) INVESTMENTS IN CERTAIN COMMUNITY DEVELOPMENT ORGANIZATIONS- In assessing and taking into account, under subsection (a), the record of a regulated financial institution, the appropriate Federal financial supervisory agency may consider, as a factor, investments of the institution in, and capital investment, loan participation, and other ventures undertaken by the institution in cooperation with, any community development organization (as defined in section 234 of the Bank Enterprise Act of 1991) which is located in a renewal community (as designated under section 1400E of the Internal Revenue Code of 1986).'.

END

S 463 IS

106th CONGRESS

1st Session

S. 463

To amend the Internal Revenue Code of 1986 to provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

February 24, 1999

Mr. ABRAHAM (for himself, Mr. COVERDELL, Mr. LIEBERMAN, and Mr. SANTORUM) 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 provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE- This Act may be cited as the `American Community Renewal Act of 1999'.

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

(c) TABLE OF CONTENTS-

Sec. 1. Short title; etc.

TITLE I--DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES

Sec. 101. Designation of and tax incentives for renewal communities.

Sec. 102. Extension of expensing of environmental remediation costs to renewal communities.

Sec. 103. Extension of work opportunity tax credit for renewal communities.

Sec. 104. Conforming and clerical amendments.

Sec. 105. Evaluation and reporting requirements.

Sec. 106. Exclusion of effects of this Act from Paygo scorecard.

TITLE II--ADDITIONAL PROVISIONS

Sec. 201. Transfer of unoccupied and substandard HUD-held housing in renewal communities to local governments.

Sec. 202. Prevention and treatment of substance abuse; services provided through religious organizations.

Sec. 203. CRA credit for investments in community development organizations located in renewal communities.

TITLE I--DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES

SEC. 101. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL- Chapter 1 is amended by adding at the end the following new subchapter:

`Subchapter X--Renewal Communities

`Part I. Designation.

`Part II. Renewal community capital gain; renewal community business.

`Part III. Family development accounts.

`Part IV. Additional incentives.

`PART I--DESIGNATION

`Sec. 1400E. Designation of renewal communities.

`SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

`(a) DESIGNATION-

`(1) DEFINITIONS- For purposes of this title, the term `renewal community' means any area--

`(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a `nominated area'); and

`(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with--

`(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

`(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

`(2) NUMBER OF DESIGNATIONS-

`(A) IN GENERAL- The Secretary of Housing and Urban Development may designate not more than 100 nominated areas as renewal communities.

`(B) MINIMUM DESIGNATION IN RURAL AREAS- Of the areas designated under paragraph (1), at least 20 percent must be areas--

`(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

`(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

`(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

`(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC-

`(A) IN GENERAL- Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area which exceeds such criterion by the greatest amount given the highest ranking.

`(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC- An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

`(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS- With respect to the first 50 percent of the designations made under this section--

`(i) half shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

`(ii) 20 percent shall be areas described in paragraph (2)(B).

`(4) Limitation on designations-

`(A) PUBLICATION OF REGULATIONS- The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)--

`(i) the procedures for nominating an area under paragraph (1)(A);

`(ii) the parameters relating to the size and population characteristics of a renewal community; and

`(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

`(B) TIME LIMITATIONS- The Secretary of Housing and Urban Development may designate nominated areas as renewal communities only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

`(C) PROCEDURAL RULES- The Secretary of Housing and Urban Development shall not make any designation of a nominated area as a renewal community under paragraph (2) unless--

`(i) the local governments and the States in which the nominated area is located have the authority--

`(I) to nominate such area for designation as a renewal community;

`(II) to make the State and local commitments described in subsection (d); and

`(III) to provide assurances satisfactory to the Secretary of Housing and Urban Development that such commitments will be fulfilled,

`(ii) a nomination regarding such area is submitted in such a manner and in such form, and contains such information, as the Secretary of Housing and Urban Development shall by regulation prescribe; and

`(iii) the Secretary of Housing and Urban Development determines that any information furnished is reasonably accurate.

`(5) NOMINATION PROCESS FOR INDIAN RESERVATIONS- For purposes of this subchapter, in the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be treated as being both the State and local governments with respect to such area.

`(b) Period for Which Designation Is in Effect-

`(1) IN GENERAL- Any designation of an area as a renewal community shall remain in effect during the period beginning on the date of the designation and ending on the earliest of--

`(A) December 31, 2007,

`(B) the termination date designated by the State and local governments in their nomination, or

`(C) the date the Secretary of Housing and Urban Development revokes such designation.

`(2) REVOCATION OF DESIGNATION- The Secretary of Housing and Urban Development may revoke the designation under this section of an area if such Secretary determines that the local government or the State in which the area is located--

`(A) has modified the boundaries of the area, or

`(B) is not complying substantially with, or fails to make progress in achieving, the State or local commitments, respectively, described in subsection (d).

`(c) Area and Eligibility Requirements-

`(1) IN GENERAL- The Secretary of Housing and Urban Development may designate a nominated area as a renewal community under subsection (a) only if the area meets the requirements of paragraphs (2) and (3) of this subsection.

`(2) AREA REQUIREMENTS- A nominated area meets the requirements of this paragraph if--

`(A) the area is within the jurisdiction of one or more local governments;

`(B) the boundary of the area is continuous; and

`(C) the area--

`(i) has a population, of at least--

`(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (within the meaning of section 143(k)(2)(B)) which has a population of 50,000 or greater; or

`(II) 1,000 in any other case; or

`(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

`(3) ELIGIBILITY REQUIREMENTS- A nominated area meets the requirements of this paragraph if the State and the local governments in which it is located certify (and the Secretary of Housing and Urban Development, after such review of supporting data as he deems appropriate, accepts such certification) that--

`(A) the area is one of pervasive poverty, unemployment, and general distress;

`(B) the unemployment rate in the area, as determined by the most recent available data, was at least 1 1/2 times the national unemployment rate for the period to which such data relate;

`(C) the poverty rate for each population census tract within the nominated area is at least 20 percent; and

`(D) in the case of an urban area, at least 70 percent of the households living in the area have incomes below 80 percent of the median income of households within the jurisdiction of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

`(4) CONSIDERATION OF HIGH INCIDENCE OF CRIME- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, the extent to which such areas have a high incidence of crime.

`(5) CONSIDERATION OF COMMUNITIES IDENTIFIED IN GAO STUDY- The Secretary of Housing and Urban Development shall take into account, in selecting nominated areas for designation as renewal communities under this section, if the area has census tracts identified in the May 12, 1998, report of the Government Accounting Office regarding the identification of economically distressed areas.

`(d) Required State and Local Commitments-

`(1) IN GENERAL- The Secretary of Housing and Urban Development may designate any nominated area as a renewal community under subsection (a) only if--

`(A) the local government and the State in which the area is located agree in writing that, during any period during which the area is a renewal community, such governments will follow a specified course of action which meets the requirements of paragraph (2) and is designed to reduce the various burdens borne by employers or employees in such area; and

`(B) the economic growth promotion requirements of paragraph (3) are met.

`(2) COURSE OF ACTION-

`(A) IN GENERAL- A course of action meets the requirements of this paragraph if such course of action is a written document, signed by a State (or local government) and neighborhood organizations, which evidences a partnership between such State or government and community-based organizations and which commits each signatory to specific and measurable goals, actions, and timetables. Such course of action shall include at least five of the following:

`(i) A reduction of tax rates or fees applying within the renewal community.

`(ii) An increase in the level of efficiency of local services within the renewal community.

`(iii) Crime reduction strategies, such as crime prevention (including the provision of such services by nongovernmental entities).

`(iv) Actions to reduce, remove, simplify, or streamline governmental requirements applying within the renewal community.

`(v) Involvement in the program by private entities, organizations, neighborhood organizations, and community groups, particularly those in the renewal community, including a commitment from such private entities to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community.

`(vi) State or local income tax benefits for fees paid for services performed by a nongovernmental entity which were formerly performed by a governmental entity.

`(vii) The gift (or sale at below fair market value) of surplus real property (such as land, homes, and commercial or industrial structures) in the renewal community to neighborhood organizations, community development corporations, or private companies.

`(B) RECOGNITION OF PAST EFFORTS- For purposes of this section, in evaluating the course of action agreed to by any State or local government, the Secretary of Housing and Urban Development shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

`(3) ECONOMIC GROWTH PROMOTION REQUIREMENTS- The economic growth promotion requirements of this paragraph are met with respect to a nominated area if the local government and the State in which such area is located certify in writing that such government and State, respectively, have repealed or otherwise will not enforce within the area, if such area is designated as a renewal community--

`(A) licensing requirements for occupations that do not ordinarily require a professional degree;

`(B) zoning restrictions on home-based businesses which do not create a public nuisance;

`(C) permit requirements for street vendors who do not create a public nuisance;

`(D) zoning or other restrictions that impede the formation of schools or child care centers; and

`(E) franchises or other restrictions on competition for businesses providing public services, including but not limited to taxicabs, jitneys, cable television, or trash hauling,

except to the extent that such regulation of businesses and occupations is necessary for and well-tailored to the protection of health and safety.

`(e) COORDINATION WITH TREATMENT OF EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES- For purposes of this title, if there are in effect with respect to the same area both--

`(1) a designation as a renewal community; and

`(2) a designation as an empowerment zone or enterprise community,

both of such designations shall be given full effect with respect to such area.

`(f) DEFINITIONS AND SPECIAL RULES- For purposes of this subchapter--

`(1) GOVERNMENTS- If more than one government seeks to nominate an area as a renewal community, any reference to, or requirement of, this section shall apply to all such governments.

`(2) STATE- The term `State' includes Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

`(3) LOCAL GOVERNMENT- The term `local government' means--

`(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

`(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary of Housing and Urban Development; and

`(C) the District of Columbia.

`(4) APPLICATION OF RULES RELATING TO CENSUS TRACTS AND CENSUS DATA- The rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

`PART II--RENEWAL COMMUNITY CAPITAL GAIN; RENEWAL COMMUNITY BUSINESS

`Sec. 1400F. Renewal community capital gain.

`Sec. 1400G. Renewal community business defined.

`SEC. 1400F. RENEWAL COMMUNITY CAPITAL GAIN.

`(a) GENERAL RULE- Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified community asset held for more than 5 years.

`(b) QUALIFIED COMMUNITY ASSET- For purposes of this section--

`(1) IN GENERAL- The term `qualified community asset' means--

`(A) any qualified community stock;

`(B) any qualified community partnership interest; and

`(C) any qualified community business property.

`(2) QUALIFIED COMMUNITY STOCK-

`(A) IN GENERAL- Except as provided in subparagraph (B), the term `qualified community stock' means any stock in a domestic corporation if--

`(i) such stock is acquired by the taxpayer after December 31, 2000, and before January 1, 2008, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash;

`(ii) as of the time such stock was issued, such corporation was a renewal community business (or, in the case of a new corporation, such corporation was being organized for purposes of being a renewal community business); and

`(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a renewal community business.

`(B) REDEMPTIONS- A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

`(3) QUALIFIED COMMUNITY PARTNERSHIP INTEREST- The term `qualified community partnership interest' means any interest in a partnership if--

`(A) such interest is acquired by the taxpayer after December 31, 2000, and before January 1, 2008;

`(B) as of the time such interest was acquired, such partnership was a renewal community business (or, in the case of a new partnership, such partnership was being organized for purposes of being a renewal community business); and

`(C) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a renewal community business.

A rule similar to the rule of paragraph (2)(B) shall apply for purposes of this paragraph.

`(4) QUALIFIED COMMUNITY BUSINESS PROPERTY-

`(A) IN GENERAL- The term `qualified community business property' means tangible property if--

`(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008;

`(ii) the original use of such property in the renewal community commences with the taxpayer; and

`(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a renewal community business of the taxpayer.

`(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS- The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to--

`(i) property which is substantially improved (within the meaning of section 1400B(b)(4)(B)(ii)) by the taxpayer before January 1, 2008; and

`(ii) any land on which such property is located.

`(c) CERTAIN RULES TO APPLY- Rules similar to the rules of paragraphs (5), (6), and (7) of subsection (b), and subsections (e), (f), and (g), of section 1400B shall apply for purposes of this section.

`SEC. 1400G. RENEWAL COMMUNITY BUSINESS DEFINED.

`For purposes of this part, the term `renewal community business' means any entity or proprietorship which would be a qualified business entity or qualified proprietorship under section 1397B if--

`(1) references to renewal communities were substituted for references to empowerment zones in such section; and

`(2) `80 percent' were substituted for `50 percent' in subsections (b)(2) and (c)(1) of such section.

`PART III--FAMILY DEVELOPMENT ACCOUNTS

`Sec. 1400H. Family development accounts for renewal community EITC recipients.

`Sec. 1400I. Demonstration program to provide matching contributions to family development accounts in certain renewal communities.

`Sec. 1400J. Designation of earned income tax credit payments for deposit to family development account.

`SEC. 1400H. FAMILY DEVELOPMENT ACCOUNTS FOR RENEWAL COMMUNITY EITC RECIPIENTS.

