

## Union Calendar No. 51

114<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1295

[Report No. 114–71]

To amend the Internal Revenue Code of 1986 to improve the process for making determinations with respect to whether organizations are exempt from taxation under section 501(c)(4) of such Code.

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### IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 2015

Mr. HOLDING (for himself and Mr. ROSKAM) introduced the following bill;  
which was referred to the Committee on Ways and Means

APRIL 13, 2015

Additional sponsor: Mr. REED

APRIL 13, 2015

Reported with an amendment, committed to the Committee of the Whole  
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on March 4, 2015]

# **A BILL**

To amend the Internal Revenue Code of 1986 to improve the process for making determinations with respect to whether organizations are exempt from taxation under section 501(c)(4) of such Code.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “IRS Bureaucracy Re-*  
5 *duction and Judicial Review Act”.*

6 **SEC. 2. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY**  
7 **OF INTENT TO OPERATE AS 501(c)(4).**

8 *(a) IN GENERAL.—Part I of subchapter F of chapter*  
9 *1 of the Internal Revenue Code of 1986 is amended by add-*  
10 *ing at the end the following new section:*

11 **“SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SEC-**  
12 **RETARY OF INTENT TO OPERATE AS 501(c)(4).**

13 *“(a) IN GENERAL.—An organization described in sec-*  
14 *tion 501(c)(4) shall, not later than 60 days after the organi-*  
15 *zation is established, notify the Secretary (in such manner*  
16 *as the Secretary shall by regulation prescribe) that it is*  
17 *operating as such.*

18 *“(b) CONTENTS OF NOTICE.—The notice required*  
19 *under subsection (a) shall include the following informa-*  
20 *tion:*

21 *“(1) The name, address, and taxpayer identifica-*  
22 *tion number of the organization.*

23 *“(2) The date on which, and the State under the*  
24 *laws of which, the organization was organized.*

1           “(3) *A statement of the purpose of the organiza-*  
2           *tion.*”

3           “(c) *ACKNOWLEDGMENT OF RECEIPT.*—*Not later than*  
4           *60 days after receipt of such a notice, the Secretary shall*  
5           *send to the organization an acknowledgment of such receipt.*”

6           “(d) *EXTENSION FOR REASONABLE CAUSE.*—*The Sec-*  
7           *retary may, for reasonable cause, extend the 60-day period*  
8           *described in subsection (a).*”

9           “(e) *USER FEE.*—*The Secretary shall impose a reason-*  
10           *able user fee for submission of the notice under subsection*  
11           *(a).*”

12           “(f) *REQUEST FOR DETERMINATION.*—*Upon request*  
13           *by an organization to be treated as an organization de-*  
14           *scribed in section 501(c)(4), the Secretary may issue a de-*  
15           *termination with respect to such treatment. Such request*  
16           *shall be treated for purposes of section 6104 as an applica-*  
17           *tion for exemption from taxation under section 501(a).”.*”

18           “(b) *SUPPORTING INFORMATION WITH FIRST RE-*  
19           *TURN.*—*Section 6033(f) of such Code is amended—*

20                     (1) *by striking the period at the end and insert-*  
21                     *ing “, and”,*

22                     (2) *by striking “include on the return required*  
23                     *under subsection (a) the information” and inserting*  
24                     *the following: “include on the return required under*  
25                     *subsection (a)—*

1           “(1) the information”, and  
2           (3) by adding at the end the following new para-  
3 graph:

4           “(2) in the case of the first such return filed by  
5 such an organization after submitting a notice to the  
6 Secretary under section 506(a), such information as  
7 the Secretary shall by regulation require in support  
8 of the organization’s treatment as an organization de-  
9 scribed in section 501(c)(4).”.

