

107TH CONGRESS
2^D SESSION

H. R. 5596

IN THE SENATE OF THE UNITED STATES

OCTOBER 17, 2002

Received

AN ACT

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local party committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, 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,*

3 **SECTION 1. EXEMPTION FOR CERTAIN STATE AND LOCAL**
 4 **POLITICAL COMMITTEES FROM NOTIFICA-**
 5 **TION REQUIREMENTS.**

6 (a) EXEMPTION FROM NOTIFICATION REQUIRE-
 7 MENTS.—Paragraph (5) of section 527(i) of the Internal
 8 Revenue Code of 1986 (relating to organizations must no-
 9 tify Secretary that they are section 527 organizations) is
 10 amended by striking “or” at the end of subparagraph (A),
 11 by striking the period at the end of subparagraph (B) and
 12 inserting “, or”, and by adding at the end the following:

13 “(C) which is a political committee of a
 14 State or local candidate or which is a State or
 15 local committee of a political party.”.

16 (b) EFFECTIVE DATE.—The amendments made by
 17 subsection (a) shall take effect as if included in the
 18 amendments made by Public Law 106–230.

19 **SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL PO-**
 20 **LITICAL COMMITTEES FROM REPORTING RE-**
 21 **QUIREMENTS.**

22 (a) IN GENERAL.—Section 527(j)(5) of the Internal
 23 Revenue Code of 1986 (relating to coordination with other
 24 requirements) is amended by redesignating subparagraphs
 25 (C), (D), and (E) as subparagraphs (D), (E), and (F),

1 respectively, and by inserting after subparagraph (B) the
2 following new subparagraph:

3 “(C) to any organization which is a quali-
4 fied State or local political organization,”.

5 (b) QUALIFIED STATE OR LOCAL POLITICAL ORGA-
6 NIZATION.—Subsection (e) of section 527 of the Internal
7 Revenue Code of 1986 (relating to other definitions) is
8 amended by adding at the end the following new para-
9 graph:

10 “(5) QUALIFIED STATE OR LOCAL POLITICAL
11 ORGANIZATION.—

12 “(A) IN GENERAL.—The term ‘qualified
13 State or local political organization’ means a
14 political organization—

15 “(i) all the exempt functions of which
16 are solely for the purposes of influencing
17 or attempting to influence the selection,
18 nomination, election, or appointment of
19 any individual to any State or local public
20 office or office in a State or local political
21 organization,

22 “(ii) which is subject to State law that
23 requires the organization to report (and it
24 so reports)—

1 “(I) information regarding each
2 separate expenditure from and con-
3 tribution to such organization, and

4 “(II) information regarding the
5 person who makes such contribution
6 or receives such expenditure,

7 which would otherwise be required to be
8 reported under this section, and

9 “(iii) with respect to which the reports
10 referred to in clause (ii) are (I) made pub-
11 lic by the agency with which such reports
12 are filed, and (II) made publicly available
13 for inspection by the organization in the
14 manner described in section 6104(d).

15 “(B) CERTAIN STATE LAW DIFFERENCES
16 DISREGARDED.—An organization shall not be
17 treated as failing to meet the requirements of
18 subparagraph (A)(ii) solely by reason of 1 or
19 more of the following:

20 “(i) The minimum amount of any ex-
21 penditure or contribution required to be re-
22 ported under State law is not more than
23 \$300 greater than the minimum amount
24 required to be reported under subsection
25 (j).

1 “(ii) The State law does not require
2 the organization to identify 1 or more of
3 the following:

4 “(I) The employer of any person
5 who makes contributions to the orga-
6 nization.

7 “(II) The occupation of any per-
8 son who makes contributions to the
9 organization.

10 “(III) The employer of any per-
11 son who receives expenditures from
12 the organization.

13 “(IV) The occupation of any per-
14 son who receives expenditures from
15 the organization.

16 “(V) The purpose of any expendi-
17 ture of the organization.

18 “(VI) The date any contribution
19 was made to the organization.

20 “(VII) The date of any expendi-
21 ture of the organization.

22 “(C) DE MINIMIS ERRORS.—An organiza-
23 tion shall not fail to be treated as a qualified
24 State or local political organization solely be-
25 cause such organization makes de minimis er-

1 rors in complying with the State reporting re-
2 quirements and the public inspection require-
3 ments described in subparagraph (A) as long as
4 the organization corrects such errors within a
5 reasonable period after the organization be-
6 comes aware of such errors.

7 “(D) PARTICIPATION OF FEDERAL CAN-
8 DIDATE OR OFFICE HOLDER.—The term ‘quali-
9 fied State or local political organization’ shall
10 not include any organization otherwise de-
11 scribed in subparagraph (A) if a candidate for
12 nomination or election to Federal elective public
13 office or an individual who holds such office—

14 “(i) controls or materially participates
15 in the direction of the organization,

16 “(ii) solicits contributions to the orga-
17 nization (unless the Secretary determines
18 that such solicitations resulted in de mini-
19 mis contributions and were made without
20 the prior knowledge and consent, whether
21 explicit or implicit, of the organization or
22 its officers, directors, agents, or employ-
23 ees), or

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

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect as if included in the amend-
 3 ments made by Public Law 106–230.