`(a) ALLOWANCE OF DEDUCTION-

`(1) IN GENERAL- There shall be allowed as a deduction--

`(A) in the case of a qualified individual, the amount paid in cash for the taxable year by such individual to any family development account for such individual's benefit; and

`(B) in the case of any person other than a qualified individual, the amount paid in cash for the taxable year by such person to any family development account for the benefit of a qualified individual but only if the amount so paid is designated for purposes of this section by such individual.

No deduction shall be allowed under this paragraph for any amount deposited in a family development account under section 1400I (relating to demonstration program to provide matching amounts in renewal communities).

`(2) LIMITATION-

`(A) IN GENERAL- The amount allowable as a deduction to any individual for any taxable year by reason of paragraph (1)(A) shall not exceed the lesser of--

`(i) $2,000, or

`(ii) an amount equal to the compensation includible in the individual's gross income for such taxable year.

`(B) PERSONS DONATING TO FAMILY DEVELOPMENT ACCOUNTS OF OTHERS- The amount which may be designated under paragraph (1)(B) by any qualified individual for any taxable year of such individual shall not exceed $1,000.

`(3) SPECIAL RULES FOR CERTAIN MARRIED INDIVIDUALS- Rules similar to rules of section 219(c) shall apply to the limitation in paragraph (2)(A).

`(4) COORDINATION WITH IRA'S- No deduction shall be allowed under this section to any person by reason of a payment to an account for the benefit of a qualified individual if any amount is paid into an individual retirement account (including a Roth IRA) for the benefit of such individual.

`(5) ROLLOVERS- No deduction shall be allowed under this section with respect to any rollover contribution.

`(b) TAX TREATMENT OF DISTRIBUTIONS-

`(1) INCLUSION OF AMOUNTS IN GROSS INCOME- Except as otherwise provided in this subsection, any amount paid or distributed out of a family development account shall be included in gross income by the payee or distributee, as the case may be.

`(2) EXCLUSION OF QUALIFIED FAMILY DEVELOPMENT DISTRIBUTIONS- Paragraph (1) shall not apply to any qualified family development distribution.

`(c) QUALIFIED FAMILY DEVELOPMENT DISTRIBUTION- For purposes of this section--

`(1) IN GENERAL- The term `qualified family development distribution' means any amount paid or distributed out of a family development account which would otherwise be includible in gross income, to the extent that such payment or distribution is used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder.

`(2) QUALIFIED FAMILY DEVELOPMENT EXPENSES- The term `qualified family development expenses' means any of the following:

`(A) Qualified higher education expenses.

`(B) Qualified first-time homebuyer costs.

`(C) Qualified business capitalization costs.

`(D) Qualified medical expenses.

`(E) Qualified rollovers.

`(3) QUALIFIED HIGHER EDUCATION EXPENSES-

`(A) IN GENERAL- The term `qualified higher education expenses' has the meaning given such term by section 72(t)(7), determined by treating postsecondary vocational educational schools as eligible educational institutions.

`(B) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL- The term `postsecondary vocational educational school' means an area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the

Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of the enactment of this section.

`(C) COORDINATION WITH OTHER BENEFITS- The amount of qualified higher education expenses for any taxable year shall be reduced as provided in section 25A(g)(2).

`(4) QUALIFIED FIRST-TIME HOMEBUYER COSTS- The term `qualified first-time homebuyer costs' means qualified acquisition costs (as defined in section 72(t)(8) without regard to subparagraph (B) thereof) with respect to a principal residence (within the meaning of section 121) for a qualified first-time homebuyer (as defined in such section).

`(5) QUALIFIED BUSINESS CAPITALIZATION COSTS-

`(A) IN GENERAL- The term `qualified business capitalization costs' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

`(B) QUALIFIED EXPENDITURES- The term `qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

`(C) QUALIFIED BUSINESS- The term `qualified business' means any business that does not contravene any law.

`(D) QUALIFIED PLAN- The term `qualified plan' means a business plan which meets such requirements as the Secretary may specify.

`(6) QUALIFIED MEDICAL EXPENSES- The term `qualified medical expenses' means any amount paid during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in section 213(d)) of the taxpayer, his spouse, or his dependent (as defined in section 152).

`(7) QUALIFIED ROLLOVERS- The term `qualified rollover' means any amount paid from a family development account of a taxpayer into another such account established for the benefit of--

`(A) such taxpayer, or

`(B) any qualified individual who is--

`(i) the spouse of such taxpayer, or

`(ii) any dependent (as defined in section 152) of the taxpayer.

Rules similar to the rules of section 408(d)(3) shall apply for purposes of this paragraph.

`(d) TAX TREATMENT OF ACCOUNTS-

`(1) IN GENERAL- Any family development account is exempt from taxation under this subtitle unless such account has ceased to be a family development account by reason of paragraph (2). Notwithstanding the preceding sentence, any such account is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations). Notwithstanding any other provision of this title (including chapters 11 and 12), the basis of any person in such an account is zero.

`(2) LOSS OF EXEMPTION IN CASE OF PROHIBITED TRANSACTIONS- For purposes of this section, rules similar to the rules of section 408(e) shall apply.

`(3) OTHER RULES TO APPLY- Rules similar to the rules of paragraphs (4), (5), and (6) of section 408(d) shall apply for purposes of this section.

`(e) FAMILY DEVELOPMENT ACCOUNT- For purposes of this title, the term `family development account' means a trust created or organized in the United States for the exclusive benefit of a qualified individual or his beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

`(1) Except in the case of a qualified rollover (as defined in subsection (c)(7))--

`(A) no contribution will be accepted unless it is in cash; and

`(B) contributions will not be accepted for the taxable year in excess of $3,000 (determined without regard to any contribution made under section 1400I (relating to demonstration program to provide matching amounts in renewal communities)).

`(2) The requirements of paragraphs (2) through (6) of section 408(a) are met.

`(f) QUALIFIED INDIVIDUAL- For purposes of this section, the term `qualified individual' means, for any taxable year, an individual--

`(1) who is a bona fide resident of a renewal community throughout the taxable year; and

`(2) to whom a credit was allowed under section 32 for the preceding taxable year.

`(g) OTHER DEFINITIONS AND SPECIAL RULES-

`(1) COMPENSATION- The term `compensation' has the meaning given such term by section 219(f)(1).

`(2) MARRIED INDIVIDUALS- The maximum deduction under subsection (a) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws.

`(3) TIME WHEN CONTRIBUTIONS DEEMED MADE- For purposes of this section, a taxpayer shall be deemed to have made a contribution to a family development account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

`(4) EMPLOYER PAYMENTS; CUSTODIAL ACCOUNTS- Rules similar to the rules of sections 219(f)(5) and 408(h) shall apply for purposes of this section.

`(5) REPORTS- The trustee of a family development account shall make such reports regarding such account to the Secretary and to the individual for whom the account is maintained with respect to contributions (and the years to which they relate), distributions, and such other matters as the Secretary may require under regulations. The reports required by this paragraph--

`(A) shall be filed at such time and in such manner as the Secretary prescribes in such regulations; and

`(B) shall be furnished to individuals--

`(i) not later than January 31 of the calendar year following the calendar year to which such reports relate; and

`(ii) in such manner as the Secretary prescribes in such regulations.

`(6) INVESTMENT IN COLLECTIBLES TREATED AS DISTRIBUTIONS- Rules similar to the rules of section 408(m) shall apply for purposes of this section.

`(h) PENALTY FOR DISTRIBUTIONS NOT USED FOR QUALIFIED FAMILY DEVELOPMENT EXPENSES-

`(1) IN GENERAL- If any amount is distributed from a family development account and is not used exclusively to pay qualified family development expenses for the holder of the account or the spouse or dependent (as defined in section 152) of such holder, the tax imposed by this chapter for the taxable year of such distribution shall be increased by the sum of--

`(A) 100 percent of the portion of such amount which is includible in gross income and is attributable to amounts contributed under section 1400I (relating to demonstration program to provide matching amounts in renewal communities); and

`(B) 10 percent of the portion of such amount which is includible in gross income and is not described in subparagraph (A).

For purposes of this subsection, distributions which are includible in gross income shall be treated as attributable to amounts contributed under section 1400I to the extent thereof. For purposes of the preceding sentence, all family development accounts of an individual shall be treated as one account.

`(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS- Paragraph (1) shall not apply to distributions which are--

`(A) made on or after the date on which the account holder attains age 59 1/2 ,

`(B) made to a beneficiary (or the estate of the account holder) on or after the death of the account holder, or

`(C) attributable to the account holder's being disabled within the meaning of section 72(m)(7).

`(i) TERMINATION- No deduction shall be allowed under this section for any amount paid to a family development account for any taxable year beginning after December 31, 2007.

`SEC. 1400I. DEMONSTRATION PROGRAM TO PROVIDE MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS IN CERTAIN RENEWAL COMMUNITIES.

`(a) Designation-

`(1) DEFINITIONS- For purposes of this section, the term `FDA matching demonstration area' means any renewal community--

`(A) which is nominated under this section by each of the local governments and States which nominated such community for designation as a renewal community under section 1400E(a)(1)(A); and

`(B) which the Secretary of Housing and Urban Development designates as an FDA matching demonstration area after consultation with--

`(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

`(ii) in the case of a community on an Indian reservation, the Secretary of the Interior.

`(2) Number of designations-

`(A) IN GENERAL- The Secretary of Housing and Urban Development may designate not more than 5 communities as FDA matching demonstration areas.

`(B) MINIMUM DESIGNATION IN RURAL AREAS- Of the areas designated under subparagraph (A), at least 2 must be areas described in section 1400E(a)(2)(B).

`(3) Limitations on designations-

`(A) PUBLICATION OF REGULATIONS- The Secretary of Housing and Urban Development shall prescribe by regulation no later than 4 months after the date of the enactment of this section, after consultation with the officials described in paragraph (1)(B)--

`(i) the procedures for nominating a renewal community under paragraph (1)(A) (including procedures for coordinating such nomination with the nomination of an area for designation as a renewal community under section 1400E); and

`(ii) the manner in which nominated renewal communities will be evaluated for purposes of this section.

`(B) TIME LIMITATIONS- The Secretary of Housing and Urban Development may designate renewal communities as FDA matching demonstration areas only during the 24-month period beginning on the first day of the first month following the month in which the regulations described in subparagraph (A) are prescribed.

`(4) DESIGNATION BASED ON DEGREE OF POVERTY, ETC- The rules of section 1400E(a)(3) shall apply for purposes of designations of FDA matching demonstration areas under this section.

`(b) PERIOD FOR WHICH DESIGNATION IS IN EFFECT- Any designation of a renewal community as an FDA matching demonstration area shall remain in effect during the period beginning on the date of such designation and ending on the date on which such area ceases to be a renewal community.

`(c) MATCHING CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS-

`(1) IN GENERAL- Not less than once each taxable year, the Secretary shall deposit (to the extent provided in appropriation Acts) into a family development account of each qualified individual (as defined in section 1400H(f))--

`(A) who is a resident throughout the taxable year of an FDA matching demonstration area; and

`(B) who requests (in such form and manner as the Secretary prescribes) such deposit for the taxable year,

an amount equal to the sum of the amounts deposited into all of the family development accounts of such individual during such taxable year (determined without regard to any amount contributed under this section).

`(2) LIMITATIONS-

`(A) ANNUAL LIMIT- The Secretary shall not deposit more than $1000 under paragraph (1) with respect to any individual for any taxable year.

`(B) AGGREGATE LIMIT- The Secretary shall not deposit more than $2000 under paragraph (1) with respect to any individual for all taxable years.

`(3) EXCLUSION FROM INCOME- Except as provided in section 1400H, gross income shall not include any amount deposited into a family development account under paragraph (1).

`(d) NOTICE OF PROGRAM- The Secretary shall provide appropriate notice to residents of FDA matching demonstration areas of the availability of the benefits under this section.

`(e) TERMINATION- No amount may be deposited under this section for any taxable year beginning after December 31, 2007.

`SEC. 1400J. DESIGNATION OF EARNED INCOME TAX CREDIT PAYMENTS FOR DEPOSIT TO FAMILY DEVELOPMENT ACCOUNT.

`(a) IN GENERAL- With respect to the return of any qualified individual (as defined in section 1400H(f)) for the taxable year of the tax imposed by this chapter, such individual may designate that a specified portion (not less than $1) of any overpayment of tax for such taxable year which is attributable to the earned income tax credit shall be deposited by the Secretary into a family development

account of such individual. The Secretary shall so deposit such portion designated under this subsection.

`(b) MANNER AND TIME OF DESIGNATION- A designation under subsection (a) may be made with respect to any taxable year--

`(1) at the time of filing the return of the tax imposed by this chapter for such taxable year, or

`(2) at any other time (after the time of filing the return of the tax imposed by this chapter for such taxable year) specified in regulations prescribed by the Secretary.

Such designation shall be made in such manner as the Secretary prescribes by regulations.

`(c) PORTION ATTRIBUTABLE TO EARNED INCOME TAX CREDIT- For purposes of subsection (a), an overpayment for any taxable year shall be treated as attributable to the earned income tax credit to the extent that such overpayment does not exceed the credit allowed to the taxpayer under section 32 for such taxable year.

`(d) OVERPAYMENTS TREATED AS REFUNDED- For purposes of this title, any portion of an overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last date prescribed for filing the return of tax imposed by this chapter (determined without regard to extensions) or, if later, the date the return is filed.

`(e) TERMINATION- This section shall not apply to any taxable year beginning after December 31, 2007.