10       (c) *FAILURE TO FILE INITIAL NOTIFICATION.*—Sec-  
11 tion 6652(c) of such Code is amended by redesignating  
12 paragraphs (4), (5), and (6) as paragraphs (5), (6), and  
13 (7), respectively, and by inserting after paragraph (3) the  
14 following new paragraph:

15           “(4) *NOTICES UNDER SECTION 506.*—

16           “(A) *PENALTY ON ORGANIZATION.*—In the  
17 case of a failure to submit a notice required  
18 under section 506(a) (relating to organizations  
19 required to notify Secretary of intent to operate  
20 as 501(c)(4)) on the date and in the manner pre-  
21 scribed therefor, there shall be paid by the orga-  
22 nization failing to so submit \$20 for each day  
23 during which such failure continues, but the  
24 total amount imposed under this subparagraph

1           *on any organization for failure to submit any*  
2           *one notice shall not exceed \$5,000.*

3           “(B) *MANAGERS.*—*The Secretary may make*  
4           *written demand on an organization subject to*  
5           *penalty under subparagraph (A) specifying in*  
6           *such demand a reasonable future date by which*  
7           *the notice shall be submitted for purposes of this*  
8           *subparagraph. If such notice is not submitted on*  
9           *or before such date, there shall be paid by the*  
10          *person failing to so submit \$20 for each day*  
11          *after the expiration of the time specified in the*  
12          *written demand during which such failure con-*  
13          *tinues, but the total amount imposed under this*  
14          *subparagraph on all persons for failure to sub-*  
15          *mit any one notice shall not exceed \$5,000.”.*

16          (d) *CLERICAL AMENDMENT.*—*The table of sections for*  
17          *part I of subchapter F of chapter 1 of such Code is amended*  
18          *by adding at the end the following new item:*

*“Sec. 506. Organizations required to notify Secretary of intent to operate as*  
*501(c)(4).”.*

19          (e) *LIMITATION.*—*Notwithstanding any other provi-*  
20          *sion of law, any fees collected pursuant to section 506(e)*  
21          *of the Internal Revenue Code of 1986, as added by sub-*  
22          *section (a), shall not be expended by the Secretary of the*  
23          *Treasury or the Secretary’s delegate unless provided by an*  
24          *appropriations Act.*

1 (f) *EFFECTIVE DATE.*—

2 (1) *IN GENERAL.*—*The amendments made by*  
3 *this section shall apply to organizations which are de-*  
4 *scribed in section 501(c)(4) of the Internal Revenue*  
5 *Code of 1986 and organized after the date of the en-*  
6 *actment of this Act.*

7 (2) *CERTAIN EXISTING ORGANIZATIONS.*—*In the*  
8 *case of any other organization described in section*  
9 *501(c)(4) of such Code, the amendments made by this*  
10 *section shall apply to such organization only if, on or*  
11 *before the date of the enactment of this Act—*

12 (A) *such organization has not applied for a*  
13 *written determination of recognition as an orga-*  
14 *nization described in section 501(c)(4) of such*  
15 *Code, and*

16 (B) *such organization has not filed at least*  
17 *one annual return or notice required under sub-*  
18 *section (a)(1) or (i) (as the case may be) of sec-*  
19 *tion 6033 of such Code.*

20 *In the case of any organization to which the amend-*  
21 *ments made by this section apply by reason of the*  
22 *preceding sentence, such organization shall submit the*  
23 *notice required by section 506(a) of such Code, as*  
24 *added by this Act, not later than 180 days after the*  
25 *date of the enactment of this Act.*

1 **SEC. 3. DECLARATORY JUDGMENTS FOR 501(c)(4) ORGANI-**  
2 **ZATIONS.**

3 (a) *IN GENERAL.*—Section 7428(a)(1) of the Internal  
4 Revenue Code of 1986 is amended by striking “or” at the  
5 end of subparagraph (C) and by inserting after subpara-  
6 graph (D) the following new subparagraph:

7 “(E) with respect to the initial classifica-  
8 tion or continuing classification of an organiza-  
9 tion described in section 501(c)(4) which is ex-  
10 empt from tax under section 501(a), or”.

11 (b) *EFFECTIVE DATE.*—The amendments made by this  
12 section shall apply to pleadings filed after the date of the  
13 enactment of this Act.





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