H. R. 1295

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.

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

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.

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

SECTION 1. ORGANIZATIONS REQUIRED TO NOTIFY SEC-
RETARY OF INTENT TO OPERATE AS 501(c)(4).

(a) IN GENERAL.—Part I of subchapter F of chapter
1 of the Internal Revenue Code of 1986 is amended by
adding at the end the following new section:
"SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY OF INTENT TO OPERATE AS 501(c)(4).

(a) In General.—An organization described in section 501(c)(4) shall, not later than 60 days after the organization is established, notify the Secretary (in such manner as the Secretary shall by regulation prescribe) that it is operating as such.

(b) Contents of Notice.—The notice required under subsection (a) shall include the following information:

(1) The name, address, and taxpayer identification number of the organization.

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

(3) A statement of the purpose of the organization.

(c) Acknowledgment of Receipt.—Not later than 60 days after receipt of such a notice, the Secretary shall send to the organization an acknowledgment of such receipt.

(d) Extension for Reasonable Cause.—The Secretary may, for reasonable cause, extend the 60-day period described in subsection (a).

(e) User Fee.—The Secretary shall impose a reasonable user fee for submission of the notice under subsection (a).
“(f) Request for Determination.—Upon request by an organization to be treated as an organization described in section 501(c)(4), the Secretary may issue a determination with respect to such treatment. Such request shall be treated for purposes of section 6104 as an application for exemption from taxation under section 501(a).”.

(b) Supporting Information With First Return.—Section 6033(f) of such Code is amended—

(1) by striking the period at the end and inserting “, and”,

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

“(1) the information”, and

(3) by adding at the end the following new paragraph:

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

(c) Failure to File Initial Notification.—Section 6652(c) of such Code is amended by redesignating
paragraphs (4) and (5) as paragraphs (5) and (6), respectively, and by inserting after paragraph (3) the following new paragraph:

“(4) Notices under section 506.—

“(A) Penalty on organization.—In the case of a failure to submit a notice required under section 506(a) (relating to organizations required to notify Secretary of intent to operate as 501(c)(4)) on the date and in the manner prescribed therefor, there shall be paid by the organization failing to so submit $20 for each day during which such failure continues, but the total amount imposed under this subparagraph on any organization for failure to submit any one notice shall not exceed $5,000.

“(B) Managers.—The Secretary may make written demand on an organization subject to penalty under subparagraph (A) specifying in such demand a reasonable future date by which the notice shall be submitted for purposes of this subparagraph. If such notice is not submitted on or before such date, there shall be paid by the person failing to so submit $20 for each day after the expiration of the time specified in the written demand during which such
failure continues, but the total amount imposed under this subparagraph on all persons for failure to submit any one notice shall not exceed $5,000.”.

(d) Clerical Amendment.—The table of sections for part I of subchapter F of chapter 1 of such Code is amended by adding at the end the following new item:

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

(e) Effective Date.—

(1) In General.—The amendments made by this section shall apply to organizations which are described in section 501(c)(4) of the Internal Revenue Code of 1986 and organized after the date of the enactment of this Act.

(2) Certain Existing Organizations.—In the case of any other organization described in section 501(c)(4) of such Code, the amendments made by this section shall apply to such organization only if, on or before the date of the enactment of this Act—

(A) such organization has not applied for a written determination of recognition as an organization described in section 501(c)(4) of such Code, and
(B) such organization has not filed at least
one annual return or notice required under sub-
section (a)(1) or (i) (as the case may be) of sec-
tion 6033 of such Code.

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

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

(a) IN GENERAL.—Section 7428(a)(1) of such Code
is amended by striking “or” at the end of subparagraph
(C) and by inserting after subparagraph (D) the following
new subparagraph:

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

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