`PART IV--ADDITIONAL INCENTIVES

`Sec. 1400K. Commercial revitalization credit.

`Sec. 1400L. Increase in expensing under section 179.

`SEC. 1400K. COMMERCIAL REVITALIZATION CREDIT.

`(a) GENERAL RULE- For purposes of section 46, except as provided in subsection (e), the commercial revitalization credit for any taxable year is an amount equal to the applicable percentage of the qualified revitalization expenditures with respect to any qualified revitalization building.

`(b) APPLICABLE PERCENTAGE- For purposes of this section--

`(1) IN GENERAL- The term `applicable percentage' means--

`(A) 20 percent for the taxable year in which a qualified revitalization building is placed in service, or

`(B) at the election of the taxpayer, 5 percent for each taxable year in the credit period.

The election under subparagraph (B), once made, shall be irrevocable.

`(2) CREDIT PERIOD-

`(A) IN GENERAL- The term `credit period' means, with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service.

`(B) APPLICABLE RULES- Rules similar to the rules under paragraphs (2) and (4) of section 42(f) shall apply.

`(c) QUALIFIED REVITALIZATION BUILDINGS AND EXPENDITURES- For purposes of this section--

`(1) QUALIFIED REVITALIZATION BUILDING- The term `qualified revitalization building' means any building (and its structural components) if--

`(A) such building is located in a renewal community and is placed in service after December 31, 2000;

`(B) a commercial revitalization credit amount is allocated to the building under subsection (e); and

`(C) depreciation (or amortization in lieu of depreciation) is allowable with respect to the building.

`(2) QUALIFIED REVITALIZATION EXPENDITURE-

`(A) IN GENERAL- The term `qualified revitalization expenditure' means any amount properly chargeable to capital account--

`(i) for property for which depreciation is allowable under section 168 and which is--

`(I) nonresidential real property; or

`(II) an addition or improvement to property described in subclause (I); and

`(ii) in connection with the construction of any qualified revitalization building which was not previously placed in service or in connection with the substantial rehabilitation (within the meaning of section 47(c)(1)(C)) of a building which was placed in service before the beginning of such rehabilitation.

`(B) DOLLAR LIMITATION- The aggregate amount which may be treated as qualified revitalization expenditures with respect to any qualified revitalization building for any taxable year shall not exceed the excess of--

`(i) $10,000,000, reduced by

`(ii) any such expenditures with respect to the building taken into account by the taxpayer or any predecessor in determining the amount of the credit under this section for all preceding taxable years.

`(C) CERTAIN EXPENDITURES NOT INCLUDED- The term `qualified revitalization expenditure' does not include--

`(i) STRAIGHT LINE DEPRECIATION MUST BE USED- Any expenditure (other than with respect to land acquisitions) with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or (C) of section 168(g)(1).

`(ii) ACQUISITION COSTS- The costs of acquiring any building or interest therein and any land in connection with such building to the extent that such costs exceed 30 percent of the qualified revitalization expenditures determined without regard to this clause.

`(iii) OTHER CREDITS- Any expenditure which the taxpayer may take into account in computing any other credit allowable under this title unless the taxpayer elects to take the expenditure into account only for purposes of this section.

`(d) WHEN EXPENDITURES TAKEN INTO ACCOUNT-

`(1) IN GENERAL- Qualified revitalization expenditures with respect to any qualified revitalization building shall be taken into account for the taxable year in which the qualified revitalization building is placed in service. For purposes of the preceding sentence, a substantial rehabilitation of a building shall be treated as a separate building.

`(2) PROGRESS EXPENDITURE PAYMENTS- Rules similar to the rules of subsections (b)(2) and (d) of section 47 shall apply for purposes of this section.

`(e) LIMITATION ON AGGREGATE CREDITS ALLOWABLE WITH RESPECT TO BUILDINGS LOCATED IN A STATE-

`(1) IN GENERAL- The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the commercial revitalization credit amount (in the case of an amount determined under subsection (b)(1)(B), the present value of such amount as determined under the rules of section 42(b)(2)(C)) allocated to such building under this subsection by the commercial revitalization credit agency. Such allocation shall be made at the same time and in the same manner as under paragraphs (1) and (7) of section 42(h).

`(2) COMMERCIAL REVITALIZATION CREDIT AMOUNT FOR AGENCIES-

`(A) IN GENERAL- The aggregate commercial revitalization credit amount which a commercial revitalization credit agency may allocate for any calendar year is the amount of the State commercial revitalization credit ceiling determined under this paragraph for such calendar year for such agency.

`(B) STATE COMMERCIAL REVITALIZATION CREDIT CEILING- The State commercial revitalization credit ceiling applicable to any State--

`(i) for each calendar year after 2000 and before 2008 is $2,000,000 for each renewal community in the State; and

`(ii) zero for each calendar year thereafter.

`(C) COMMERCIAL REVITALIZATION CREDIT AGENCY- For purposes of this section, the term `commercial revitalization credit agency' means any agency authorized by a State to carry out this section.

`(f) RESPONSIBILITIES OF COMMERCIAL REVITALIZATION CREDIT AGENCIES-

`(1) PLANS FOR ALLOCATION- Notwithstanding any other provision of this section, the commercial revitalization credit amount with respect to any building shall be zero unless--

`(A) such amount was allocated pursuant to a qualified allocation plan of the commercial revitalization credit agency which is approved (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof)) by the governmental unit of which such agency is a part; and

`(B) such agency notifies the chief executive officer (or its equivalent) of the local jurisdiction within which the building is located of such allocation and provides such individual a reasonable opportunity to comment on the allocation.

`(2) QUALIFIED ALLOCATION PLAN- For purposes of this subsection, the term `qualified allocation plan' means any plan--

`(A) which sets forth selection criteria to be used to determine priorities of the commercial revitalization credit agency which are appropriate to local conditions;

`(B) which considers--

`(i) the degree to which a project contributes to the implementation of a strategic plan that is devised for a renewal community through a citizen participation process;

`(ii) the amount of any increase in permanent, full-time employment by reason of any project; and

`(iii) the active involvement of residents and nonprofit groups within the renewal community; and

`(C) which provides a procedure that the agency (or its agent) will follow in monitoring compliance with this section.

`(g) TERMINATION- This section shall not apply to any building placed in service after December 31, 2007.

`SEC. 1400L. INCREASE IN EXPENSING UNDER SECTION 179.

`(a) GENERAL RULE- In the case of a renewal community business (as defined in section 1400G), for purposes of section 179--

`(1) the limitation under section 179(b)(1) shall be increased by the lesser of--

`(A) $35,000; or

`(B) the cost of section 179 property which is qualified renewal property placed in service during the taxable year; and

`(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified renewal property shall be 50 percent of the cost thereof.

`(b) RECAPTURE- Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified renewal property which ceases to be used in a renewal community by a renewal community business.

`(c) QUALIFIED RENEWAL PROPERTY- For purposes of this section--

`(1) IN GENERAL- The term `qualified renewal property' means any property to which section 168 applies (or would apply but for section 179) if--

`(A) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2000, and before January 1, 2008; and

`(B) such property would be qualified zone property (as defined in section 1397C) if references to renewal communities were substituted for references to empowerment zones in section 1397C.

`(2) CERTAIN RULES TO APPLY- The rules of subsections (a)(2) and (b) of section 1397C shall apply for purposes of this section.'.

SEC. 102. EXTENSION OF EXPENSING OF ENVIRONMENTAL

REMEDIATION COSTS TO RENEWAL COMMUNITIES.

(a) EXTENSION- Paragraph (2) of section 198(c) (defining targeted area) is amended by redesignating subparagraph (C) as subparagraph (D) and by inserting after subparagraph (B) the following new subparagraph:

`(C) RENEWAL COMMUNITIES INCLUDED- Except as provided in subparagraph (B), such term shall include a renewal community (as defined in section 1400E).'.

(b) EXTENSION OF TERMINATION DATE FOR RENEWAL COMMUNITIES- Subsection (h) of section 198 is amended by inserting before the period `(December 31, 2007, in the case of a renewal community, as defined in section 1400E).'.

SEC. 103. EXTENSION OF WORK OPPORTUNITY TAX CREDIT FOR RENEWAL COMMUNITIES

(a) EXTENSION- Subsection (c) of section 51 (relating to termination) is amended by adding at the end the following new paragraph:

`(5) EXTENSION OF CREDIT FOR RENEWAL COMMUNITIES-

`(A) IN GENERAL- In the case of an individual who begins work for the employer after the date contained in paragraph (4)(B), for purposes of section 38--

`(i) in lieu of applying subsection (a), the amount of the work opportunity credit determined under this section for the taxable year shall be equal to--

`(I) 15 percent of the qualified first-year wages for such year; and

`(II) 30 percent of the qualified second-year wages for such year;

`(ii) subsection (b)(3) shall be applied by substituting `$10,000' for `$6,000';

`(iii) paragraph (4)(B) shall be applied by substituting for the date contained therein the last day for which the designation under section 1400E of the renewal community referred to in subparagraph (B)(i) is in effect; and

`(iv) rules similar to the rules of section 51A(b)(5)(C) shall apply.

`(B) QUALIFIED FIRST- AND SECOND-YEAR WAGES- For purposes of subparagraph (A)--

`(i) IN GENERAL- The term `qualified wages' means, with respect to each 1-year period referred to in clause (ii) or (iii), as the case may be, the wages paid or incurred by the employer during the taxable year to any individual but only if--

`(I) the employer is engaged in a trade or business in a renewal community throughout such 1-year period;

`(II) the principal place of abode of such individual is in such renewal community throughout such 1-year period; and

`(III) substantially all of the services which such individual performs for the employer during such 1-year period are performed in such renewal community.

`(ii) QUALIFIED FIRST-YEAR WAGES- The term `qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

`(iii) QUALIFIED SECOND-YEAR WAGES- The term `qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under clause (ii).'.

(b) CONGRUENT TREATMENT OF RENEWAL COMMUNITIES AND ENTERPRISE ZONES FOR PURPOSES OF YOUTH RESIDENCE REQUIREMENTS-

(1) HIGH-RISK YOUTH- Subparagraphs (A)(ii) and (B) of section 51(d)(5) are each amended by striking `empowerment zone or enterprise community' and inserting `empowerment zone, enterprise community, or renewal community'.

(2) QUALIFIED SUMMER YOUTH EMPLOYEE- Clause (iv) of section 51(d)(7)(A) is amended by striking `empowerment zone or enterprise community' and inserting `empowerment zone, enterprise community, or renewal community'.

(3) HEADINGS- Paragraphs (5)(B) and (7)(C) of section 51(d) are each amended by inserting `OR COMMUNITY' in the heading after `ZONE'.

SEC. 104. CONFORMING AND CLERICAL AMENDMENTS.

(a) DEDUCTION FOR CONTRIBUTIONS TO FAMILY DEVELOPMENT ACCOUNTS ALLOWABLE WHETHER OR NOT TAXPAYER ITEMIZES- Subsection (a) of section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (17) the following new paragraph:

`(18) FAMILY DEVELOPMENT ACCOUNTS- The deduction allowed by section 1400H(a)(1)(A).'.

(b) TAX ON EXCESS CONTRIBUTIONS-

(1) TAX IMPOSED- Subsection (a) of section 4973 is amended by striking `or' at the end of paragraph (3), adding `or' at the end of paragraph (4), and inserting after paragraph (4) the following new paragraph:

`(5) a family development account (within the meaning of section 1400H(e)),'.

(2) EXCESS CONTRIBUTIONS- Section 4973 is amended by adding at the end the following new subsection:

`(g) FAMILY DEVELOPMENT ACCOUNTS- For purposes of this section, in the case of a family development account, the term `excess contributions' means the sum of--

`(1) the excess (if any) of--

`(A) the amount contributed for the taxable year to the account (other than a qualified rollover, as defined in section 1400H(c)(7), or a contribution under section 1400I), over

`(B) the amount allowable as a deduction under section 1400H for such contributions; and

`(2) the amount determined under this subsection for the preceding taxable year reduced by the sum of--

`(A) the distributions out of the account for the taxable year which were included in the gross income of the payee under section 1400H(b)(1);

`(B) the distributions out of the account for the taxable year to which rules similar to the rules of section 408(d)(5) apply by reason of section 1400H(d)(3); and

`(C) the excess (if any) of the maximum amount allowable as a deduction under section 1400H for the taxable year over the amount contributed to the account for the taxable year (other than a contribution under section 1400I).

For purposes of this subsection, any contribution which is distributed from the family development account in a distribution to which rules similar to the rules of section 408(d)(4) apply by reason of section 1400H(d)(3) shall be treated as an amount not contributed.'.

(c) TAX ON PROHIBITED TRANSACTIONS- Section 4975 is amended--

(1) by adding at the end of subsection (c) the following new paragraph:

`(6) SPECIAL RULE FOR FAMILY DEVELOPMENT ACCOUNTS- An individual for whose benefit a family development account is established and any contributor to such account shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a family development account by reason of the application of section 1400H(d)(2) to such account.'; and

(2) in subsection (e)(1), by striking `or' at the end of subparagraph (E), by redesignating subparagraph (F) as subparagraph (G), and by inserting after subparagraph (E) the following new subparagraph:

`(F) a family development account described in section 1400H(e), or'.

