

106TH CONGRESS  
2D SESSION

# H. R. 4762

To amend the Internal Revenue Code of 1986 to require 527 organizations to disclose their political activities.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2000

Mr. HOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

JUNE 27, 2000

Committee on Ways and Means discharged; considered under suspension of the rules and passed

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## A BILL

To amend the Internal Revenue Code of 1986 to require 527 organizations to disclose their political activities.

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. REQUIRED NOTIFICATION OF SECTION 527 STA-**  
4 **TUS.**

5 (a) IN GENERAL.—Section 527 of the Internal Rev-  
6 enue Code of 1986 (relating to political organizations) is  
7 amended by adding at the end the following new sub-  
8 section:

1       “(i) ORGANIZATIONS MUST NOTIFY SECRETARY  
2 THAT THEY ARE SECTION 527 ORGANIZATIONS.—

3               “(1) IN GENERAL.—Except as provided in para-  
4 graph (5), an organization shall not be treated as an  
5 organization described in this section—

6                       “(A) unless it has given notice to the Sec-  
7 retary, electronically and in writing, that it is to  
8 be so treated, or

9                       “(B) if the notice is given after the time  
10 required under paragraph (2), the organization  
11 shall not be so treated for any period before  
12 such notice is given.

13               “(2) TIME TO GIVE NOTICE.—The notice re-  
14 quired under paragraph (1) shall be transmitted not  
15 later than 24 hours after the date on which the or-  
16 ganization is established.

17               “(3) CONTENTS OF NOTICE.—The notice re-  
18 quired under paragraph (1) shall include informa-  
19 tion regarding—

20                       “(A) the name and address of the organi-  
21 zation (including any business address, if dif-  
22 ferent) and its electronic mailing address,

23                       “(B) the purpose of the organization,

24                       “(C) the names and addresses of its offi-  
25 cers, highly compensated employees, contact

1 person, custodian of records, and members of  
2 its Board of Directors,

3 “(D) the name and address of, and rela-  
4 tionship to, any related entities (within the  
5 meaning of section 168(h)(4)), and

6 “(E) such other information as the Sec-  
7 retary may require to carry out the internal  
8 revenue laws.

9 “(4) EFFECT OF FAILURE.—In the case of an  
10 organization failing to meet the requirements of  
11 paragraph (1) for any period, the taxable income of  
12 such organization shall be computed by taking into  
13 account any exempt function income (and any de-  
14 ductions directly connected with the production of  
15 such income).

16 “(5) EXCEPTIONS.—This subsection shall not  
17 apply to any organization—

18 “(A) to which this section applies solely by  
19 reason of subsection (f)(1), or

20 “(B) which reasonably anticipates that it  
21 will not have gross receipts of \$25,000 or more  
22 for any taxable year.

23 “(6) COORDINATION WITH OTHER REQUIRE-  
24 MENTS.—This subsection shall not apply to any per-  
25 son required (without regard to this subsection) to

1 report under the Federal Election Campaign Act of  
2 1971 (2 U.S.C. 431 et seq.) as a political com-  
3 mittee.”.

4 (b) DISCLOSURE REQUIREMENTS.—

5 (1) INSPECTION AT INTERNAL REVENUE SERV-  
6 ICE OFFICES.—

7 (A) IN GENERAL.—Section 6104(a)(1)(A)  
8 of the Internal Revenue Code of 1986 (relating  
9 to public inspection of applications) is  
10 amended—

11 (i) by inserting “or a political organi-  
12 zation is exempt from taxation under sec-  
13 tion 527 for any taxable year” after “tax-  
14 able year”,

15 (ii) by inserting “or notice of status  
16 filed by the organization under section  
17 527(i)” before “, together”,

18 (iii) by inserting “or notice” after  
19 “such application” each place it appears,

20 (iv) by inserting “or notice” after  
21 “any application”,

22 (v) by inserting “for exemption from  
23 taxation under section 501(a)” after “any  
24 organization” in the last sentence, and

1 (vi) by inserting “OR 527” after “SEC-  
2 TION 501” in the heading.

3 (B) CONFORMING AMENDMENT.—The  
4 heading for section 6104(a) of such Code is  
5 amended by inserting “OR NOTICE OF STATUS”  
6 before the period.

7 (2) INSPECTION OF NOTICE ON INTERNET AND  
8 IN PERSON.—Section 6104(a) of such Code is  
9 amended by adding at the end the following new  
10 paragraph:

11 “(3) INFORMATION AVAILABLE ON INTERNET  
12 AND IN PERSON.—

13 “(A) IN GENERAL.—The Secretary shall  
14 make publicly available, on the Internet and at  
15 the offices of the Internal Revenue Service—

16 “(i) a list of all political organizations  
17 which file a notice with the Secretary  
18 under section 527(i), and

19 “(ii) the name, address, electronic  
20 mailing address, custodian of records, and  
21 contact person for such organization.

