

## HR 7

CARE Act of 2002

**Congress:** 107 (2001–2003, Ended)

**Chamber:** House

**Policy Area:** Taxation

**Introduced:** Mar 29, 2001

**Current Status:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 496.

**Latest Action:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 496. (Jul 16, 2002)

**Official Text:** <https://www.congress.gov/bill/107th-congress/house-bill/7>

### Sponsor

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**Name:** Rep. Watts, J. C., Jr. [R-OK-4]

**Party:** Republican • **State:** OK • **Chamber:** House

**Cosponsors** (44 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Hall, Tony P. [D-OH-3]	D · OH		Mar 29, 2001
Rep. Hastert, J. Dennis [R-IL-14]	R · IL		Mar 29, 2001
Rep. Bachus, Spencer [R-AL-6]	R · AL		Apr 24, 2001
Rep. Barr, Bob [R-GA-7]	R · GA		Apr 24, 2001
Rep. Brown, Henry E., Jr. [R-SC-1]	R · SC		Apr 24, 2001
Rep. Crenshaw, Ander [R-FL-4]	R · FL		Apr 24, 2001
Rep. Green, Mark [R-WI-8]	R · WI		Apr 24, 2001
Rep. Kolbe, Jim [R-AZ-5]	R · AZ		Apr 24, 2001
Rep. Northup, Anne M. [R-KY-3]	R · KY		Apr 24, 2001
Rep. Pitts, Joseph R. [R-PA-16]	R · PA		Apr 24, 2001
Rep. Smith, Christopher H. [R-NJ-4]	R · NJ		Apr 24, 2001
Rep. Tiahrt, Todd [R-KS-4]	R · KS		Apr 24, 2001
Rep. Ehrlich, Robert L., Jr. [R-MD-2]	R · MD		May 3, 2001
Rep. English, Phil [R-PA-21]	R · PA		May 15, 2001
Rep. Leach, James A. [R-IA-1]	R · IA		May 15, 2001
Rep. Lewis, Ron [R-KY-2]	R · KY		May 15, 2001
Rep. Chabot, Steve [R-OH-1]	R · OH		May 22, 2001
Rep. Hyde, Henry J. [R-IL-6]	R · IL		May 22, 2001
Rep. Smith, Lamar [R-TX-21]	R · TX		May 22, 2001
Rep. Gillmor, Paul E. [R-OH-5]	R · OH		May 23, 2001
Rep. Hefley, Joel [R-CO-5]	R · CO		May 23, 2001
Rep. Hart, Melissa A. [R-PA-4]	R · PA		Jun 5, 2001
Rep. Pickering, Charles W. "Chip" [R-MS-3]	R · MS		Jun 5, 2001
Rep. Radanovich, George [R-CA-19]	R · CA		Jun 5, 2001
Rep. Blunt, Roy [R-MO-7]	R · MO		Jun 12, 2001
Rep. Roukema, Marge [R-NJ-5]	R · NJ		Jun 12, 2001
Rep. Tancredo, Thomas G. [R-CO-6]	R · CO		Jun 12, 2001
Rep. Barton, Joe [R-TX-6]	R · TX		Jun 19, 2001
Rep. DeMint, Jim [R-SC-4]	R · SC		Jun 19, 2001
Rep. Keller, Ric [R-FL-8]	R · FL		Jun 19, 2001
Rep. Grucci, Felix J., Jr. [R-NY-1]	R · NY		Jun 20, 2001
Rep. Peterson, John E. [R-PA-5]	R · PA		Jun 20, 2001
Rep. Schrock, Edward L. [R-VA-2]	R · VA		Jun 20, 2001
Rep. Sessions, Pete [R-TX-5]	R · TX		Jun 20, 2001
Rep. Kingston, Jack [R-GA-1]	R · GA		Jun 21, 2001
Rep. Hall, Ralph M. [D-TX-4]	D · TX		Jun 26, 2001
Rep. Wolf, Frank R. [R-VA-10]	R · VA		Jun 28, 2001
Rep. Calvert, Ken [R-CA-43]	R · CA		Jul 11, 2001
Rep. Norwood, Charles W. [R-GA-10]	R · GA		Jul 11, 2001
Rep. Wicker, Roger F. [R-MS-1]	R · MS		Jul 11, 2001
Rep. Camp, Dave [R-MI-4]	R · MI		Jul 16, 2001