(d) INFORMATION RELATING TO CERTAIN TRUSTS AND ANNUITY PLANS- Subsection (c) of section 6047 is amended--

(1) by inserting `or section 1400H' after `section 219'; and

(2) by inserting `, of any family development account described in section 1400H(e),', after `section 408(a)'.

(e) INSPECTION OF APPLICATIONS FOR TAX EXEMPTION- Clause (i) of section 6104(a)(1)(B) is amended by inserting `a family development account described in section 1400H(e),' after `section 408(a),'.

(f) FAILURE TO PROVIDE REPORTS ON FAMILY DEVELOPMENT ACCOUNTS- Paragraph (2) of section 6693(a) is amended by striking `and' at the end of subparagraph (C), by striking the period and inserting `, and' at the end of subparagraph (D), and by adding at the end the following new subparagraph:

`(E) section 1400H(g)(6) (relating to family development accounts).'.

(g) CONFORMING AMENDMENTS REGARDING COMMERCIAL REVITALIZATION CREDIT-

(1) Section 46 (relating to investment credit) is amended by striking `and' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting `, and', and by adding at the end the following new paragraph:

`(4) the commercial revitalization credit provided under section 1400K.'.

(2) Section 39(d) is amended by adding at the end the following new paragraph:

`(9) NO CARRYBACK OF SECTION 1400K CREDIT BEFORE DATE OF ENACTMENT- No portion of the unused business credit for any taxable year which is attributable to any commercial revitalization credit determined under section 1400K may be carried back to a taxable year ending before the date of the enactment of section 1400K.'.

(3) Subparagraph (B) of section 48(a)(2) is amended by inserting `or commercial revitalization' after `rehabilitation' each place it appears in the text and heading.

(4) Subparagraph (C) of section 49(a)(1) is amended by striking `and' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting `, and', and by adding at the end the following new clause:

> `(iv) the portion of the basis of any qualified revitalization building attributable to qualified revitalization expenditures.'.

(5) Paragraph (2) of section 50(a) is amended by inserting `or 1400K(d)(2)' after `section 47(d)' each place it appears.

(6) Subparagraph (A) of section 50(a)(2) is amended by inserting `or qualified revitalization building (respectively)' after `qualified rehabilitated building'.

(7) Subparagraph (B) of section 50(a)(2) is amended by adding at the end the following new sentence: `A similar rule shall apply for purposes of section 1400K.'.

(8) Paragraph (2) of section 50(b) is amended by striking `and' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting `; and', and by adding at the end the following new subparagraph:

> `(E) a qualified revitalization building (as defined in section 1400K) to the extent of the portion of the basis which is attributable to qualified revitalization expenditures (as defined in section 1400K).'.

(9) The last sentence of section 50(b)(3) is amended to read as follows: `If any qualified rehabilitated building or qualified revitalization building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes of determining the amount of the rehabilitation credit or the commercial revitalization credit.'.

(10) Subparagraph (C) of section 50(b)(4) is amended--

> (A) by inserting `or commercial revitalization' after `rehabilitated' in the text and heading; and
>
> (B) by inserting `or commercial revitalization' after `rehabilitation'.

(11) Subparagraph (C) of section 469(i)(3) is amended--

> (A) by inserting `or section 1400K' after `section 42'; and
>
> (B) by striking `CREDIT' in the heading and inserting `AND COMMERCIAL

REVITALIZATION CREDITS'.

(h) CLERICAL AMENDMENTS- The table of subchapters for chapter 1 is amended by adding at the end the following new item:

'Subchapter X. Renewal Communities.'.

SEC. 105. EVALUATION AND REPORTING REQUIREMENTS.

Not later than the close of the fourth calendar year after the year in which the Secretary of Housing and Urban Development first designates an area as a renewal community under section 1400E of the Internal Revenue Code of 1986, and at the close of each fourth calendar year thereafter, such Secretary shall prepare and submit to the Congress a report on the effects of such designations in stimulating the creation of new jobs, particularly for disadvantaged workers and long-term unemployed individuals, and promoting the revitalization of economically distressed areas.

SEC. 106. EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall not make any estimates of changes in receipts under section 252(d) of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act.

TITLE II--ADDITIONAL PROVISIONS

SEC. 201. TRANSFER OF UNOCCUPIED AND SUBSTANDARD HUD-HELD HOUSING IN RENEWAL COMMUNITIES TO LOCAL GOVERNMENTS.

(a) TRANSFER REQUIREMENT- Pursuant to the authority under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997, the Secretary shall transfer ownership of any qualified HUD property to the unit of general local government having jurisdiction for the area in which the property is located in accordance with this section, but only if the unit of general local government enters into an agreement with the Secretary meeting the requirements of subsection (d).

(b) QUALIFIED HUD PROPERTIES- For purposes of this section, the term 'qualified HUD property' means any unoccupied multifamily housing, project, substandard multifamily housing project, or unoccupied single family property, that is--

(1) owned by the Secretary; and

(2) located within a renewal community.

(c) TIMING OF TRANSFER- Any transfer of ownership required under subsection (a) shall be completed--

(1) with respect to any multifamily housing project or single family property that is acquired by the Secretary before the date on which the area in which property is located is designated as a renewal community and that is substandard or unoccupied (as applicable) upon such date, not later than 1 year after such date; and

(2) with respect to any multifamily housing project or single family property that is acquired by the Secretary on or after the date on which the area in which the property is located is designated as a renewal community, not later than 1 year after--

(A) the date on which the project is determined to be substandard or unoccupied (as applicable), in the case of a property that is not unoccupied or substandard upon acquisition by the Secretary; or

(B) the date on which the project is acquired by the Secretary, in the case of a property that is substandard or unoccupied (as applicable) upon such acquisition.

(d) AGREEMENTS TO SELL PROPERTY TO COMMUNITY DEVELOPMENT CORPORATIONS- An agreement described in this subsection is an agreement that requires a unit of general local government to dispose of the qualified HUD property acquired by the unit of general local government in accordance with the following requirements:

(1) NOTIFICATION TO COMMUNITY DEVELOPMENT CORPORATIONS- Not later than 30 days after the date on which the unit of general local government acquires title to the property under subsection (a), the unit of general local government shall notify each community development corporation located in the State in which the property is located--

(A) of such acquisition of title; and

(B) that, during the 6-month period beginning on the date on which such notification is made, such community development corporations shall have the exclusive right under this subsection to make bona fide offers to purchase the property on a cost recovery basis.

(2) RIGHT OF FIRST REFUSAL- During the 6-month period described in paragraph (1)(B)--

(A) the unit of general local government may not sell or offer to sell the qualified HUD property other than to a party notified under paragraph (1), unless each community development corporation required to be so notified has notified the unit of general local government that the corporation will not make an offer to purchase the property; and

(B) the unit of general local government shall accept a bona fide offer to purchase the property made during such period if the offer is acceptable to the unit of general local government, except that a unit of general local government may not sell a property to a community development corporation during that 6-month period other than on a cost recovery basis.

(3) OTHER DISPOSITION- During the 6-month period beginning on the expiration of the 6-month period described in paragraph (1)(B), the unit of general local government shall dispose of the property on a negotiated, competitive bid, or other basis, on such terms as the unit of general local government deems appropriate.

(e) SATISFACTION OF INDEBTEDNESS- Before transferring ownership of any qualified HUD property pursuant to subsection (a), the Secretary shall satisfy any indebtedness incurred in connection with the property to be transferred, by--

(1) canceling the indebtedness; or

(2) reimbursing the unit of general local government to which the property is transferred for the amount of the indebtedness.

(f) DETERMINATION OF STATUS OF PROPERTIES- To ensure compliance with the requirements of subsection (c), the Secretary shall take the following actions:

(1) UPON DESIGNATION OF RENEWAL COMMUNITIES- Upon the designation of any renewal community, the Secretary shall promptly assess each residential property owned by

the Secretary that is located within such renewal community to determine whether such property is a qualified HUD property.

(2) UPON ACQUISITION- Upon acquiring any residential property that is located with a renewal community, the Secretary shall promptly determine whether the property is a qualified HUD property.

(3) UPDATES- The Secretary shall periodically reassess the residential properties owned by the Secretary to determine whether any such properties have become qualified HUD properties.

(g) TENANT LEASES- This section shall not affect the terms or the enforceability of any contract or lease entered into with respect to any residential property before the date that such property becomes a qualified HUD property.

(h) PROCEDURES- Not later than the expiration of the 6-month period beginning on the date of the enactment of this Act, the Secretary shall establish, by rule, regulation, or order, such procedures as may be necessary to carry out this section.

(i) DEFINITIONS- For purposes of this section, the following definitions shall apply:

(1) COMMUNITY DEVELOPMENT CORPORATION- The term `community development corporation' means a nonprofit organization whose primary purpose is to promote community development by providing housing opportunities for low-income families.

(2) COST RECOVERY BASIS- The term `cost recovery basis' means, with respect to any sale of a residential property by a unit of general local government to a community development corporation under subsection (d)(2), that the purchase price paid by the community development corporation is less than or equal to the costs incurred by the unit of general local government in connection with such property during the period beginning on the date on which the unit of general local government acquires title to the property under subsection (a) and ending on the date on which the sale is consummated.

(3) LOW-INCOME FAMILIES- The term `low-income families' has the meaning given the term in section 3(b) of the United States Housing Act of 1937.

(4) MULTIFAMILY HOUSING PROJECT- The term `multifamily housing project' has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

(5) RENEWAL COMMUNITY- The term `renewal community' means an area designated (under subchapter X of chapter 1 of the Internal Revenue Code of 1986) as a renewal community.

(6) RESIDENTIAL PROPERTY- The term `residential property' means a property that is a multifamily housing project or a single family property.

(7) SECRETARY- The term `Secretary' means the Secretary of Housing and Urban Development.

(8) SEVERE PHYSICAL PROBLEMS- The term `severe physical problems' means, with respect to a dwelling unit, that the unit--

(A) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

(B) on not less than 3 separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

(C) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced 3 or more blown fuses or tripped circuit breakers during the preceding 90-day period;

(D) is accessible through a public hallway in which there are no working light fixtures, loose or missing steps or railings, and no elevator; or

(E) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

(9) SINGLE FAMILY PROPERTY- The term `single family property' means a 1- to 4-family residence.

(10) SUBSTANDARD- The term `substandard' means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

(11) UNIT OF GENERAL LOCAL GOVERNMENT- The term `unit of general local government' has the meaning given the term in section 102(a) of the Housing and Community Development Act of 1974.

(12) UNOCCUPIED- The term `unoccupied' means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

SEC. 202. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

`Part G--Services Provided Through Religious Organizations

`SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

`(a) DESIGNATED PROGRAMS- Subject to subsection (b), this part applies to each program under this Act that makes awards of Federal financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a `designated program'). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

`(b) LIMITATION- This part does not apply to any award of Federal financial assistance under a designated program for a purpose other than the purpose specified in subsection (a).

`(c) DEFINITIONS- For purposes of this part (and subject to subsection (b)):

`(1) The term `designated award recipient' means a public or private entity that has received an award under a designated program (whether the award is a designated direct award or a designated subaward).

`(2) The term `designated direct award' means an award under a designated program that is received directly from the Federal Government.

`(3) The term `designated subaward' means an award of financial assistance made by a non-Federal entity, which award consists in whole or in part of Federal financial assistance provided through an award under a designated program.

`(4) The term `designated program' has the meaning given such term in subsection (a).

`(5) The term `financial assistance' means a grant, cooperative agreement, contract, or voucherized assistance.

`(6) The term `program beneficiary' means an individual who receives program services.

`(7) The term `program participant' has the meaning given such term in section 582(a)(2).

`(8) The term `program services' means treatment for substance abuse, or preventive services regarding such abuse, provided pursuant to an award under a designated program.

`(9) The term `religious organization' means a nonprofit religious organization.

`(10) The term `voucherized assistance' means--

`(A) a system of selecting and reimbursing program services in which--

`(i) the beneficiary is given a document or other authorization that may be used to pay for program services;

`(ii) the beneficiary chooses the organization that will provide services to him or her according to rules specified by the designated award recipient; and

`(iii) the organization selected by the beneficiary is reimbursed by the designated award recipient for program services provided; or

`(B) any other mode of financial assistance to pay for program services in which the program beneficiary determines the allocation of program funds through his or her selection of one service provider from among alternatives.

`SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

`(a) IN GENERAL-

`(1) SCOPE OF AUTHORITY- Notwithstanding any other provision of law, a religious organization--

`(A) may be a designated award recipient;

`(B) may make designated subawards to other public or nonprofit private entities (including other religious organizations);

`(C) may provide for the provision of program services to program beneficiaries through the use of voucherized assistance; and

`(D) may be a provider of services under a designated program, including a provider that accepts voucherized assistance.

`(2) DEFINITION OF PROGRAM PARTICIPANT- For purposes of this part, the term `program participant' means a public or private entity that has received a designated direct award, or a designated subaward, regardless of whether the entity provides program services. Such term includes an entity whose only participation in a designated program is to provide program services pursuant to the acceptance of voucherized assistance.