22 “(B) TIME TO MAKE INFORMATION AVAIL-  
23 ABLE.—The Secretary shall make available the  
24 information required under subparagraph (A)  
25 not later than 5 business days after the Sec-

1           retary receives a notice from a political organi-  
2           zation under section 527(i).”.

3           (3) INSPECTION BY COMMITTEE OF CON-  
4           GRESS.—Section 6104(a)(2) of such Code is amend-  
5           ed by inserting “or notice of status of any political  
6           organization which is exempt from taxation under  
7           section 527 for any taxable year” after “taxable  
8           year”.

9           (4) PUBLIC INSPECTION MADE AVAILABLE BY  
10          ORGANIZATION.—Section 6104(d) of such Code (re-  
11          lating to public inspection of certain annual returns  
12          and applications for exemption) is amended—

13                 (A) by striking “AND APPLICATIONS FOR  
14                 EXEMPTION” and inserting “, APPLICATIONS  
15                 FOR EXEMPTION, AND NOTICES OF STATUS” in  
16                 the heading,

17                 (B) by inserting “or notice of status under  
18                 section 527(i)” after “section 501” and by in-  
19                 serting “or any notice materials” after “mate-  
20                 rials” in paragraph (1)(A)(ii),

21                 (C) by inserting or “or such notice mate-  
22                 rials” after “materials” in paragraph (1)(B),  
23                 and

24                 (D) by adding at the end the following new  
25                 paragraph:

1           “(6) NOTICE MATERIALS.—For purposes of  
2 paragraph (1), the term ‘notice materials’ means the  
3 notice of status filed under section 527(i) and any  
4 papers submitted in support of such notice and any  
5 letter or other document issued by the Internal Rev-  
6 enue Service with respect to such notice.”.

7           (c) FAILURE TO MAKE PUBLIC.—Section  
8 6652(c)(1)(D) of the Internal Revenue Code of 1986 (re-  
9 lating to public inspection of applications for exemption)  
10 is amended—

11           (1) by inserting “or notice materials (as defined  
12 in such section)” after “section)”, and

13           (2) by inserting “AND NOTICE OF STATUS”  
14 after “EXEMPTION” in the heading.

15           (d) EFFECTIVE DATE.—

16           (1) IN GENERAL.—Except as provided in para-  
17 graphs (2) and (3), the amendments made by this  
18 section shall take effect on the date of the enactment  
19 of this section.

20           (2) ORGANIZATIONS ALREADY IN EXISTENCE.—

21 In the case of an organization established before the  
22 date of the enactment of this section, the time to file  
23 the notice under section 527(i)(2) of the Internal  
24 Revenue Code of 1986, as added by this section,

1 shall be 30 days after the date of the enactment of  
2 this section.

3 (3) INFORMATION AVAILABILITY.—The amend-  
4 ment made by subsection (b)(2) shall take effect on  
5 the date that is 45 days after the date of the enact-  
6 ment of this section.

7 **SEC. 2. DISCLOSURES BY POLITICAL ORGANIZATIONS.**

8 (a) REQUIRED DISCLOSURE OF 527 ORGANIZA-  
9 TIONS.—Section 527 of the Internal Revenue Code of  
10 1986 (relating to political organizations), as amended by  
11 section 1(a), is amended by adding at the end the fol-  
12 lowing new section:

13 “(j) REQUIRED DISCLOSURE OF EXPENDITURES AND  
14 CONTRIBUTIONS.—

15 “(1) PENALTY FOR FAILURE.—In the case of—

16 “(A) a failure to make the required disclo-  
17 sures under paragraph (2) at the time and in  
18 the manner prescribed therefor, or

19 “(B) a failure to include any of the infor-  
20 mation required to be shown by such disclo-  
21 sures or to show the correct information,

22 there shall be paid by the organization an amount  
23 equal to the rate of tax specified in subsection (b)(1)  
24 multiplied by the amount to which the failure re-  
25 lates.

