H. R. __________

To amend the Internal Revenue Code of 1986 to provide for flexible giving accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. Paulsen introduced the following bill; which was referred to the Committee on ________________

A BILL

To amend the Internal Revenue Code of 1986 to provide for flexible giving accounts, and for other purposes.

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

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Everyday Philanthropist Act”.

4 SEC. 2. FLEXIBLE GIVING ACCOUNTS.

5 (a) In general.—Subsection (a) of section 132 of the Internal Revenue Code of 1986 is amended by striking “or” at the end of paragraph (7), by striking the period
at the end of paragraph (8) and inserting “, or”, and by
inserting after paragraph (8) the following:

“(9) flexible giving account.”.

(b) FLEXIBLE GIVING ACCOUNT.—Section 132 of
such Code is amended by redesignating subsection (o) as
subsection (p) and by inserting after subsection (n) the
following:

“(o) FLEXIBLE GIVING ACCOUNT.—

“(1) IN GENERAL.—

“(A) FLEXIBLE GIVING ACCOUNT.—For
purposes of this subsection, a flexible giving ac-
count is an account under an arrangement
which is a separate written plan of an employer
for the exclusive benefit of all eligible employees
under which—

“(i) an employee may elect—

“(I) to receive a reduction in
compensation and have the employer
deposit the amount of the reduction in
a flexible giving account of the elect-
ing employee, and

“(II) before the reduction under
subclause (I), to designate one or
more entities to which distributions
are to be made from the account,
“(ii) the employer, as soon after the deposit under clause (i)(I) as practicable, makes the disbursements designated under clause (i),

“(iii) the employer provides reasonable notification of the availability and terms of the arrangement to all eligible employees,

“(iv) the employer maintains a separate flexible giving account on behalf of each employee for whom an election is in effect clause (i), and

“(v) the employer agrees to furnish to each participating employee, on or before January 31 of each year, a written accounting of the employee’s flexible giving account showing deposits and disbursements during the previous calendar year.

“(B) MAXIMUM REDUCTION.—The amount of a reduction under subparagraph (A) for a taxable year shall not exceed $5,000.

“(2) ELIGIBLE EMPLOYEE.—For purposes of this subsection—

“(A) IN GENERAL.—

“(i) ELIGIBLE EMPLOYEE.—The term ‘eligible employee’ means, with respect to a
4
flexible giving account, any employee who
is not a highly compensated or key em-
ployee and who is eligible to participate in
the arrangement.

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(ii) HIGHLY COMPENSATED EM-
PLOYEE.—The term ‘highly compensated
employee’ has the meaning given such term
by section 414(q).
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(iii) KEY EMPLOYEE.—The term
‘key employee’ has the meaning given such
term by section 416(i).
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(B) CERTAIN EMPLOYEES MAY BE EX-
CLUDED.—For purposes of subparagraph (A),
an employer may elect to exclude under the ar-
rangement described in paragraph (1) any em-
ployee who—
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(i) has not attained the age of 21 be-
fore the close of a plan year of the ar-
rangement,
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(ii) has less than 1 year of service
with the employer as of any day during the
plan year, and
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(iii) is described in section
410(b)(3)(C) (relating to nonresident
aliens working outside the United States).
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“(C) SHORTER SERVICE PERIOD; YOUNGER AGE.—An arrangement may provide a shorter period of service or younger age for purposes of subparagraph (B).

“(3) TAX TREATMENT OF DISTRIBUTIONS.—

“(A) IN GENERAL.—Any distribution from a flexible giving account shall be includible in the gross income of the distributee in the manner as provided in section 72.

“(B) EXCEPTION FOR CHARITABLE CONTRIBUTIONS.—

“(i) IN GENERAL.—Subparagraph (A) shall not apply to any distribution which is a charitable contribution made pursuant to paragraph (1).

“(ii) COORDINATION WITH SECTION 170.—Distributions from the flexible giving account of an employee—

“(I) shall be treated as a charitable contribution of the employee,

“(II) shall not be taken into account under section 170(a) (relating to allowance of deduction), but
“(III) shall be taken into account under section 170(b) (relating to percentage limitation).

“(C) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR CHARITABLE PURPOSES.—The tax imposed by this chapter for any taxable year on any taxpayer from whose flexible giving account a distribution is made that is includible in gross income shall be increased by 20 percent of the amount which is so includible.

“(D) IDENTIFYING INFORMATION.—No distribution shall be excluded from the gross income under subparagraph (B) unless the taxpayer provides on the return of tax the name and address of the entity to whom the distribution is made. In the case of a failure to provide the information required by the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required.

“(4) CHARITABLE CONTRIBUTION.—For purposes of this section, the term ‘charitable contribution’ has the meaning given such term by section
170(c), except that such term irrevocable transfers of funds and not just a pledges or agreement to make a transfer in the future.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.