`(b) RELIGIOUS ORGANIZATIONS- The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

`(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS-

`(1) FINDINGS- The Congress finds that the establishment clause of the first amendment to the Constitution of the United States does not require that--

`(A) social-welfare programs discriminate against faith-based providers of services; or

`(B) faith-based providers of services, as a prerequisite to participation in Federal programs, abandon their religious character and censor their religious expression.

`(2) NONDISCRIMINATION- Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization. Neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

`(d) RELIGIOUS CHARACTER AND FREEDOM-

`(1) RELIGIOUS ORGANIZATIONS- Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

`(2) ADDITIONAL SAFEGUARDS- Neither the Federal Government nor a State shall require a religious organization to--

`(A) alter its form of internal governance; or

`(B) remove religious art, icons, scripture, or other symbols;

in order to be a program participant.

`(e) NONDISCRIMINATION IN EMPLOYMENT-

`(1) IN GENERAL- Except as provided in paragraph (2), nothing in this section shall be construed to modify or affect the provisions of any other Federal or State law or regulation that relates to discrimination in employment on the basis of religion.

`(2) EXCEPTION- A religious organization that is a program participant may require that an employee rendering program services adhere to--

`(A) the religious beliefs and practices of such organization; and

`(B) any rules of the organization regarding the use of drugs or alcohol.

`(f) RIGHTS OF PROGRAM BENEFICIARIES-

`(1) OBJECTIONS REGARDING RELIGIOUS ORGANIZATIONS- With respect to an individual who is a program beneficiary or a prospective program beneficiary, if the individual objects to a program participant on the basis that the participant is a religious organization, the following applies:

`(A) If the organization received a designated direct award, the organization shall arrange for the individual to receive program services through an alternative entity.

`(B) If the organization received a designated subaward, the non-Federal entity that made the subaward shall arrange for the individual to receive the program services through an alternative program participant.

`(C) If the organization is providing services pursuant to voucherized assistance, the designated award recipient that operates the voucherized assistance program shall arrange for the individual to receive the program services through an alternative provider.

`(D) Arrangements under any of paragraphs (A) through (C) with an alternative entity shall provide for program services the monetary value of which is not less than the monetary value of the program services that the individual would have received from the religious organization involved.

`(2) NONDISCRIMINATION-

`(A) IN GENERAL- Except as provided in subparagraph (B) or as otherwise provided in law, a religious organization that is a program participant shall not in providing program services discriminate against a program beneficiary on the basis of religion or religious belief.

`(B) LIMITATION- A religious organization that is a program participant may require a program beneficiary who has elected in accordance with paragraph (1) to receive program services from such organization--

`(i) to actively participate in religious practice, worship, and instruction; and

`(ii) to follow rules of behavior devised by the organizations that are religious in content or origin.

`(g) FISCAL ACCOUNTABILITY-

`(1) IN GENERAL- Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

`(2) LIMITED AUDIT- With respect to the award involved, if a religious organization that is a program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit.

`(h) COMPLIANCE- With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

`SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

`(a) IN GENERAL- Except as provided in subsection (b), no funds provided directly to an entity under a designated program shall be expended for sectarian worship or instruction.

`(b) EXCEPTION- Subsection (a) shall not apply to assistance provided to or on behalf of a program beneficiary if the beneficiary may choose where such assistance is redeemed or allocated.

`SEC. 584. ADMINISTRATION OF PROGRAM AND TREATMENT OF FUNDS.

`(a) FUNDS NOT AID TO INSTITUTIONS- Financial assistance under a designated program provided to or on behalf of program beneficiaries is aid to the beneficiary, not to the organization providing program services. The receipt by a program beneficiary of program services at the facilities of the organization shall not constitute Federal financial assistance to the organization involved.

`(b) PROHIBITION ON STATE DISCRIMINATION IN USE OF FUNDS- No provision in any State constitution or State law shall be construed to prohibit the expenditure of Federal funds under a designated program in a religious facility or by a religious organization that is a program participant. If a State law or constitution would prevent the expenditure of State or local public funds in such a facility or by such an organization, then the State or local government shall segregate the Federal funds from State or other public funds for purposes of carrying out the designated program.

`SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

`(a) FINDINGS- The Congress finds that--

`(1) establishing formal educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

`(2) such formal educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

`(b) LIMITATION ON EDUCATIONAL REQUIREMENTS OF PERSONNEL-

`(1) TREATMENT OF RELIGIOUS EDUCATION- If any State or local government that is a program participant imposes formal educational qualifications on providers of program services, including religious organizations, such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services. In applying educational qualifications for personnel in religious organizations, such State or local government shall give credit for religious education and training equivalent to credit given for secular course work in drug treatment or any other secular subject that is of similar grade level and duration.

`(2) RESTRICTION OF DISCRIMINATION REQUIREMENTS-

`(A) IN GENERAL- Subject to paragraph (1), a State or local government that is a program participant may establish formal educational qualifications for personnel in organizations providing program services that contribute to success in reducing drug use among program beneficiaries.

`(B) EXCEPTION- The Secretary shall waive the application of any educational qualification imposed under subparagraph (A) for an individual religious organization, if the Secretary determines that--

`(i) the religious organization has a record of prior successful drug treatment for at least the preceding three years;

`(ii) the educational qualifications have effectively barred such religious organization from becoming a program provider;

`(iii) the organization has applied to the Secretary to waive the qualifications; and

`(iv) the State or local government has failed to demonstrate empirically that the educational qualifications in question are necessary to the successful operation of a drug treatment program.'.

SEC. 203. CRA CREDIT FOR INVESTMENTS IN COMMUNITY DEVELOPMENT ORGANIZATIONS LOCATED IN RENEWAL COMMUNITIES.

Section 804 of the Community Reinvestment Act of 1977 (12 U.S.C. 2903) is amended by adding at the end the following new subsection:

`(c) INVESTMENTS IN CERTAIN COMMUNITY DEVELOPMENT ORGANIZATIONS- In assessing and taking into account, under subsection (a), the record of a regulated financial institution, the appropriate Federal financial supervisory agency may consider, as a factor, investments of the institution in, and capital investment, loan participation, and other ventures undertaken by the institution in cooperation with, any community development organization (as defined in section 234 of the Bank Enterprise Act of 1991) which is located in a renewal community (as designated under section 1400E of the Internal Revenue Code of 1986).'.

END

HRES 207 IH

106th CONGRESS

1st Session

H. RES. 207

Expressing the sense of the House of Representatives with regard to community renewal through community- and faith-based organizations.

IN THE HOUSE OF REPRESENTATIVES

June 15, 1999

Mr. PITTS submitted the following resolution; which was referred to the Committee on Education and the Workforce

---

RESOLUTION

Expressing the sense of the House of Representatives with regard to community renewal through community- and faith-based organizations.

Whereas, while the steady economic growth and low inflation in the United States has yielded unprecedented prosperity, many American citizens have not benefited from this prosperity and continue to be socioeconomically disadvantaged;

Whereas millions of our fellow citizens who live in the inner cities and rural communities continue to be plagued by social breakdown, economic disadvantage, and educational failure that fosters hopelessness and despair;

Whereas our most intractable pathologies--crime, drug addiction, teen pregnancy, homelessness, and youth violence--are each being addressed by small, and sometimes unrecognized, community- or faith-based organizations, whose expertise should not be ignored;

Whereas these nonprofit organizations have local experts who are moving individuals from dependency to self-sufficiency and restoring the lives of men, women, and families across the country;

Whereas many community- and faith-based organizations are offering the American public a new vision of compassion, designed to encourage volunteerism, strengthen the community, and care for the poor and vulnerable;

Whereas private sector investment in capital development--social and economic--in the most poverty stricken pockets across the country is key to long-term renewal of urban centers and distressed rural communities;

Whereas economic growth attracts new businesses, provides stability to neighborhoods, as well as provides jobs that yield income to support families and nurture self-respect;

Whereas over 100 bipartisan Members of Congress have cosponsored H.R. 815, the American Community Renewal Act, which targets the 100 poorest communities in the Nation for pro-growth tax benefits, regulatory relief, brownfields cleanup, and home-ownership opportunities that combine to create jobs, hope, and a sense of community;

Whereas the President and the Vice President, along with congressional organizations such as the Renewal Alliance, have recognized the importance of community renewal and have recently promoted strategies designed to rebuild communities to empower faith-based organizations on the front lines of renewal in our country; and

Whereas a concerted effort to empower community institutions, encourage community renewal, and implement educational reform will help those who reside in inner cities and distressed rural communities to gain their share of America's prosperity: Now, therefore, be it

Resolved, That the House of Representatives--

(1) extends gratitude to the private nonprofit organizations and volunteers whose commitment to meet human needs in areas of poverty is key to long-term renewal of urban centers and distressed rural communities;

(2) seeks to empower the strengths of America's communities, local leaders, and mediating institutions such as its families, schools, spiritual leaders, businesses and nonprofit organizations;

(3) should work to empower community- and faith-based organizations to promote effective solutions to the social, financial, and emotional needs of urban centers and rural communities, and the long-term solutions to the problems faced by our culture; and

(4) should work with the Senate and the President to support a compassionate grassroots approach to addressing the family, economic, and cultural breakdown that plagues many of our Nation's urban and rural communities.

END

Cynthia A. Rice 09/28/99 12:45:52 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:
Subject: Watts-Talent Language

I looked at the Watts-Talent language. It is nearly identical in meaning to the welfare law provision, about which the Justice Department has raised concerns but which the Gore campaign has lauded as a model which should be applied to substance abuse treatment (as the Watts-Talent does). It goes a bit futher than the welfare language in a few small areas but the core of it is identical.

I will get copied and brought over to you in rm 235 some background materials. Most helpful will be a chart I did comparing current welfare law to some current proposals. I will also include the various iterations of Justice Department concerns, some of which have been sent to the Hill and some of which have not.

Do you still plan to hold a meeting?

Issue	The Vice President	Governor Bush	Current Law
Federal Funding for Faith-Based Organizations	The Vice President has proposed to extend the welfare law's "charitable choice" provision to new areas such as drug treatment, homelessness, and youth violence prevention, so long as individuals have secular alternatives and no one is required to participate in religious observances as a condition of receiving services.	Governor Bush has proposed to expand "charitable choice" to all federal laws that authorize the government to use non-governmental entities to provide services to beneficiaries with federal dollars. Faith-based organizations should provide secular alternatives, and fund inherently religious activities through private funds. He promised to launch initiatives involving faith-based organizations to: 1) help children of prisoners; 2) fund after-school programs with vouchers and open the entire 21st Century Program to competition by faith-based groups (only 10 percent is awarded by competition now, the rest goes to schools); 3) launch performance-based drug treatment programs; 4) fund pilot pre-release prison programs; 5) fund second-chance homes for teenage mothers through a block grant to states; and 6) make permanent the current $5,000 adoption tax credit, which expires in 2001.	The welfare law's charitable choice provision, which also applies to the Community Services Block Grant and the formula funds in DOL's Welfare-to-Work program, allows states to use the TANF block grant to administer services through contracts with charitable or religious organizations. Organizations receiving such funds may not expend them for sectarian worship, instruction, or proselytizing, and cannot be required to alter their practices or internal governance, or to remove religious symbols in order to qualify. The state must provide individuals who object to being served by a religious organization with an alternate provider. The Supreme Court has held that religiously affiliated groups may receive government funds so long as they do not use them to fund religious activities, but the government cannot fund "pervasively sectarian" groups. The Administration has long supported second-chance homes (which were authorized by the welfare law) and the adoption tax credit (which was enacted in 1996).

"(5) STATE.—Except as otherwise specifically provided, the term 'State' means the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.".

(b) GRANTS TO OUTLYING AREAS.—Section 1108 (42 U.S.C. 1308) is amended—

(1) by striking subsections (d) and (e);

(2) by redesignating subsection (c) as subsection (f); and

(3) by striking all that precedes subsection (c) and inserting the following:

"SEC. 1108. ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS.

"(a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—Notwithstanding any other provision of this Act, the total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, under parts A and E of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

"(b) ENTITLEMENT TO MATCHING GRANT.—

"(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

"(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and E of title IV; exceeds

"(B) the sum of—

"(i) the amount of the family assistance grant payable to the territory without regard to section 409; and

"(ii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A and F of title IV (as so in effect), other than for child care.

"(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1997 through 2002, such sums as are necessary for grants under this paragraph.

"(c) DEFINITIONS.—As used in this section:

"(1) TERRITORY.—The term 'territory' means Puerto Rico, the Virgin Islands, Guam, and American Samoa.

"(2) CEILING AMOUNT.—The term 'ceiling amount' means, with respect to a territory and a fiscal year, the mandatory ceiling amount with respect to the territory, reduced for the fiscal year in accordance with subsection (e), and reduced by the amount of any penalty imposed on the territory under any provision of law specified in subsection (a) during the fiscal year.

"(3) FAMILY ASSISTANCE GRANT.—The term 'family assistance grant' has the meaning given such term by section 403(a)(1)(B).

"(4) MANDATORY CEILING AMOUNT.—The term 'mandatory ceiling amount' means—

"(A) $107,255,000 with respect to Puerto Rico;

"(B) $4,686,000 with respect to Guam;

"(C) $3,554,000 with respect to the Virgin Islands; and

"(D) $1,000,000 with respect to American Samoa.

