

107TH CONGRESS
1ST SESSION

H. R. 1676

To amend the Internal Revenue Code of 1986 to avoid duplicate reporting of information on political activities of certain State and local political organizations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 2, 2001

Mr. DOGGETT (for himself, Mr. STARK, Mr. MATSUI, Mr. COYNE, Mr. LEVIN, Mr. CARDIN, Mr. McDERMOTT, Mr. KLECZKA, Mr. LEWIS of Georgia, Mr. McNULTY, Mr. JEFFERSON, Mr. BECERRA, Mrs. THURMAN, Mr. ALLEN, Mr. BACA, Mr. BALDACCI, Mr. BENTSEN, Mr. CLEMENT, Mr. DAVIS of Florida, Mr. DOOLEY of California, Mr. EDWARDS, Mr. ETHERIDGE, Mr. FARR of California, Mr. FILNER, Mr. FROST, Mr. GONZALEZ, Mr. GORDON, Mr. GREEN of Texas, Mr. HALL of Ohio, Mr. HINCHAY, Mr. HINOJOSA, Ms. JACKSON-LEE of Texas, Ms. EDDIE BERNICE JOHNSON of Texas, Mrs. JONES of Ohio, Mr. TURNER, Mr. LaFALCE, Mr. LAMPSON, Mr. MCGOVERN, Mr. McINTYRE, Mr. MOORE, Mr. NADLER, Mr. OLVER, Mr. REYES, Ms. RIVERS, Mr. RODRIGUEZ, Ms. SANCHEZ, Mr. SANDLIN, Mr. ORTIZ, Mr. STENHOLM, Mr. WAXMAN, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to avoid duplicate reporting of information on political activities of certain State and local political organizations, and for other purposes.

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

1 **SECTION 1. MODIFICATIONS OF REPORTING REQUIRE-**
2 **MENTS FOR CERTAIN STATE AND LOCAL PO-**
3 **LITICAL ORGANIZATIONS.**

4 (a) NOTIFICATION.—Paragraph (5) of section 527(i)
5 of the Internal Revenue Code of 1986 (relating to organi-
6 zations must notify Secretary that they are section 527
7 organizations) is amended by striking “or” at the end of
8 subparagraph (A), by striking the period at the end of
9 subparagraph (B) and inserting “, or”, and by adding at
10 the end the following new subparagraph:

11 “(C) which is a political committee of a
12 State or local candidate.”.

13 (b) REPORTING.—Paragraph (5) of section 527(j) of
14 such Code (relating to required disclosures of expenditures
15 and contributions) is amended by striking “or” at the end
16 of at the end of subparagraph (D), by redesignating sub-
17 paragraphs (C), (D), and (E) as subparagraphs (D), (E),
18 and (F), respectively, and by inserting after subparagraph
19 (B) the following new subparagraph:

20 “(C) to any organization which is an ex-
21 empt State or local political organization,”.

22 (c) ANNUAL RETURN REQUIREMENTS.—Paragraph
23 (6) of section 6012(a) of such Code is amended to read
24 as follows:

25 “(6)(A) Except as provided by subparagraphs
26 (B) and (C), every political organization (within the

1 meaning of section 527(e)(1)), and every fund treat-
2 ed under section 527(g) as if it constituted a polit-
3 ical organization, which has—

4 “(i) political organization taxable income
5 (within the meaning of section 527(e)(1)) for
6 the taxable year, or

7 “(ii) gross receipts of \$25,000 or more for
8 the taxable year (other than an organization to
9 which section 527 applies solely by reason of
10 subsection (f)(1) of such section).

11 “(B) Subparagraph (A)(ii) shall not apply to an
12 organization which is a political committee of a
13 State or local candidate (within the meaning of sec-
14 tion 527(i)(5)(C)).

15 “(C) In the case of an exempt State or local po-
16 litical organization (as defined in section 527(e)(5)),
17 subparagraph (A)(ii) shall be applied by substituting
18 ‘\$100,000’ for ‘\$25,000’.”.

