



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 3, 1998

S. 1244

Religious Liberty and Charitable Donation Protection Act of 1998

As reported by the Senate Committee on the Judiciary on February 27, 1998

CBO estimates that enacting S. 1244 would have no significant impact on the federal budget. Because enactment of S. 1244 would not affect direct spending or receipts, pay-as-you-go procedures would not apply. S. 1244 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995. The bill would have an impact on the budgets of state, local, or tribal governments only if those governments were creditors in a bankruptcy case affected by this bill. However, because of the small number and size of such cases, CBO estimates that the possible budgetary impact of this bill would be minimal.

Under current law, several courts have required that the charitable contributions that a debtor makes within a one-year period prior to declaring bankruptcy be refunded to the debtor's bankruptcy estate. Also, some courts have considered a debtor's contributions to charity as indicating that bankruptcy protection is unnecessary and consequently have dismissed the debtor's petition for bankruptcy. S. 1244 would amend federal bankruptcy law to prohibit creditors from seizing certain charitable contributions after an individual declares bankruptcy. This bill also would prohibit bankruptcy courts from considering whether a debtor makes charitable contributions when determining whether to dismiss a petition for bankruptcy.

Based on information from the Administrative Office of the United States Courts, CBO estimates that fewer than 1 percent of all bankruptcy cases that consumers file involve the contested issue of charitable contributions made by a debtor. Enacting S. 1244 could increase the workload of the courts and U.S. trustees if fewer cases are dismissed. At the same time, the bill could decrease the workload of the courts and U.S. trustees if less time is spent questioning charitable contributions and ordering charitable organizations to return such contributions. Although CBO is not certain whether the net impact of the bill would be a savings or a cost, we expect that any impact would be negligible because S. 1244 would affect so few cases. Because CBO estimates that enacting S. 1244 would not affect the total

number of cases initially filed and the level of filing fees (which are recorded as governmental receipts and as offsetting collections to the U.S. Trustee System Fund), we estimate that pay-as-you-go procedures would not apply.

The CBO staff contact for this estimate is Susanne S. Mehlman. This estimate was approved by Paul N. Van de Water, Assistant Director for Budget Analysis.