"(5) TOTAL AMOUNT EXPENDED BY THE TERRITORY.—The term 'total amount expended by the territory'—

"(A) does not include expenditures during the fiscal year from amounts made available by the Federal Government; and

"(B) when used with respect to fiscal year 1995, also does not include—

"(i) expenditures during fiscal year 1995 under subsection (g) or (i) of section 402 (as in effect on September 30, 1995); or

"(ii) any expenditures during fiscal year 1995 for which the territory (but for section 1108, as in effect on September 30, 1995) would have received reimbursement from the Federal Government.

"(d) AUTHORITY TO TRANSFER FUNDS TO CERTAIN PROGRAMS.—A territory to which an amount is paid under subsection (b) of this section may use the amount in accordance with section 404(d).

"(e) MAINTENANCE OF EFFORT.—The ceiling amount with respect to a territory shall be reduced for a fiscal year by an amount equal to the amount (if any) by which—

"(1) the total amount expended by the territory under all programs of the territory operated pursuant to the provisions of law specified in subsection (a) (as such provisions were in effect for fiscal year 1995) for fiscal year 1995; exceeds

"(2) the total amount expended by the territory under all programs of the territory that are funded under the provisions of law specified in subsection (a) for the fiscal year that immediately precedes the fiscal year referred to in the matter preceding paragraph (1).".

(c) ELIMINATION OF CHILD CARE PROGRAMS UNDER THE SOCIAL SECURITY ACT.—

TANF Law

(1) AFDC AND TRANSITIONAL CHILD CARE PROGRAMS.—Section 402 (42 U.S.C. 602) is amended by striking subsection (g).

(2) AT-RISK CHILD CARE PROGRAM.—

(A) AUTHORIZATION.—Section 402 (42 U.S.C. 602) is amended by striking subsection (i).

(B) FUNDING PROVISIONS.—Section 403 (42 U.S.C. 603) is amended by striking subsection (n).

SEC. 104. SERVICES PROVIDED BY CHARITABLE, RELIGIOUS, OR PRIVATE ORGANIZATIONS. 42 USC 604a.

(a) IN GENERAL.—

(1) STATE OPTIONS.—A State may—

(A) administer and provide services under the programs described in subparagraphs (A) and (B)(i) of paragraph (2) through contracts with charitable, religious, or private organizations; and

(B) provide beneficiaries of assistance under the programs described in subparagraphs (A) and (B)(ii) of paragraph (2) with certificates, vouchers, or other forms of disbursement which are redeemable with such organizations.

(2) PROGRAMS DESCRIBED.—The programs described in this paragraph are the following programs:

(A) A State program funded under part A of title IV of the Social Security Act (as amended by section 103(a) of this Act).

(B) Any other program established or modified under title I or II of this Act, that—

(i) permits contracts with organizations; or

(ii) permits certificates, vouchers, or other forms of disbursement to be provided to beneficiaries, as a means of providing assistance.

Contracts.

(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow States to contract with religious organizations, or to allow religious organizations to accept certificates, vouchers, or other forms of disbursement under any program described in subsection (a)(2), on the same basis as any other nongovernmental provider without impairing the religious character of such organizations, and without diminishing the religious freedom of beneficiaries of assistance funded under such program.

(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—In the event a State exercises its authority under subsection (a), religious organizations are eligible, on the same basis as any other private organization, as contractors to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, under any program described in subsection (a)(2) so long as the programs are implemented consistent with the Establishment Clause of the United States Constitution. Except as provided in subsection (k), neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization which is or applies to be a contractor to provide assistance, or which accepts certificates, vouchers, or other forms of disbursement, on the basis that the organization has a religious character.

(d) RELIGIOUS CHARACTER AND FREEDOM.—

(1) RELIGIOUS ORGANIZATIONS.—A religious organization with a contract described in subsection (a)(1)(A), or which accepts certificates, vouchers, or other forms of disbursement under subsection (a)(1)(B), shall retain its independence from Federal, State, and local governments, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

(A) alter its form of internal governance; or

(B) remove religious art, icons, scripture, or other symbols;

in order to be eligible to contract to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, funded under a program described in subsection (a)(2).

(e) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

(1) IN GENERAL.—If an individual described in paragraph (2) has an objection to the religious character of the organization or institution from which the individual receives, or would receive, assistance funded under any program described in subsection (a)(2), the State in which the individual resides shall provide such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection with assistance from an alternative provider that is accessible to the individual and the value of which is not less than the value of the assistance which the individual would have received from such organization.

(2) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is an individual who receives, applies for, or requests to apply for, assistance under a program described in subsection (a)(2).

(f) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1a) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described in subsection (a)(2).

(g) NONDISCRIMINATION AGAINST BENEFICIARIES.—Except as otherwise provided in law, a religious organization shall not discriminate against an individual in regard to rendering assistance funded under any program described in subsection (a)(2) on the basis of religion, a religious belief, or refusal to actively participate in a religious practice.

(h) FISCAL ACCOUNTABILITY.—

(1) IN GENERAL.—Except as provided in paragraph (2), any religious organization contracting to provide assistance funded under any program described in subsection (a)(2) shall be subject to the same regulations as other contractors to account in accord with generally accepted auditing principles for the use of such funds provided under such programs.

(2) LIMITED AUDIT.—If such organization segregates Federal funds provided under such programs into separate accounts, then only the financial assistance provided with such funds shall be subject to audit.

(i) COMPLIANCE.—Any party which seeks to enforce its rights under this section may assert a civil action for injunctive relief exclusively in an appropriate State court against the entity or agency that allegedly commits such violation.

(j) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) shall be expended for sectarian worship, instruction, or proselytization.

(k) PREEMPTION.—Nothing in this section shall be construed to preempt any provision of a State constitution or State statute that prohibits or restricts the expenditure of State funds in or by religious organizations.

SEC. 105. CENSUS DATA ON GRANDPARENTS AS PRIMARY CAREGIVERS FOR THEIR GRANDCHILDREN. 13 USC 141 note.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce, in carrying out section 141 of title 13, United States Code, shall expand the data collection efforts of the Bureau of the Census (in this section referred to as the "Bureau") to enable the Bureau to collect statistically significant data, in connection with its decennial census and its mid-decade census, concerning the growing trend of grandparents who are the primary caregivers for their grandchildren.

(b) EXPANDED CENSUS QUESTION.—In carrying out subsection (a), the Secretary of Commerce shall expand the Bureau's census question that details households which include both grandparents and their grandchildren. The expanded question shall be formulated to distinguish between the following households:

Letter re: similar provision in Human Services Reauthorization Act/ Community Services Block grant expressing Justice Concerns

DRAFT

The Honorable James M. Jeffords
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Senate and the House each recently passed versions of S. 2206, designated in the Senate as the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 ("the Act") and in the House as the Human Services Reauthorization Act. We are informed that a conference committee will this week attempt to resolve differences between the two versions of the bill. S. 2206 would, inter alia, amend the Community Services Block Grant Act ("CSBGA"), 42 U.S.C. § 9901 et seq. We are writing with respect to a proposed new section 679 of the CSBGA, which would be established by section 201 of the Senate-passed bill and by section 202 of the House-passed bill. We are concerned that the Senate version (that is, S. 2206 as passed by the Senate on July 27, 1998) could be construed to permit government funds to be provided to pervasively sectarian organizations, which would violate the Establishment Clause of the First Amendment to the Constitution. Accordingly, we recommend that the Conference Committee amend the bill to ensure that funds are provided to religious organizations only if they are not pervasively sectarian.

The Act would authorize the Secretary of Health and Human Services ("the Secretary") to establish a program to make federal block grants to states for the purpose of ameliorating the causes of poverty in communities within the states. See, e.g., S. 2206 (as passed by the Senate), § 201 (proposing CSBGA §§ 672(1), 675). The states may, in turn, direct the funds to private, nonprofit organizations to assist in the provision of services. See, e.g., id. (proposing CSBGA §§ 675C(a)(3)(B), 676A(a)(1)(A)).

Proposed CSBGA section 679(a), in both the House and Senate bills, would provide that "the government shall consider, on the same basis as other nongovernmental organizations, faith-based organizations to provide the assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution." Section 679(a) further would provide that "[n]either the Federal Government nor a State or local government receiving funds under this subtitle shall discriminate against an organization that provides assistance under, or applies to provide assistance under, this subtitle, on the basis that the organization has a faith-based character."

Section 679 apparently would reflect "Congress' considered judgment that religious organizations can help solve the problems" to which the proposed statute is addressed. Bowen v. Kendrick, 487 U.S. 589, 606-07 (1988). Kendrick and other cases establish that the fact that an institution has religious affiliations does not mean that it may not participate equally in a neutral government financial aid program that benefits both religious and nonreligious entities. Id. at 608-11 (Adolescent Family Life Act grants, available to fairly "wide spectrum of public and private organizations" regardless of religious nature, may be awarded to religious institutions); see also, e.g., Roemer v. Board of Public Works, 426 U.S. 736 (1976) (plurality opinion) (upholding grant program for colleges and universities as applied to schools with religious affiliations). Nevertheless, the Establishment Clause does place two significant limitations on this general principle.

First, the Establishment Clause requires that federal financial assistance not be used in a way that would advance religious organizations' religious mission. The Court in Kendrick confirmed that, even though religious organizations may participate in government-funded social welfare programs, the government must ensure that government aid is not used to advance "'specifically religious activit[ies] in an otherwise substantially secular setting.'" Kendrick, 487 U.S. at 621 (quoting Hunt v. McNair, 413 U.S. 734, 743 (1973)); see Roemer, 426 U.S. at 755 (plurality opinion). Indeed, in Kendrick, all nine Justices accepted the principle that government funding of religious activities would be impermissible.[1]

In conformity with this constitutional requirement, proposed section 679 of the House bill would provide that "[n]o funds provided to a faith-based organization to provide assistance under any program described in subsection (a) shall be expended for sectarian worship, instruction, or proselytization."[2] We recommend, in addition, that Congress provide some sort of "mechanism whereby the Secretary can police the [aid] that [is] given out under the Act to ensure that federal [aid is] not used for impermissible purposes." Kendrick, 487 U.S. at 615.

Second, even where a statute includes an express condition that the federal aid not be used for sectarian worship, instruction, or proselytization, the government nevertheless may not provide

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[1] 487 U.S. at 611-12, 615, 621 (Establishment Clause would be violated if public monies were used to fund "'indoctrination into the beliefs of a particular religious faith'" or to "'advance the religious mission' of the religious institution receiving aid") (quoting School Dist. of Grand Rapids v. Ball, 473 U.S. 373, 385 (1985)); id. at 623 (O'Connor, J., concurring) ("[A]ny use of public funds to promote religious doctrines violates the Establishment Clause."); id. at 624 (Kennedy, J., concurring) (reasoning that the Establishment Clause would be violated if funds "are in fact being used to further religion"); id. at 634-48 (Blackmun, J., dissenting) (opining that government aid may not be used to advance religion, even if aid was intended for secular purposes). Notably, Kendrick involved a statute -- like the proposed bill -- in which government resources were granted on a neutral, nondiscriminatory basis, to religious and nonreligious groups alike, for a secular purpose (counseling sexual abstinence).

[2] Proposed § 679(c) in the Senate version has a similar prohibition, but limited to "funds through a grant or contract." In order to avoid difficult Establishment Clause questions, we recommend deletion of the "through a grant or contract" limitation.

aid directly to "pervasively sectarian" institutions, defined as institutions in which "'religion is so pervasive that a substantial portion of [their] functions are subsumed in the religious mission.'" Id. at 610 (quoting Hunt, 413 U.S. at 743); see also id. at 621 (holding that, apart from the question whether aid was being used for religious purposes, Establishment Clause would be violated if the plaintiffs could show that aid flowed to grantees that could be considered "pervasively sectarian religious institutions").

As the Court has explained, the reason for the prohibition on direct governmental aid to pervasively sectarian institutions is the unacceptable risk that where – as in a pervasively sectarian organization – secular and religious functions are "inextricably intertwined," government aid, although designated for a secular purpose, will in fact advance the institution's religious mission. Id. at 610. Again, it is immaterial to this part of the Court's analysis that the provision of assistance would serve a legitimate secular purpose. See id. at 602. What is critical is that the assistance also would have the effect of advancing religion because of the pervasively sectarian character of the recipients. And even if it were possible, as a theoretical matter, for a pervasively sectarian organization to use government assistance exclusively for secular functions in such institutions, the degree and kind of governmental monitoring necessary to ensure compliance with the requisite restrictions would itself create Establishment Clause problems. Id. at 616-17.

It is unclear which, if any, of the religious organizations that would receive funding under S. 2206 would be "pervasively sectarian." The boundaries of the "pervasively sectarian" category are not well-defined, and the Supreme Court has used it almost exclusively in connection with primary and secondary educational institutions. The Court has, however, indicated that numerous considerations are relevant in determining whether an institution is pervasively sectarian. Included among those considerations is whether an organization has explicit corporate ties to a particular religious faith and bylaws or policies that prohibit any deviation from religious doctrine. Kendrick, 487 U.S. at 620 n.16. The Court also has treated the existence of religious qualifications for admission and hiring as a relevant factor in determining whether a school is pervasively sectarian. Compare Hunt, 413 U.S. at 743-44 (no religious qualifications for faculty or students) and Roemer, 426 U.S. at 757-58 (plurality opinion) (same), with Committee for Pub. Educ. v. Nyquist, 413 U.S. 756, 767-68 (1973) (religious restrictions on admissions and faculty appointments) and School Dist. of Grand Rapids v. Ball, 473 U.S. 373, 384 n.6 (1985) (preference in attending private school afforded to children belonging to organizational denomination).

