

104TH CONGRESS
1ST SESSION

H. R. 783

To amend the Internal Revenue Code of 1986 to prevent the reclassification of certain dues paid to tax-exempt agricultural or horticultural organizations.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 1995

Mr. CAMP (for himself, Mr. PAYNE of Virginia, Mr. THOMAS, Mr. BUNNING of Kentucky, Mr. HOUGHTON, Mr. HERGER, Mr. McCRERY, Mr. HANCOCK, Mr. ENGLISH of Pennsylvania, Mr. BREWSTER, Mr. BLILEY, Mr. KNOLLENBERG, Mrs. MEYERS of Kansas, Mr. DOOLEY, Mr. BARCIA, Mr. CONYERS, Mr. GORDON, Mr. DICKEY, Mr. WILSON, Mr. BAESLER, Mr. HUTCHINSON, Mr. BARRETT of Nebraska, Mr. CANADY of Florida, Mr. HANSON, Mr. EHLERS, Mr. PARKER, Ms. DANNER, Mr. COMBEST, Mr. MINGE, Mr. KLUG, Mr. CHRYSLER, Mr. SISISKY, Mr. EDWARDS, Mr. HAMILTON, and Mr. WOLF) 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 prevent the reclassification of certain dues paid to tax-exempt agricultural or horticultural organizations.

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 “Tax Fairness for Agri-
5 culture Act of 1995”.

1 **SEC. 2. TREATMENT OF DUES PAID TO AGRICULTURAL OR**
2 **HORTICULTURAL ORGANIZATIONS.**

3 (a) GENERAL RULE.—Section 512 of the Internal
4 Revenue Code of 1986 (defining unrelated business tax-
5 able income) is amended by adding at the end thereof the
6 following new subsection:

7 “(d) TREATMENT OF DUES OF AGRICULTURAL OR
8 HORTICULTURAL ORGANIZATIONS.—

9 “(1) IN GENERAL.—If—

10 “(A) an agricultural or horticultural orga-
11 nization described in section 501(c)(5) requires
12 annual dues to be paid in order to be a member
13 of such organization, and

14 “(B) the amount of such required annual
15 dues does not exceed \$100,

16 in no event shall any portion of such dues be treated
17 as derived by such organization from an unrelated
18 trade or business by reason of any benefits or privi-
19 leges to which members of such organization are en-
20 titled.

21 “(2) INDEXATION OF \$100 AMOUNT.—In the
22 case of any taxable year beginning in a calendar
23 year after 1995, the \$100 amount in paragraph (1)
24 shall be increased by an amount equal to—

25 “(A) \$100, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins, by sub-
4 stituting ‘calendar year 1994’ for ‘calendar year
5 1992’ in subparagraph (B) thereof.

6 “(3) DUES.—For purposes of this subsection,
7 the term ‘dues’ includes any payment required to be
8 made in order to be recognized by the organization
9 as a member of the organization.”

10 (b) EFFECTIVE DATES.—

11 (1) IN GENERAL.—The amendment made by
12 subsection (a) shall apply to taxable years beginning
13 after December 31, 1994.

14 (2) TRANSITIONAL RULE.—If—

15 (A) for purposes of applying part III of
16 subchapter F of chapter 1 of the Internal Reve-
17 nue Code of 1986 to any taxable year beginning
18 before January 1, 1995, an agricultural or hor-
19 ticultural organization did not treat any portion
20 of membership dues received by it as income de-
21 rived in an unrelated trade or business, and

22 (B) such organization had a reasonable
23 basis for not treating such dues as income de-
24 rived in an unrelated trade or business,

1 then, for purposes of applying such part III to any
2 such taxable year, in no event shall any portion of
3 such dues be treated as derived in an unrelated
4 trade or business.

5 (3) REASONABLE BASIS.—For purposes of
6 paragraph (2), an organization shall be treated as
7 having a reasonable basis for not treating member-
8 ship dues as income derived in an unrelated trade or
9 business if the taxpayer’s treatment of such dues
10 was in reasonable reliance on any of the following:

11 (A) Judicial precedent, published rulings,
12 technical advice with respect to the organiza-
13 tion, or a letter ruling to the organization.

14 (B) A past Internal Revenue Service audit
15 of the organization in which there was no as-
16 sessment attributable to the reclassification of
17 membership dues for purposes of the tax on un-
18 related business income.

19 (C) Long-standing recognized practice of
20 agricultural or horticultural organizations.

21 (4) DUES.—For purposes of this subsection,
22 the term “dues” includes any payment required to
23 be made in order to be recognized by the organiza-
24 tion as a member of the organization.

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