



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 9, 2003
(Senate Floor)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

S. 476 - CARE Act of 2003

(Sen. Grassley (R) IA)

The Administration supports Senate passage of S. 476, which contains key elements of the President's agenda to expand charitable giving and to strengthen faith-based and other neighborhood-serving groups to help them better serve Americans in need. S. 476 includes a number of important provisions of the President's faith-based initiative that will address our Nation's charity crisis and expand the important work of faith-based and grassroots groups. The Administration will continue to seek action by Congress to end discrimination against faith-based organizations that seek to work in partnership with the Federal Government in helping those in need.

In particular, the Administration is pleased that S. 476 would stimulate more charitable giving through a number of robust tax incentives, including a provision allowing non-itemizers a deduction for their charitable donations and another provision removing a barrier to charitable contributions from Individual Retirement Accounts. These and certain other incentives are consistent with the President's objective to promote charitable giving across the Nation and to provide relief to taxpayers making contributions to charitable programs. The Administration will work with Congress to make these incentives as effective and robust as possible. In addition, the Administration appreciates that the bill includes a number of conservation tax incentives and looks forward to working with Congress to ensure that these are consistent with the President's Budget.

The Administration also is pleased that this bill would encourage savings by lower income persons through the creation of 300,000 Individual Development Accounts (IDAs).

However, the Administration strongly opposes the bill's proposed \$275 million and \$1.1 billion increases in funding for the Social Services Block Grant (SSBG) for fiscal years 2003 and 2004 respectively. Compared to FY 2002, this would represent a 16% increase in funding in FY 2003 and a 65% increase in funding in FY 2004. These large increases in SSBG funding far exceed the President's request and would create significant pressure to extend the 2004 level into the future, costing \$11 billion over ten years if made permanent.

Additionally, the Administration is concerned about a number of tax provisions in the bill that would unnecessarily complicate the U.S. tax code and would raise significant policy concerns. The Administration looks forward to working with Congress to make appropriate modifications to the bill

that would address our policy concerns.

Finally, the Administration recognizes that this bill reflects many of the legislative proposals contained in the Treasury Department's *Enforcement Proposals for Abusive Tax Avoidance Transactions*, issued on March 20, 2002. The Administration supports the goal of stopping abusive tax avoidance transactions, but it shares the Chairman's concerns regarding the codification of the economic substance doctrine.

In addition, the Administration firmly supports the provisions in the manager's amendment to S. 476 that would authorize a "Compassion Capital Fund" to be established at several Federal agencies to provide technical assistance to small faith-based and community organizations through qualified intermediary organizations, and would authorize funding for grants to provide young mothers and their children access to community-based, adult-supervised group homes.

The Administration looks forward to working with the Congress to address the issues described above, perfect the language in S. 476 regarding certain Constitutional issues, ensure that the legislation avoids inappropriate intrusion into the attorney-client relationship, correct certain issues with tax exempt federally guaranteed obligations, and to continue to move forward this important legislation that meets our shared goal of better serving Americans in need.

Pay-As-You-Go Scoring

The Budget Enforcement Act's pay-as-you-go requirements and discretionary spending caps expired on September 30, 2002. The Administration supports the extension of these budget enforcement mechanisms in a manner that ensures fiscal discipline and is consistent with the President's budget. OMB's cost estimate of this bill currently is under development.

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