Although both the House and Senate versions of proposed § 679(a) state that the block grant funds must be disbursed in accordance with the Establishment Clause, certain other provisions in the Senate version of the bill strongly suggest an expectation that state governments would be permitted to provide direct funding to religious organizations that are pervasively sectarian. In particular, the Senate version includes the following three provisions not found in the House version:

(i) Proposed § 679([b])(1)[3] would provide that "[a] faith-based organization that provides assistance under a program described in subsection (a) shall retain its faith-based character and control over the definition, development, practice, and expression of its faith-based beliefs."

(ii) Proposed § 679([b])(2)(A) would provide, with a minor exception, that "[n]either the Federal Government nor a State or local government shall require a faith-based organization . . . to alter its form of internal governance."

(iii) Proposed § 679([b])(3) would provide, inter alia, that "[a] faith-based organization that provides assistance under a program described in subsection (a) may require that employees adhere to the religious tenets and teachings of such organization."

These provisions, as well as the bill's repeated references to "faith-based organizations" and recipient organizations' "faith-based character," strongly imply that pervasively sectarian religious organizations would be eligible to receive direct governmental funding. Accordingly, in order to ensure that eligible funding recipients are not pervasively sectarian, and that direct governmental funding is not used to support religious activities, we recommend that the Conference Committee not adopt the three quoted provisions (which do not appear in the version of S. 2206 passed by the House). We also recommend that references in the bill to "faith-based organizations" be changed to "religiously affiliated organizations," and that "faith-based character" in proposed § 679(a) be changed to "religious affiliation."

Thank you for your attention to this matter. If we may be of additional assistance, we trust that you will not hesitate to call upon us. The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,

L. Anthony Sutin
Acting Assistant Attorney General

cc: The Honorable Edward M. Kennedy
Ranking Minority Member

[3] The Senate version of the bill designates this as subsection "(c)," rather than "(b)," but this appears to be a typographical error.

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	Technical DOJ Proposal (3 pages)	n.d.	P5

COLLECTION:
Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20587

FOLDER TITLE:
Charitable Choices [2]

2012-0043-S
ms432

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DOJ draft on JJ bill (modified before sent)

EARLIER DRAFTS OF JJ VIEWS LETTER DISCUSSION OF CHARITABLE CHOICE ISSUES

1) Section 302 of S. 254

Religiously Affiliated Organizations

Both the House and Senate bills include provisions specifying that religiously affiliated organizations should be allowed to participate, generally on the same basis as other private organizations, in programs in which nongovernmental organizations use government funds to provide certain services or benefits to individual beneficiaries of the law. Section 302 of the Senate bill would substantially amend Title II of the Juvenile Justice and Delinquency Prevention Act of 1974 ("JJDPA"), 42 U.S.C. § 5611, et seq., to create several different programs in which federal grants are provided, through states and localities, to private organizations to perform various social services. A new § 292(a) of the JJDPA would provide that "[t]he provisions of section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub. L. No. 104-193 (42 U.S.C. § 604a) §104 (1996), shall apply to a State or local government exercising its authority to distribute grants to applicants under this title." S. 254 § 302, amending Pub. L. No. 93-415 (42 U.S.C. § 5611 et seq.) § 292 (1974) (beginning page 217). Section 114 of the House bill similarly would add a new § 299J to the JJDPA, which also would expressly incorporate subsections (b) through (k) of §104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("PRWORA"), 42 U.S.C. § 604a(b)-(k), for grant programs under Title II of the JJDPA.

Section 104 of the PRWORA, which these bills would incorporate into the JJDPA, permits religious organizations to receive funds for the purpose of assisting needy families. Incorporation of PRWORA § 104 into Title II of the JJDPA apparently would reflect "Congress' considered judgment that religious organizations can help solve the problems" to which the proposed statute is addressed. Bowen v. Kendrick, 487 U.S. 589, 606-07 (1988). Kendrick and other cases establish that the fact that an institution has religious affiliations does not mean that it may not participate equally in a neutral government financial aid program that benefits both religious and nonreligious entities. Id. at 608-11 (Adolescent Family Life Act grants, available to fairly "wide spectrum of public and private organizations" regardless of religious nature, may be awarded to religious institutions); see also, e.g., Roemer v. Board of Public Works, 426 U.S. 736 (1976) (plurality opinion) (upholding grant program for colleges and universities as applied to schools with religious affiliations). Nevertheless, the Establishment Clause does place two significant limitations on this general principle.

First, the Court in Kendrick confirmed that, even though religious organizations may participate in government-funded social welfare programs, the government must ensure that government aid is not used to advance "'specifically religious activit[ies] in an otherwise substantially secular setting.'" 487 U.S. at 621 (quoting Hunt v. McNair, 413

U.S. 734, 743 (1973).[1] Indeed, in Kendrick, all nine Justices accepted the principle that government funding of religious activities would be impermissible.[2] In conformity with this constitutional requirement, § 104(j) of the PRWORA, 42 U.S.C. § 604a(j), provides that "[n]o funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) of this section shall be expended for sectarian worship, instruction, or proselytization." We presume that, by incorporating PRWORA § 104(j), the House and Senate bills would operate to impose this condition on the operation of grant programs under Title II of the JJDPA.

Second, even where a statute includes (as PRWORA § 104(j) does) an express condition that the federal aid not be used for sectarian worship, instruction, or proselytization, the government nevertheless may not provide funds directly to "pervasively sectarian" institutions, defined as institutions in which "'religion is so pervasive that a substantial portion of [their] functions are subsumed in the religious mission.'" Kendrick, 487 U.S. at 610 (quoting Hunt, 413 U.S. at 743); see also id. at 621 (holding that, apart from the question whether aid was being used for religious purposes, Establishment Clause would be violated if the plaintiffs could show that aid flowed to grantees that could be considered "pervasively sectarian religious institutions").

As the Court has explained, the reason for the prohibition on provision of governmental funds directly to pervasively sectarian institutions is the unacceptable risk that where – as in a pervasively sectarian organization – secular and religious functions are "inextricably intertwined," government funds, although designated for a secular purpose, in fact will

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[1] See also Rosenberger v. Rector & Visitors of the Univ. of Virginia, 515 U.S. 819, 844 (1995) ("It is, of course, true that if the State pays a church's bills it is subsidizing it, and we must guard against this abuse."); id. at 842 ("We do not confront a case where . . . the government is making direct money payments to an institution or group that is engaged in religious activity."); id. at 846-47 (O'Connor, J., concurring) (noting "bedrock" principle of Establishment Clause law that "[p]ublic funds may not be used to endorse the religious message.") (citation omitted); id. at 847 (cases allowing some funding of secular functions performed by sectarian organizations "provide no precedent for the use of public funds to finance religious activities"); Grand Rapids School Dist. v. Ball, 473 U.S. 373, 385 ("Although Establishment Clause jurisprudence is characterized by few absolutes, the Clause does absolutely prohibit government-financed or government-sponsored indoctrination into the beliefs of a particular religious faith."); Roemer, 426 U.S. at 755 (plurality opinion).

[2] See 487 U.S. at 611-12, 615, 621 (Establishment Clause would be violated if public monies were used to fund "'indoctrination into the beliefs of a particular religious faith'" or to "'advance the religious mission' of the religious institution receiving aid") (quoting School Dist. of Grand Rapids v. Ball, 473 U.S. 373, 385 (1985)); id. at 623 (O'Connor, J., concurring) ("[A]ny use of public funds to promote religious doctrines violates the Establishment Clause."); id. at 624 (Kennedy, J., concurring) (Establishment Clause would be violated if funds "are in fact being used to further religion"); id. at 634-48 (Blackmun, J., dissenting) (government aid may not be used to advance religion, even if aid was intended for secular purposes). Notably, Kendrick involved a statute in which government resources were granted on a neutral, nondiscriminatory basis, to religious and nonreligious groups alike, for a secular purpose (counseling sexual abstinence).

invariably advance the institution's religious mission. Id. at 610.[3] Again, it is immaterial to this part of the Court's analysis that the provision of assistance would serve a legitimate secular purpose. See id. at 602. What is critical is that the assistance also would have the effect of advancing religious activities because of the pervasively sectarian character of the recipients. And even if it were possible, as a theoretical matter, for a pervasively sectarian organization to use government assistance exclusively for secular functions in such institutions, the degree and kind of governmental monitoring necessary to ensure compliance with the requisite restrictions typically would itself create serious Establishment Clause problems (problems that are not raised by the more minimal level of monitoring that is necessary with respect to organizations that are not pervasively sectarian). Id. at 615-17.[4]

It is unclear which, if any, of the religious organizations that would receive funding under Title II of the JJDPA would be "pervasively sectarian." The boundaries of the "pervasively sectarian" category are not well-defined. It certainly encompasses churches, synagogues, and mosques; and the Supreme Court has used it to describe certain primary and secondary educational institutions. The Court has indicated that numerous considerations are relevant in determining whether an institution is pervasively sectarian. Included among those considerations is whether an organization has explicit corporate ties to a particular religious faith, and bylaws or policies that prohibit any deviation from religious doctrine. Kendrick, 487 U.S. at 620 n.16. The Court also has treated the existence of religious qualifications for admission and hiring as a relevant factor in determining whether a school is pervasively sectarian. Compare Roemer, 426 U.S. at 757-58 (plurality opinion) (same) and Hunt, 413 U.S. at 743-44 (no religious

[3] This prohibition does not apply with respect to forms of aid that, by their nature, are virtually incapable of diversion to sectarian use. For example, in Committee for Public Educ. & Religious Liberty v. Regan, 444 U.S. 646 (1980), the Court upheld a statute that authorized the state to pay private schools for the actual costs incurred in complying with state-mandated testing. The Court reasoned that, because nonpublic schools did not control the content of the tests, "there was no substantial risk that the examinations could be used for religious educational purposes." Id. at 656.

[4] In a case currently pending in the Supreme Court, the United States is taking the position that the government can constitutionally provide certain forms of "[d]irect material aid" (other than funding) to religious primary and secondary schools (which the Court often has treated as pervasively sectarian institutions) so long as (i) such aid is not "so extensive as to supplant resources that the [institution] itself would otherwise provide or obtain," (ii) the aid is "protected against diversion to religious use by adequate safeguards," and (iii) the government does not favor religious institutions over secular institutions. Brief for the Secretary of Education [on Petitions for a Writ of Certiorari] at 27, Mitchell v. Helms, Nos. 98-1648, 98-1671, cert. granted, 119 S. Ct. 2336 (1999). Moreover, in the view of the United States, the "adequate safeguards" need not, at least as a categorical matter, be presumed to be unduly intrusive or entangling. Id. at 26, 28-29 n.17. If the Court were, in Mitchell, to adopt the United States's argument, it nevertheless would not appear to be applicable here, since the JJDPA grant programs at issue involve the direct provision of government funds, and the statute does not establish any safeguards to protect against diversion of the aid to religious uses.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. draft	DOJ Draft on JJ Bill [partial] [pages 2-3 withdrawn in whole] (3 pages)	n.d.	P5

COLLECTION:
Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20587

FOLDER TITLE:
Charitable Choices [2]

2012-0043-S
ms432

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

qualifications for faculty or students), with School Dist. of Grand Rapids v. Ball, 473 U.S. 373, 384 n.6 (1985) (preference in attending private school afforded to children belonging to organizational denomination) and Committee for Pub. Educ. v. Nyquist, 413 U.S. 756, 767-68 (1973) (religious restrictions on admissions and faculty appointments) .

As explained above, § 104(j) of the PRWORA provides that "[n]o funds provided directly to institutions or organizations to provide services and administer programs . . . shall be expended for sectarian worship, instruction, or proselytization." However, other portions of § 104 contain provisions that strongly imply some congressional intent that pervasively sectarian religious organizations would be eligible to receive direct governmental funding. Pub. L. No. 104-193 (42 U.S.C. § 604a(d)(1)) § 104(d)(1) (1996) provides that a recipient organization "shall retain its independence from Federal, State, and local governments, including such organization's control over the definition, development, practice, and expression of its religious beliefs"; and Pub. L. No. 104-193 (42 U.S.C. § 604a(d)(2)(A)) § 104(d)(2)(A) (1996) provides that "[n]either the Federal Government nor a State shall require a [recipient] religious organization to alter its form of internal governance in order to be eligible to contract to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, funded under a [covered] program."

P5

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
003. paper	Detailed Comments (3 pages)	n.d.	P5

COLLECTION:
Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20587

FOLDER TITLE:
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Watts - Talent see notes Company to TANF

(4) MULTIFAMILY HOUSING PROJECT- The term `multifamily housing project' has the meaning given the term in section 203 of the Housing and Community Development Amendments of 1978.

(5) RENEWAL COMMUNITY- The term `renewal community' means an area designated (under subchapter X of chapter 1 of the Internal Revenue Code of 1986) as a renewal community.

(6) RESIDENTIAL PROPERTY- The term `residential property' means a property that is a multifamily housing project or a single family property.

