

109TH CONGRESS
1ST SESSION

H. R. 1942

To amend the Internal Revenue Code of 1986 to impose penalties for the failure of 527 organizations to comply with disclosure requirements.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2005

Mr. SHAW (for himself, Mr. FOLEY, Mr. SAM JOHNSON of Texas, and Mr. ENGLISH of Pennsylvania) 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 impose penalties for the failure of 527 organizations to comply with disclosure requirements.

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 “527 Transparency Act
5 of 2005”.

1 **SEC. 2. REPORTING FREQUENCY IN NON-ELECTION YEARS**
2 **INCREASED TO QUARTERLY.**

3 (a) IN GENERAL.—Clause (ii) of section 527(j)(2)(A)
4 of the Internal Revenue Code of 1986 (relating to required
5 disclosure) is amended to read as follows:

6 “(ii) quarterly reports, which shall be
7 filed not later than the fifteenth day after
8 the last day of each calendar quarter, and
9 which shall be complete as of the last day
10 of each calendar quarter, except that the
11 report for the quarter ending December 31
12 shall be filed not later than January 31 of
13 the following calendar year.”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 subsection (a) shall apply to taxable years beginning after
16 December 31, 2005.

17 **SEC. 3. FAILURE OF 527 ORGANIZATION TO COMPLY WITH**
18 **DISCLOSURE REQUIREMENTS.**

19 (a) EXCISE TAX ON MANAGERS.—

20 (1) IN GENERAL.—Subchapter C of chapter 42
21 of the Internal Revenue Code of 1986 is amended by
22 adding at the end the following new section:

1 **“SEC. 4956. TAX ON FAILURE OF POLITICAL ORGANIZA-**
2 **TIONS TO MEET DISCLOSURE REQUIRE-**
3 **MENTS.**

4 “(a) **TAX IMPOSED.**—In the case of a failure of a po-
5 litical organization to meet the disclosure requirements of
6 section 527(j) with respect to any contribution to or ex-
7 penditure from the political organization, there is hereby
8 imposed on the political organization a tax for each such
9 failure.

10 “(b) **AMOUNT OF TAX.**—The tax imposed by sub-
11 section (a) shall be 30 percent of the total amount of the
12 contribution or expenditure with respect to which such
13 failure occurred.

14 “(c) **LIABILITY FOR TAX.**—

15 “(1) **IN GENERAL.**—Except as provided by
16 paragraph (2), the tax imposed by subsection (a)
17 shall be paid by the political organization.

18 “(2) **JOINT AND SEVERAL LIABILITY OF ORGA-**
19 **NIZATION MANAGERS.**—Each organization manager
20 of the political organization shall be jointly and sev-
21 erally liable for any tax imposed under subsection
22 (a).

23 “(d) **ORGANIZATION MANAGER.**—For purposes of
24 this section, the term ‘organization manager’ means any
25 officer, director, or trustee of the political organization (or

1 individual having powers or responsibilities similar to
2 those of an officer, director, or trustee).

3 “(e) **POLITICAL ORGANIZATION.**—The term ‘political
4 organization’ shall have the meaning given such term by
5 section 527(e)(1).”.

6 (2) **CONFORMING AMENDMENTS.**—

7 (A) The heading for subchapter C of chap-
8 ter 42 of such Code is amended by adding at
9 the end the following: “; **Failure of Polit-
10 ical Organizations to Meet Reporting
11 Requirements**”.

12 (B) The table of sections for such sub-
13 chapter C is amended by adding at the end the
14 following:

“Sec. 4956. Tax on failure of political organizations to meet disclosure require-
ments.”.

15 (C) The item in the table of subchapters of
16 such chapter 42 relating to subchapter C is
17 amended to read as follows:

“SUBCHAPTER C. POLITICAL EXPENDITURES OF SECTION 501(C)(3) ORGANIZA-
TIONS; FAILURE OF POLITICAL ORGANIZATIONS TO MEET REPORTING RE-
QUIREMENTS”.

18 (3) **EFFECTIVE DATE.**—The amendments made
19 by this subsection shall apply to taxable years begin-
20 ning after December 31, 2005.

21 (b) **DENIAL OF GIFT TAX EXCLUSION.**—

1 (1) IN GENERAL.—Paragraph (4) of section
2 2501(a) of the Internal Revenue Code of 1986 (re-
3 lating to taxable transfers) is amended to read as
4 follows:

5 “(4) TRANSFERS TO POLITICAL ORGANIZA-
6 TIONS.—

7 “(A) IN GENERAL.—Paragraph (1) shall
8 not apply to the transfer of money or other
9 property to a political organization (within the
10 meaning of section 527(e)(1)) for the use of
11 such organization.

12 “(B) EXCEPTION FOR FAILURE OF ORGA-
13 NIZATION TO MEET DISCLOSURE REQUIRE-
14 MENTS.—Subparagraph (A) shall not apply to
15 any transfer in a calendar year for which the
16 political organization fails to make the disclo-
17 sures required by section 527(j).”.

18 (2) NOTICE TO CONTRIBUTORS OF DENIAL OF
19 GIFT TAX EXCEPTION FOR FAILURE TO DISCLOSE.—
20 Section 527(j) of such Code is amended by adding
21 at the end the following new paragraph:

22 “(8) NOTICE TO CONTRIBUTORS OF DENIAL OF
23 GIFT TAX EXCEPTION FOR FAILURE TO DISCLOSE.—
24 In the case of a final determination by the Secretary
25 that a failure described in paragraph (1)(A) with re-

1 spect to an organization occurred, the organization
2 shall, not later than 90 days after the date of such
3 determination, provide written notice of such failure
4 to each contributor to the organization for the cal-
5 endar year in which such failure occurred. Such no-
6 tice shall include a statement that the exception
7 under section 2501(a)(4)(A) does not apply to any
8 contribution to the organization in such calendar
9 year.”.

10 (3) EFFECTIVE DATE.—The amendments made
11 by this subsection shall apply to transfers made
12 after December 31, 2005.

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