Cosponsor	Party / State	Role	Date Joined
Rep. Latham, Tom [R-IA-5]	R - IA		Jul 16, 2001
Rep. Ramstad, Jim [R-MN-3]	R - MN		Jul 16, 2001
Rep. Shows, Ronnie [D-MS-4]	D - MS		Jul 16, 2001

## Committee Activity

Committee	Chamber	Activity	Date
Finance Committee	Senate	Reported By	Jul 16, 2002
Judiciary Committee	House	Reported By	Jul 12, 2001
Ways and Means Committee	House	Discharged from	Jul 11, 2001
Ways and Means Committee	House	Discharged from	Jul 11, 2001

## Subjects & Policy Tags

### Policy Area:

Taxation

## Related Bills

Bill	Relationship	Last Action
107 HRES 196	Procedurally related	<b>Jul 19, 2001:</b> Motion to reconsider laid on the table Agreed to without objection.
107 HR 1284	Identical bill	<b>Mar 28, 2001:</b> Referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

## **Summary** (as of Jul 16, 2002)

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CARE Act of 2002 - **Title I: Charitable Giving Incentives** - Amends the Internal Revenue Code to allow a non-itemizer a limited deduction for charitable cash contributions with respect to amounts exceeding \$250, but not exceeding \$500 (\$500 and \$1,000 on a joint return).

(Sec. 102) Permits tax-free distributions from an individual retirement account made directly to a qualified charity.

(Sec. 103) Sets forth a rule for determining the amount of the deduction allowable for a charitable contribution of food inventory.

(Sec. 104) Sets forth a rule for determining the amount of the deduction allowable for charitable book inventory contributions for educational purposes.

(Sec. 105) Extends the deduction for the donation of scientific property and computer equipment constructed by a taxpayer to include property assembled by the taxpayer.

(Sec. 106) Provides additional tax incentives with respect to capital gain contributions to encourage qualified conservation, with special rules for eligible farmers and ranchers in particular.

(Sec. 107) Excludes from gross income 25 percent of the qualifying gain from a conservation sale of a long-held (at least five years) qualifying land or water interest.

(Sec. 108) Excludes from gross income the excludable portion of payments received under the Partners for Fish and Wildlife Program authorized by the Fish and Wildlife Act of 1956.

(Sec. 109) Decreases the basis of a shareholder's stock in an S corporation for certain charitable contributions.

(Sec. 110) Permits, for a contribution of certain literary, musical, artistic, or scholarly composition, or similar property, or any associated copyright, a deduction for the full market value (subject to income limitations and without any carryover) of such contribution.

**Title II: Disclosure of Information Relating to Tax-Exempt Organizations** - Revises provisions concerning the public inspection of documents concerning tax-exempt organizations to make more information available for public inspection.

(Sec. 202) Requires each exempt organization that has to file an annual return to include on the return any name under which it operates or does business and also its web site address (if any).

(Sec. 203) Requires a summary report of certain information regarding gain or loss from sale or disposition of property by private foundations.

Makes such information not in summary form available only upon the specific request of an individual.

(Sec. 204) Directs the Commissioner of Internal Revenue to notify the public of the extent to which an exempt organization's Form 990, 990-EZ, or 990-PF is publicly available.

(Sec. 205) Modifies language pertaining to disclosure by the Secretary of the Treasury to State officers of proposed actions concerning revocation of exempt status and other and other matters related to exempt organizations.

**Title III: Other Charitable And Exempt Organization Provisions** - Modifies the excise tax on unrelated business

taxable income of charitable remainder trusts.

(Sec. 302) Restricts occasions in which a provision applying to payments from a controlled organization to the controlling organization apply. Adds to tax on a controlling organization for valuation misstatements.

(Sec. 303) Repeals the grassroots expenditure limit for charitable organizations. Modifies the definition of excess lobbying expenditures.

(Sec. 304) Directs the Secretary to adopt procedures to expedite consideration of exempt status under 501(c)(3) by specified organizations. Waives application fee for exempt status for specified types of organizations.

(Sec. 305) Specifies that restrictions on church tax inquiries shall not apply to information provided by the Secretary regarding certain standards for exemption from tax and certain requirements relating to unrelated business tax income.

(Sec. 306) Expands the declaratory judgment remedy to tax-exempt organizations.

(Sec. 307) Modifies the definition of convention or association of churches to state that no such grouping shall fail to qualify merely because individuals are members or because individuals have voting rights in such organization.