19 (d) EXEMPT STATE OR LOCAL POLITICAL ORGANIZA-
20 TION.—Subsection (e) of section 527 of such (relating to
21 other definitions) is amended by adding at the end the
22 following new paragraph:

23 “(5) EXEMPT STATE OR LOCAL POLITICAL OR-
24 GANIZATION.—

1 “(A) IN GENERAL.—The term ‘exempt
2 State or local political organization’ means a
3 political organization which—

4 “(i) does not engage in exempt func-
5 tion activity other than solely in influ-
6 encing or attempting to influence the selec-
7 tion, nomination, election, or appointment
8 of any individual to any State or local pub-
9 lic office or office in a State or local polit-
10 ical organization,

11 “(ii) is subject to State or local re-
12 quirements to submit reports (and so re-
13 ports)—

14 “(I) regarding each separate ex-
15 penditure from and contribution to,
16 such organization, and

17 “(II) including information re-
18 garding the person who makes such
19 contribution or receives such expendi-
20 ture,

21 which would otherwise be required to be
22 reported under this section, and

23 “(iii) with respect to which the reports
24 referred to in clause (ii) are made public
25 by the agency with which such reports are

1 filed and are publicly available for inspec-
2 tion in a manner similar to that required
3 by section 6104(d)(1).

4 “(B) MINIMUM REPORTABLE AMOUNTS.—

5 An organization shall not be treated as failing
6 to meet the requirements of subparagraph
7 (A)(ii) solely because the minimum amount of
8 any expenditure or contribution required to be
9 reported under State or local law is not more
10 than \$100 greater than the minimum amount
11 required to be reported under subsection (j)
12 with respect to such expenditure or contribu-
13 tion.

14 “(C) PARTICIPATION OF FEDERAL CAN-

15 DIDATE OR OFFICE HOLDER.—The term ‘ex-
16 empt State or local political organization’ shall
17 not include any organization otherwise de-
18 scribed in subparagraph (A) if a candidate for
19 nomination or election to Federal elective office
20 or an individual who holds such office—

21 “(i) controls or materially participates
22 in the direction of the organization,

23 “(ii) solicits contributions to the orga-
24 nization, or

1 “(iii) directs, in whole or in part, dis-
2 bursements by the organization.”.

3 (e) WAIVER OF FILING PENALTIES.—Section 527 of
4 such Code is amended by adding at the end the following:

5 “(k) AUTHORITY TO WAIVE.—The Secretary may
6 waive all or any portion of the—

7 “(1) tax assessed on an organization by reason
8 of the failure of the organization to give notice
9 under subsection (i), or

10 “(2) penalty imposed under subsection (j) for a
11 failure to file a report,

12 on a showing that such failure was due to reasonable cause
13 and not due to willful neglect.”.

14 (f) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect as if included in the amend-
16 ments made by Public Law 106–230.

17 **SEC. 2. TECHNICAL CORRECTIONS TO SECTION 527 ORGA-**
18 **NIZATION DISCLOSURE PROVISIONS.**

19 (a) UNSEGREGATED FUNDS NOT TO AVOID PEN-
20 ALTY.—Paragraph (4) of section 527(i) of the Internal
21 Revenue Code of 1986 (relating to failure to notify) is
22 amended by adding at the end the following new sentence:
23 “For purposes of the preceding sentence, the term ‘exempt
24 function income’ means any amount described in a sub-

1 paragraph of subsection (c)(3), whether or not segregated
2 for use for an exempt function.”

3 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-
4 TION OF PENALTY.—Paragraph (1) of section 527(j) of
5 such Code (relating to required disclosure of expenditures
6 and contributions) is amended by adding at the end the
7 following new sentence: “For purposes of subtitle F, the
8 penalty imposed by this paragraph shall be assessed and
9 collected in the same manner as penalties imposed by sec-
10 tion 6652(c).”

11 (c) APPLICATION OF FRAUD PENALTY.—Section
12 7207 of such Code (relating to fraudulent returns, state-
13 ments, and other documents) is amended by striking “pur-
14 suant to subsection (b) of section 6047 or pursuant to sub-
15 section (d) of section 6104” and inserting “pursuant to
16 section 6047(b), section 6104(d), or subsection (i) or (j)
17 of section 527”.

18 (d) DUPLICATE ELECTRONIC AND WRITTEN FILINGS
19 NOT REQUIRED.—

20 (1) Subparagraph (A) of section 527(i)(1) of
21 such Code is amended by striking “, electronically
22 and in writing,”.

23 (2) Subsection (i) of section 527 of such Code
24 is amended by adding at the end the following new
25 paragraph:

1 “(7) ELECTRONIC FILING.—The Secretary shall
2 develop procedures for submission in electronic form
3 of notices required to be filed under this subsection
4 and reports required to be filed under subsection
5 (j).”

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect as if included in the amend-
8 ments made by Public Law 106–230.

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