(7) SECRETARY- The term `Secretary' means the Secretary of Housing and Urban Development.

(8) SEVERE PHYSICAL PROBLEMS- The term `severe physical problems' means, with respect to a dwelling unit, that the unit--

(A) lacks hot or cold piped water, a flush toilet, or both a bathtub and a shower in the unit, for the exclusive use of that unit;

(B) on not less than 3 separate occasions during the preceding winter months, was uncomfortably cold for a period of more than 6 consecutive hours due to a malfunction of the heating system for the unit;

(C) has no functioning electrical service, exposed wiring, any room in which there is not a functioning electrical outlet, or has experienced 3 or more blown fuses or tripped circuit breakers during the preceding 90-day period;

(D) is accessible through a public hallway in which there are no working light fixtures,

loose or missing steps or railings, and no elevator; or

(E) has severe maintenance problems, including water leaks involving the roof, windows, doors, basement, or pipes or plumbing fixtures, holes or open cracks in walls or ceilings, severe paint peeling or broken plaster, and signs of rodent infestation.

(9) SINGLE FAMILY PROPERTY- The term `single family property' means a 1- to 4-family residence.

(10) SUBSTANDARD- The term `substandard' means, with respect to a multifamily housing project, that 25 percent or more of the dwelling units in the project have severe physical problems.

(11) UNIT OF GENERAL LOCAL GOVERNMENT- The term `unit of general local government' has the meaning given the term in section 102(a) of the Housing and Community Development Act of 1974.

(12) UNOCCUPIED- The term `unoccupied' means, with respect to a residential property, that the unit of general local government having jurisdiction over the area in which the project is located has certified in writing that the property is not inhabited.

SEC. 202. PREVENTION AND TREATMENT OF SUBSTANCE ABUSE; SERVICES PROVIDED THROUGH RELIGIOUS ORGANIZATIONS.

Title V of the Public Health Service Act (42 U.S.C. 290aa et seq.) is amended by adding at the end the following part:

`Part G--Services Provided Through Religious Organizations

`SEC. 581. APPLICABILITY TO DESIGNATED PROGRAMS.

`(a) DESIGNATED PROGRAMS- Subject to subsection (b), this part applies to each program under this Act that makes awards of Federal financial assistance to public or private entities for the purpose of carrying out activities to prevent or treat substance abuse (in this part referred to as a `designated program'). Designated programs include the program under subpart II of part B of title XIX (relating to formula grants to the States).

`(b) LIMITATION- This part does not apply to any award of Federal financial assistance under a designated program for a purpose other than the purpose specified in subsection (a).

`(c) DEFINITIONS- For purposes of this part (and subject to subsection (b)):

`(1) The term `designated award recipient' means a public or private entity that has received an award under a designated program (whether the award is a designated direct award or a designated subaward).

`(2) The term `designated direct award' means an award under a designated program that is received directly from the Federal Government.

`(3) The term `designated subaward' means an award of financial assistance made by a non-Federal entity, which award consists in whole or in part of Federal financial assistance provided through an award under a designated program.

`(4) The term `designated program' has the meaning given such term in subsection (a).

`(5) The term `financial assistance' means a grant, cooperative agreement, contract, or voucherized assistance.

`(6) The term `program beneficiary' means an individual who receives program services.

`(7) The term `program participant' has the meaning given such term in section 582(a)(2).

`(8) The term `program services' means treatment for substance abuse, or preventive services regarding such abuse, provided pursuant to an award under a designated program.

`(9) The term `religious organization' means a nonprofit religious organization.

`(10) The term `voucherized assistance' means--

`(A) a system of selecting and reimbursing program services in which--

`(i) the beneficiary is given a document or other authorization that may be used to pay for program services;

`(ii) the beneficiary chooses the organization that will provide services to him or her according to rules specified by the designated award recipient; and

`(iii) the organization selected by the beneficiary is reimbursed by the designated award recipient for program services provided; or

`(B) any other mode of financial assistance to pay for program services in which the program beneficiary determines the allocation of program funds through his or her selection of one service provider from among alternatives.

`SEC. 582. RELIGIOUS ORGANIZATIONS AS PROGRAM PARTICIPANTS.

`(a) IN GENERAL-

`(1) SCOPE OF AUTHORITY- Notwithstanding any other provision of law, a religious organization--

`(A) may be a designated award recipient;

`(B) may make designated subawards to other public or nonprofit private entities (including other religious organizations);

`(C) may provide for the provision of program services to program beneficiaries through the use of voucherized assistance; and

`(D) may be a provider of services under a designated program, including a provider that accepts voucherized assistance.

`(2) DEFINITION OF PROGRAM PARTICIPANT- For purposes of this part, the term `program participant' means a public or private entity that has received a designated direct award, or a designated subaward, regardless of whether the entity provides program services. Such term includes an entity whose only participation in a designated program is to provide program services pursuant to the acceptance of voucherized assistance.

Same as TANF

`(b) RELIGIOUS ORGANIZATIONS- The purpose of this section is to allow religious organizations to be program participants on the same basis as any other nonprofit private provider without impairing the religious character of such organizations, and without diminishing the religious freedom of program beneficiaries.

`(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS-

Different: TANF has 'so long as programs are implemented consistent with Establishment Clause'

`(1) FINDINGS- The Congress finds that the establishment clause of the first amendment to the Constitution of the United States does not require that--

`(A) social-welfare programs discriminate against faith-based providers of services; or

`(B) faith-based providers of services, as a prerequisite to participation in Federal programs, abandon their religious character and censor their religious expression.

Same

`(2) NONDISCRIMINATION- Religious organizations are eligible to be program participants on the same basis as any other nonprofit private organization. Neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization that is or applies to be a program participant on the basis that the organization has a religious character.

`(d) RELIGIOUS CHARACTER AND FREEDOM-

Same

`(1) RELIGIOUS ORGANIZATIONS- Except as provided in this section, any religious organization that is a program participant shall retain its independence from Federal, State, and local government, including such organization's control over the definition, development, practice, and expression of its religious beliefs.

`(2) ADDITIONAL SAFEGUARDS- Neither the Federal Government nor a State shall require a religious organization to--

`(A) alter its form of internal governance; or

`(B) remove religious art, icons, scripture, or other symbols;

in order to be a program participant.

`(e) NONDISCRIMINATION IN EMPLOYMENT-

different TANF references 702 of Civil Rights Act

`(1) IN GENERAL- Except as provided in paragraph (2), nothing in this section shall be construed to modify or affect the provisions of any other Federal or State law or regulation that relates to discrimination in employment on the basis of religion.

`(2) EXCEPTION- A religious organization that is a program participant may require that an employee rendering programs services adhere to--

`(A) the religious beliefs and practices of such organization; and

`(B) any rules of the organization regarding the use of drugs or alcohol.

`(f) RIGHTS OF PROGRAM BENEFICIARIES- With respect to an individual who is a program beneficiary or a prospective program beneficiary, if the individual objects to a program participant on the basis that the participant is a religious organization, the following applies:

worded differently but seems same

`(1) If the organization received a designated direct award, the organization shall arrange for the individual to receive program services through an alternative entity.

`(2) If the organization received a designated subaward, the non-Federal entity that made the subaward shall arrange for the individual to receive the program services through an alternative program participant.

`(3) If the organization is providing services pursuant to voucherized assistance, the designated award recipient that operates the voucherized assistance program shall arrange for the individual to receive the program services through an alternative provider.

`(4) Arrangements under any of paragraphs (1) through (3) with an alternative entity shall provide for program services the monetary value of which is not less than the monetary value of the program services that the individual would have received from the religious organization involved.

`(5) NONDISCRIMINATION-

different see above

`(A) IN GENERAL- Except as provided in subparagraph (B) or as otherwise provided in law, a religious organization that is a program participant shall not in providing program services discriminate against a program beneficiary on the basis of religion or religious belief.

`(B) LIMITATION- A religious organization that is a program participant may require a program beneficiary who has elected in accordance with paragraph (1) to receive program services from such organization--

`(i) to actively participate in religious practice, worship, and instruction; and

`(ii) to follow rules of behavior devised by the organizations that are religious in content or origin.

`(g) FISCAL ACCOUNTABILITY-

`(1) IN GENERAL- Except as provided in paragraph (2), any religious organization that is a program participant shall be subject to the same regulations as other recipients of awards of Federal financial assistance to account, in accordance with generally accepted auditing principles, for the use of the funds provided under such awards.

`(2) LIMITED AUDIT- With respect to the award involved, if a religious organization that is a

program participant maintains the Federal funds in a separate account from non-Federal funds, then only the Federal funds shall be subject to audit. 5 9h

`(h) COMPLIANCE- With respect to compliance with this section by an agency, a religious organization may obtain judicial review of agency action in accordance with chapter 7 of title 5, United States Code.

`SEC. 583. LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.

Same `(a) IN GENERAL- Except as provided in subsection (b), no funds provided directly to an entity under a designated program shall be expended for sectarian worship or instruction.

different `(b) EXCEPTION- Subsection (a) shall not apply to assistance provided to or on behalf of a program beneficiary if the beneficiary may choose where such assistance is redeemed or allocated.

`SEC. 584. ADMINISTRATION OF PROGRAM AND TREATMENT OF FUNDS.

`(a) FUNDS NOT AID TO INSTITUTIONS- Financial assistance under a designated program provided to or on behalf of program beneficiaries is aid to the beneficiary, not to the organization providing program services. The receipt by a program beneficiary of program services at the facilities of the organization shall not constitute Federal financial assistance to the organization involved.

`(b) PROHIBITION ON STATE DISCRIMINATION IN USE OF FUNDS- No provision in any State constitution or State law shall be construed to prohibit the expenditure of Federal funds under a designated program in a religious facility or by a religious organization that is a program participant. If a State law or constitution would prevent the expenditure of State or local public funds in such a facility or by such an organization, then the State or local government shall segregate the Federal funds from State or other public funds for purposes of carrying out the designated program.

`SEC. 585. EDUCATIONAL REQUIREMENTS FOR PERSONNEL IN DRUG TREATMENT PROGRAMS.

`(a) FINDINGS- The Congress finds that--

`(1) establishing formal educational qualification for counselors and other personnel in drug treatment programs may undermine the effectiveness of such programs; and

`(2) such formal educational requirements for counselors and other personnel may hinder or prevent the provision of needed drug treatment services.

`(b) LIMITATION ON EDUCATIONAL REQUIREMENTS OF PERSONNEL-

`(1) TREATMENT OF RELIGIOUS EDUCATION- If any State or local government that is a program participant imposes formal educational qualifications on providers of program services, including religious organizations,

such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services. In applying educational qualifications for personnel in religious organizations, such State or local government shall give credit for religious education and training equivalent to credit given for secular course work in drug treatment or any other secular subject that is of similar grade level and duration.

`(2) RESTRICTION OF DISCRIMINATION REQUIREMENTS-

`(A) IN GENERAL- Subject to paragraph (1), a State or local government that is a program participant may establish formal educational qualifications for personnel in organizations providing program services that contribute to success in reducing drug use among program beneficiaries.

`(B) EXCEPTION- The Secretary shall waive the application of any educational qualification imposed under subparagraph (A) for an individual religious organization, if the Secretary determines that--

`(i) the religious organization has a record of prior successful drug treatment for at least the preceding three years;

`(ii) the educational qualifications have effectively barred such religious organization from becoming a program provider;

`(iii) the organization has applied to the Secretary to waive the qualifications; and

`(iv) the State or local government has failed to demonstrate empirically that the educational qualifications in question are necessary to the successful operation of a drug treatment program.'.

SEC. 203. CRA CREDIT FOR INVESTMENTS IN COMMUNITY DEVELOPMENT ORGANIZATIONS LOCATED IN RENEWAL COMMUNITIES.

Section 804 of the Community Reinvestment Act of 1977 (12 U.S.C. 2903) is amended by adding at the end the following new subsection:

`(c) INVESTMENTS IN CERTAIN COMMUNITY DEVELOPMENT ORGANIZATIONS- In assessing and taking into account, under subsection (a), the record of a regulated financial institution, the appropriate Federal financial supervisory agency may consider, as a factor, investments of the institution in, and capital investment, loan participation, and other ventures undertaken by the institution in cooperation with, any community development organization (as defined in section 234 of the Bank Enterprise Act of 1991) which is located in a renewal community (as designated under section 1400E of the Internal Revenue Code of 1986).'.

END

such State or local government shall treat religious education and training of personnel as having a critical and positive role in the delivery of program services. In applying educational qualifications for personnel in religious organizations, such State or local government shall give credit for religious education and training equivalent to credit given for secular course work in drug treatment or any other secular subject that is of similar grade level and duration.

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END

Lisa M. Brown@OVP

09/28/99 04:04:30 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: POTUS FAITH REMARKS

fyi

---------------------- Forwarded by Lisa M. Brown/OVP on 09/28/99 04:04 PM ---------------------------

[redacted]

Record Type: Record

To: Lee Ann Brackett/OVP@OVP, Lisa M. Brown/OVP@OVP

cc:

Subject: POTUS FAITH REMARKS

Please see the President's remarks on faith based organizations. Apparently he mentioned FBOs receiving assistance from AmeriCorp -- and being quite happy that people were helped out that way.