(Sec. 308) Treats as a charitable deduction expenses incurred by whaling captains in carrying out native Alaskan subsistence whaling, for amounts not to exceed \$7,500.

(Sec. 309) Counts certain payments made by charitable organizations to victims in the war against terrorism as related to the purpose or function constituting the basis for such organizations' exemptions.

(Sec. 310) Treats as a 501(c)(3) bond a bond issued to acquire standing timber on land subject to conservation easement (subject to certain specified conditions).

(Sec. 311) Exempts from income tax State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable and that meets certain specified conditions.

(Sec. 312) Modifies the special arbitrage rule for certain funds.

(Sec. 313) Permits the Secretary to make grants of up to \$10 million per year to provide matching funds to not-for-profit organizations that assist low-income taxpayers in tax return preparation.

(Sec. 314) Modifies scholarship foundation rules to increase the percentage of scholarships which may be awarded to children of certain employees, subject to certain specified conditions.

#### **Title IV: Social Services Block Grant** - Restores funds for the Social Services Block Grant.

(Sec. 402) Restores authority to transfer up to ten percent of Temporary Assistance to Needy Families funds to the Social Services Block Grant.

(Sec. 403) Requires the Secretary to submit to Congress annually information submitted by States on expenditure and use of social services funds.

#### **Title V: Individual Development Accounts** - Savings for Working Families Act of 2002 - Defines an Individual Development Account (IDA) as an account established as part of an individual development account program that meets certain specified requirements. Defines Individual Development Parallel Accounts as accounts for matching funds and

earnings dedicated to IDA owners at qualified financial institutions. Defines a qualified financial institution as any person authorized to be a trustee of any individual retirement account under the Code. Defines qualified IDA programs as certain programs, established upon approval of the Secretary, under which IDAs and Individual Development Parallel Accounts are held in a trust by a qualified financial institution.

(Sec. 504) Permits qualified financial institutions to apply to the Secretary to open one or more qualified IDA programs and to apply for an allocation of the IDA limitation under the Code with respect to such programs.

Sets forth tax incentives for Individual Development Parallel Accounts. Coordinates IDAs with the Public Housing Agency Individual Savings Accounts.

(Sec. 505) Prescribes procedures for opening and maintaining an IDA and qualifying for matching funds.

(Sec. 506) Delineates procedures for the deposits of matching funds for each IDA into parallel accounts.

(Sec. 507) Prescribes procedures for withdrawing funds from IDAs.

(Sec. 508) Requires a qualified financial institution to certify to the Secretary that a qualified IDA program it has established is running correctly and directs the Secretary to terminate programs not operating correctly.

(Sec. 509) Requires qualified financial institutions to report annually to the Secretary on IDA activity. Directs the Secretary to implement a protocol to monitor the costs and outcomes of qualified IDA programs.

(Sec. 510) Authorizes appropriations.

(Sec. 511) Establishes a tax credit for qualified financial institutions to provide the matching funds for IDAs. Denies any double benefit for expenses incurred in determining the credit or for maintenance of an IDA.

**Title VI: Revenue Provisions Subtitle A: Tax Shelter Transparency Requirements Part I: Taxpayer-Related Provisions** - Imposes penalties on individuals who fail to include on any return or statement required information regarding reportable transactions (transactions needing a return or statement because the Secretary determines they have a potential for tax avoidance or evasion). Authorizes the Commissioner of Internal Revenue to rescind all or any portion of such penalties under certain specified conditions.

(Sec. 602) Prescribes an accuracy related civil penalty of 20 percent (or higher in certain specified cases) of the amount of any reportable transaction understatement for such understatement (with exceptions). Specifies a formula for determining such figure. Provides for coordination with penalties on other understatements, including prohibiting penalties under this section from applying to the penalty for fraud.

(Sec. 603) Modifies the substantial understatement penalty for nonreportable transactions in the cases of corporations other than an S corporation or a personal holding company.

(Sec. 604) Expands the scope of provisions that do not give the confidentiality privilege to communications between a corporation and its tax practitioner concerning tax shelters to make such provisions applicable to communications between any taxpayer and the taxpayer's tax practitioner.

**Part II: Promoter And Preparer Related Provisions - Subpart A: Provisions Related to Reportable Transactions -** Directs a material advisor, with respect to any reportable transaction, to make a return (in such form as the Secretary may prescribe) describing the transaction, its potential tax benefits, and other information prescribed by the Secretary.