1           “(2) REQUIRED DISCLOSURE.—A political orga-  
2           nization which accepts a contribution, or makes an  
3           expenditure, for an exempt function during any cal-  
4           endar year shall file with the Secretary either—

5                   “(A)(i) in the case of a calendar year in  
6           which a regularly scheduled election is held—

7                           “(I) quarterly reports, beginning with  
8                           the first quarter of the calendar year in  
9                           which a contribution is accepted or expend-  
10                          iture is made, which shall be filed not later  
11                          than the 15th day after the last day of  
12                          each calendar quarter, except that the re-  
13                          port for the quarter ending on December  
14                          31 of such calendar year shall be filed not  
15                          later than January 31 of the following cal-  
16                          endar year,

17                           “(II) a pre-election report, which shall  
18                           be filed not later than the 12th day before  
19                           (or posted by registered or certified mail  
20                           not later than the 15th day before) any  
21                           election with respect to which the organiza-  
22                           tion makes a contribution or expenditure,  
23                           and which shall be complete as of the 20th  
24                           day before the election, and

1           “(III) a post-general election report,  
2           which shall be filed not later than the 30th  
3           day after the general election and which  
4           shall be complete as of the 20th day after  
5           such general election, and

6           “(ii) in the case of any other calendar  
7           year, a report covering the period beginning  
8           January 1 and ending June 30, which shall be  
9           filed no later than July 31 and a report cov-  
10          ering the period beginning July 1 and ending  
11          December 31, which shall be filed no later than  
12          January 31 of the following calendar year, or

13          “(B) monthly reports for the calendar  
14          year, beginning with the first month of the cal-  
15          endar year in which a contribution is accepted  
16          or expenditure is made, which shall be filed not  
17          later than the 20th day after the last day of the  
18          month and shall be complete as if the last day  
19          of the month, except that, in lieu of filing the  
20          reports otherwise due in November and Decem-  
21          ber of any year in which a regularly scheduled  
22          general election is held, a pre-general election  
23          report shall be filed in accordance with sub-  
24          paragraph (A)(i)(II), a post-general election re-  
25          port shall be filed in accordance with subpara-

1 graph (A)(i)(III), and a year end report shall  
2 be filed not later than January 31 of the fol-  
3 lowing calendar year.

4 “(3) CONTENTS OF REPORT.—A report re-  
5 quired under paragraph (2) shall contain the fol-  
6 lowing information:

7 “(A) The amount of each expenditure  
8 made to a person if the aggregate amount of  
9 expenditures to such person during the calendar  
10 year equals or exceeds \$500 and the name and  
11 address of the person (in the case of an indi-  
12 vidual, including the occupation and name of  
13 employer of such individual).

14 “(B) The name and address (in the case of  
15 an individual, including the occupation and  
16 name of employer of such individual) of all con-  
17 tributors which contributed an aggregate  
18 amount of \$200 or more to the organization  
19 during the calendar year and the amount of the  
20 contribution.

21 Any expenditure or contribution disclosed in a pre-  
22 vious reporting period is not required to be included  
23 in the current reporting period.

24 “(4) CONTRACTS TO SPEND OR CONTRIBUTE.—  
25 For purposes of this subsection, a person shall be

1 treated as having made an expenditure or contribu-  
2 tion if the person has contracted or is otherwise obli-  
3 gated to make the expenditure or contribution.

4 “(5) COORDINATION WITH OTHER REQUIRE-  
5 MENTS.—This subsection shall not apply—

6 “(A) to any person required (without re-  
7 gard to this subsection) to report under the  
8 Federal Election Campaign Act of 1971 (2  
9 U.S.C. 431 et seq.) as a political committee,

10 “(B) to any State or local committee of a  
11 political party or political committee of a State  
12 or local candidate,

13 “(C) to any organization which reasonably  
14 anticipates that it will not have gross receipts  
15 of \$25,000 or more for any taxable year,

16 “(D) to any organization to which this sec-  
17 tion applies solely by reason of subsection  
18 (f)(1), or

19 “(E) with respect to any expenditure which  
20 is an independent expenditure (as defined in  
21 section 301 of such Act).

22 “(6) ELECTION.—For purposes of this sub-  
23 section, the term ‘election’ means—

24 “(A) a general, special, primary, or runoff  
25 election for a Federal office,

1           “(B) a convention or caucus of a political  
2 party which has authority to nominate a can-  
3 didate for Federal office,

4           “(C) a primary election held for the selec-  
5 tion of delegates to a national nominating con-  
6 vention of a political party, or

7           “(D) a primary election held for the ex-  
8 pression of a preference for the nomination of  
9 individuals for election to the office of Presi-  
10 dent.”.