Defines material advisor as any person who provides material aid, assistance or advice regarding a reportable transaction and who derives gross income in excess of a specified threshold amount. Authorizes the Secretary to prescribe exemptions from such requirements.

(Sec. 612) Modifies the monetary penalty and revises provisions for failing to register a tax shelter with the Secretary. Allows the Commissioner to rescind such penalties.

(Sec. 613) Modifies penalty levied on material advisors for failure to furnish required information regarding reportable transactions to the Secretary.

**Subpart B: Other Promoter and Preparer Provisions** - Amends provision dealing with understatement of a taxpayer's liability by an income tax preparer, including to raise the amount of the penalty for such an offense.

(Sec. 622) Amends provisions of Federal law pertaining to a civil penalty for violations concerning records and reports on foreign financial agency transactions to authorize the Secretary to impose a penalty of up to \$5,000 in cases not involving willful violations (presently the maximum is \$100,000 and applies to willful violations). Sets forth an exemption under specified circumstances. Permits a penalty of between \$25,000-\$100,000 in instances of willful violation, with no exemption. Specifies criteria for calculating the amount of such penalties.

(Sec. 623) Modifies prohibition of filing a frivolous tax return, and increases the amount of the civil penalty for committing such an offense. Imposes a civil penalty for a specified frivolous submissions (to be waived if such submission is withdrawn within 30 days). Allows the Secretary to reduce penalties for frivolous submissions.

(Sec. 624) Amends Federal law concerning practice before the IRS to allow the Secretary to censure a representative (this is in addition to the current penalties of suspension and disbarment) who commits any of certain specified behaviors. Permits the Secretary to impose a civil monetary penalty on: (1) a representative who has been censured, suspended, or disbarred; and (2) an organization such a representative was acting on behalf of if the organization knew, or reasonably should have known, of such misconduct.

(Sec. 625) Penalizes an individual for making a statement with respect to certain tax statements (deductions, credits, and etc.) that an individual knows is false or fraudulent as to any material matter at the rate of 50 percent of the gross income derived from such activity.

**Part III: Other Provisions** - Allows the Secretary to prescribe rules applicable to corporations filing consolidated returns that are different from other provisions that would apply if such corporations filed separate returns.

Declares that the Code shall be interpreted by treating Treasury regulation 1.1502-20(c)(1)(iii) (as in effect on January 1, 2001) as being inapplicable to the type of factual situation in *Rite Aid Corporation v. United States* 255 F.3d 1357 (Fed. Cir. 2001).

**Subtitle B: Tax Treatment of Inversion Transactions** - Sets forth conditions in which a foreign incorporated entity shall be treated as an inverted domestic corporation for purposes of taxation. Prescribes specific rules covering "inversion gains" and party transactions of certain "acquired entities" not covered by such provisions. Defines "acquired entities" and "inversion gain." Makes other rules, including invalidating certain transfers of liabilities deemed to be aimed at avoiding this Act.

**Subtitle C: Reinsurance Agreements** - Increases scope under which the Secretary may act to modify reinsurance agreements to take account of the amount of taxable income of each party, to take effect after April 11, 2002.

**Subtitle D: Extension of Internal Revenue Service User Fees** - Directs the Secretary to establish a program requiring the payment of user fees for requests of certain documents from the Internal Revenue Service (allows the Secretary to make exemptions). Provides that there shall be no user fee for certain specified requests regarding pension plans.

**Subtitle E: Imposition of Customs User Fees** - Extends until June 30, 2008, fees for certain customs services under Federal law.