11 (b) PUBLIC DISCLOSURE OF REPORTS.—

12           (1) IN GENERAL.—Section 6104(d) of the In-  
13 ternal Revenue Code of 1986 (relating to public in-  
14 spection of certain annual returns and applications  
15 for exemption), as amended by section 1(b)(4), is  
16 amended—

17           (A) by inserting “REPORTS,” after “RE-  
18 TURNS,” in the heading,

19           (B) in paragraph (1)(A), by striking “and”  
20 at the end of clause (i), by inserting “and” at  
21 the end of clause (ii), and by inserting after  
22 clause (ii) the following new clause:

23           “(iii) the reports filed under section  
24 527(j) (relating to required disclosure of

1 expenditures and contributions) by such  
2 organization,” and

3 (C) in paragraph (1)(B), by inserting “,  
4 reports,” after “return”.

5 (2) DISCLOSURE OF CONTRIBUTORS AL-  
6 LOWED.—Section 6104(d)(3)(A) of such Code (relat-  
7 ing to nondisclosure of contributors, etc.) is amend-  
8 ed by inserting “or a political organization exempt  
9 from taxation under section 527” after “509(a)”.

10 (3) DISCLOSURE BY INTERNAL REVENUE SERV-  
11 ICE.—Section 6104(d) of such Code is amended by  
12 adding at the end the following new paragraph:

13 “(6) DISCLOSURE OF REPORTS BY INTERNAL  
14 REVENUE SERVICE.—Any report filed by an organi-  
15 zation under section 527(j) (relating to required dis-  
16 closure of expenditures and contributions) shall be  
17 made available to the public at such times and in  
18 such places as the Secretary may prescribe.”.

19 (c) FAILURE TO MAKE PUBLIC.—Section  
20 6652(c)(1)(C) of the Internal Revenue Code of 1986 (re-  
21 lating to public inspection of annual returns) is  
22 amended—

23 (1) by inserting “or report required under sec-  
24 tion 527(j)” after “filing”),



1 inserting after subsection (f) the following new sub-  
2 section:

3 “(g) RETURNS REQUIRED BY POLITICAL ORGANIZA-  
4 TIONS.—In the case of a political organization required  
5 to file a return under section 6012(a)(6)—

6 “(1) such organization shall file a return—

7 “(A) containing the information required,  
8 and complying with the other requirements,  
9 under subsection (a)(1) for organizations ex-  
10 empt from taxation under section 501(a), and

11 “(B) containing such other information as  
12 the Secretary deems necessary to carry out the  
13 provisions of this subsection, and

14 “(2) subsection (a)(2)(B) (relating to discre-  
15 tionary exceptions) shall apply with respect to such  
16 return.”.

17 (b) PUBLIC DISCLOSURE OF RETURNS.—

18 (1) RETURNS MADE AVAILABLE BY SEC-  
19 RETARY.—

20 (A) IN GENERAL.—Section 6104(b) of the  
21 Internal Revenue Code of 1986 (relating to in-  
22 spection of annual information returns) is  
23 amended by inserting “6012(a)(6),” before  
24 “6033”.

1 (B) CONTRIBUTOR INFORMATION.—Sec-  
2 tion 6104(b) of such Code is amended by in-  
3 serting “or a political organization exempt from  
4 taxation under section 527” after “509(a)”.

5 (2) RETURNS MADE AVAILABLE BY ORGANIZA-  
6 TIONS.—

7 (A) IN GENERAL.—Paragraph (1)(A)(i) of  
8 section 6104(d) of such Code (relating to public  
9 inspection of certain annual returns, reports,  
10 applications for exemption, and notices of sta-  
11 tus) is amended by inserting “or section  
12 6012(a)(6) (relating to returns by political or-  
13 ganizations)” after “organizations”.

14 (B) CONFORMING AMENDMENTS.—

15 (i) Section 6104(d)(1) of such Code is  
16 amended in the matter preceding subpara-  
17 graph (A) by inserting “or an organization  
18 exempt from taxation under section  
19 527(a)” after “501(a)”.

20 (ii) Section 6104(d)(2) of such Code  
21 is amended by inserting “or section  
22 6012(a)(6)” after “section 6033”.

23 (c) FAILURE TO FILE RETURN.—Section 6652(c)(1)  
24 of the Internal Revenue Code of 1986 (relating to annual  
25 returns under section 6033) is amended—

1           (1) by inserting “or section 6012(a)(6) (relating  
2           to returns by political organizations)” after “organi-  
3           zations)” in subparagraph (A)(i),

4           (2) by inserting “or section 6012(a)(6)” after  
5           “section 6033” in subparagraph (A)(ii),

6           (3) by inserting “or section 6012(a)(6)” after  
7           “section 6033” in the third sentence of subpara-  
8           graph (A), and

9           (4) by inserting “OR 6012(a)(6)” after “SECTION  
10          6033” in the heading.

11          (d) **EFFECTIVE DATE.**—The amendments made by  
12          this section shall apply to returns for taxable years begin-  
13          ning after June 30, 2000.

○