## Actions Timeline

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- **Jul 16, 2002:** Committee on Finance. Reported by Senator Baucus with an amendment in the nature of a substitute. With written report No. 107-211.
- **Jul 16, 2002:** Committee on Finance. Reported by Senator Baucus with an amendment in the nature of a substitute. With written report No. 107-211.
- **Jul 16, 2002:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 496.
- **Jun 18, 2002:** Committee on Finance. Ordered to be reported with an amendment in the nature of a substitute favorably.
- **Jun 13, 2002:** Committee on Finance. Committee consideration and Mark Up Session held.
- **Jul 19, 2001:** Rule H. Res. 196 passed House.
- **Jul 19, 2001:** Considered under the provisions of rule H. Res. 196. (consideration: CR H4233-4281; text of measure as reported in House: CR H4233-4239)
- **Jul 19, 2001:** Rule provides for consideration of H.R. 7 with 1 hour of general debate. Previous question shall be considered as ordered without intervening motions except motion to recommit with or without instructions. In lieu of the amendments recommended by the Committees on Ways and Means and the Judiciary now printed in the bill, the amendment in the nature of a substitute printed in the Congressional Record numbered 1 shall be considered as adopted. Measure will be considered read. Specified amendments are in order.
- **Jul 19, 2001:** DEBATE - The House proceeded with one hour of debate on H.R. 7.
- **Jul 19, 2001:** DEBATE - Pursuant to the provisions of H. Res. 196, the House proceeded with 60 minutes of debate on the Rangel amendment in the nature of a substitute.
- **Jul 19, 2001:** The previous question was ordered on the amendment and on the bill, as amended, pursuant to the rule.
- **Jul 19, 2001:** Mr. Conyers moved to recommit with instructions to Judiciary. (consideration: CR H4278-4281)
- **Jul 19, 2001:** DEBATE - The House proceeded with 10 minutes of debate on the motion to recommit with instructions. The instructions contained in the motion require the Committee on the Judiciary to report the bill back to the House with amendments specifying that nothing in the bill shall preempt or supercede State or local civil rights laws.
- **Jul 19, 2001:** The previous question on the motion to recommit with instructions was ordered without objection.
- **Jul 19, 2001:** On motion to recommit with instructions Failed by recorded vote: 195 - 234 (Roll no. 253). (text: CR H4278)
- **Jul 19, 2001:** Passed/agreed to in House: On passage Passed by the Yeas and Nays: 233 - 198 (Roll no. 254).
- **Jul 19, 2001:** On passage Passed by the Yeas and Nays: 233 - 198 (Roll no. 254).
- **Jul 19, 2001:** Motion to reconsider laid on the table Agreed to without objection.
- **Jul 19, 2001:** Received in the Senate and Read twice and referred to the Committee on Finance.
- **Jul 17, 2001:** Rules Committee Resolution H. Res. 196 Reported to House. Rule provides for consideration of H.R. 7 with 1 hour of general debate. Previous question shall be considered as ordered without intervening motions except motion to recommit with or without instructions. In lieu of the amendments recommended by the Committees on Ways and Means and the Judiciary now printed in the bill, the amendment in the nature of a substitute printed in the Congressional Record numbered 1 shall be considered as adopted. Measure will be considered read. Specified amendments are in order.
- **Jul 16, 2001:** Reported (Amended) by the Committee on Ways and Means. H. Rept. 107-138, Part II.
- **Jul 16, 2001:** Reported (Amended) by the Committee on Ways and Means. H. Rept. 107-138, Part II.
- **Jul 16, 2001:** Placed on the Union Calendar, Calendar No. 81.
- **Jul 12, 2001:** Mr. Platts asked unanimous consent that the Committee on Judiciary have until 6:00 p.m. on July 13 to file a report on H.R. 7. Agreed to without objection.
- **Jul 12, 2001:** Reported (Amended) by the Committee on Judiciary. H. Rept. 107-138, Part I.
- **Jul 12, 2001:** Reported (Amended) by the Committee on Judiciary. H. Rept. 107-138, Part I.
- **Jul 11, 2001:** Committee Consideration and Mark-up Session Held.
- **Jul 11, 2001:** Ordered to be Reported in the Nature of a Substitute (Amended) by the Yeas and Nays: 23 - 16.
- **Jul 11, 2001:** Subcommittee on Human Resources Discharged.
- **Jul 11, 2001:** Subcommittee on Select Revenue Measures Discharged.
- **Jun 28, 2001:** Committee Consideration and Mark-up Session Held.
- **Jun 28, 2001:** Ordered to be Reported (Amended) by the Yeas and Nays: 20 - 5.
- **Jun 13, 2001:** Joint Hearings held by the Subcommittee on Human Resources and by the Subcommittee on Select Revenue Measures (for Hearing Purposes Only).

**Jun 13, 2001:** Joint Hearings held by the Subcommittee on Select Revenue Measures and by the Subcommittee on Human Resources(for Hearing Purposes Only).

- **May 7, 2001:** Referred to the Subcommittee on Human Resources.
- **May 7, 2001:** Referred to the Subcommittee on Select Revenue Measures.
- **Mar 29, 2001:** Introduced in House
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- **Mar 29, 2001:** Sponsor introductory remarks on measure. (CR E489)
- **Mar 29, 2001:** Referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently 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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