4 **SEC. 3. EXEMPTION FROM ANNUAL RETURN REQUIRE-**
 5 **MENTS.**

6 (a) INCOME TAX RETURNS REQUIRED ONLY FOR
 7 POLITICAL ORGANIZATION TAXABLE INCOME.—Para-
 8 graph (6) of section 6012(a) of the Internal Revenue Code
 9 of 1986 (relating to persons required to make returns of
 10 income) is amended by striking “or which has” and all
 11 that follows through “section)”.

12 (b) INCOME TAX RETURNS NOT SUBJECT TO DIS-
 13 CLOSURE.—

14 (1) DISCLOSURE BY THE SECRETARY.—Sub-
 15 section (b) of section 6104 of such Code (relating to
 16 disclosure by the Secretary of annual information re-
 17 turns) is amended by striking “6012(a)(6),”.

18 (2) PUBLIC INSPECTION.—Subsection (d) of
 19 section 6104 of such Code (relating to public inspec-
 20 tion of certain annual returns) is amended—

21 (A) in paragraph (1)(A)(i) by striking “or
 22 section 6012(a)(6) (relating to returns by polit-
 23 ical organizations)”, and

24 (B) in subparagraph (2) by striking “or
 25 section 6012(a)(6)”.

1 (c) INFORMATION RETURNS.—Subsection (g) of sec-
2 tion 6033 of such Code (relating to returns required by
3 political organizations) is amended to read as follows:

4 “(g) RETURNS REQUIRED BY POLITICAL ORGANIZA-
5 TIONS.—

6 “(1) IN GENERAL.—This section shall apply to
7 a political organization (as defined by section
8 527(e)(1)) which has gross receipts of \$25,000 or
9 more for the taxable year. In the case of a political
10 organization which is a qualified State or local polit-
11 ical organization (as defined in section 527(e)(5)),
12 the preceding sentence shall be applied by sub-
13 stituting ‘\$100,000’ for ‘\$25,000’.

14 “(2) ANNUAL RETURNS.—Political organiza-
15 tions described in paragraph (1) shall file an annual
16 return—

17 “(A) containing the information required,
18 and complying with the other requirements,
19 under subsection (a)(1) for organizations ex-
20 empt from taxation under section 501(a), with
21 such modifications as the Secretary considers
22 appropriate to require only information which is
23 necessary for the purposes of carrying out sec-
24 tion 527, and

1 “(B) containing such other information as
2 the Secretary deems necessary to carry out the
3 provisions of this subsection.

4 “(3) MANDATORY EXCEPTIONS FROM FILING.—
5 Paragraph (2) shall not apply to an organization—

6 “(A) which is a State or local committee of
7 a political party, or political committee of a
8 State or local candidate,

9 “(B) which is a caucus or association of
10 State or local officials,

11 “(C) which is an authorized committee (as
12 defined in section 301(6) of the Federal Elec-
13 tion Campaign Act of 1971) of a candidate for
14 Federal office,

15 “(D) which is a national committee (as de-
16 fined in section 301(14) of the Federal Election
17 Campaign Act of 1971) of a political party,

18 “(E) which is a United States House of
19 Representatives or United States Senate cam-
20 paign committee of a political party committee,

21 “(F) which is required to report under the
22 Federal Election Campaign Act of 1971 as a
23 political committee (as defined in section 301(4)
24 of such Act), or

“(4) DISCRETIONARY EXCEPTION.—The Secretary may relieve any organization required under paragraph (2) to file an information return from filing such a return if the Secretary determines that such filing is not necessary to the efficient administration of the internal revenue laws.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106–230.

13 SEC. 4. NOTIFICATION OF INTERACTION OF REPORTING
14 REQUIREMENTS.

15 (a) IN GENERAL.—The Secretary of the Treasury, in
16 consultation with the Federal Election Commission, shall
17 publicize—

18 (1) the effect of the amendments made by this
19 Act, and

(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under sub-

section (a) shall be included in any appropriate form, in-

1 instruction, notice, or other guidance issued to the public
2 by the Secretary of the Treasury or the Federal Election
3 Commission regarding reporting requirements of political
4 organizations (as defined in section 527 of the Internal
5 Revenue Code of 1986) or reporting requirements under
6 the Federal Election Campaign Act of 1971.

7 **SEC. 5. WAIVER OF FILING AMOUNTS.**

8 (a) **WAIVER OF FILING AMOUNTS.**—Section 527 of
9 the Internal Revenue Code of 1986 is amended by adding
10 at the end the following:

11 “(k) **AUTHORITY TO WAIVE.**—The Secretary may
12 waive all or any portion of the—

13 “(1) tax assessed on an organization by reason
14 of the failure of the organization to comply with the
15 requirements of subsection (i), or

16 “(2) amount imposed under subsection (j) for a
17 failure to comply with the requirements thereof,
18 on a showing that such failure was due to reasonable cause
19 and not due to willful neglect.”.

20 (b) **EFFECTIVE DATE.**—The amendment made by
21 subsection (a) shall apply to any tax assessed or amount
22 imposed after June 30, 2000.

1 **SEC. 6. MODIFICATIONS TO SECTION 527 ORGANIZATION**
2 **DISCLOSURE PROVISIONS.**

3 (a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—
4 Paragraph (4) of section 527(i) of the Internal Revenue
5 Code of 1986 (relating to failure to notify) is amended
6 by adding at the end the following new sentence: “For
7 purposes of the preceding sentence, the term ‘exempt func-
8 tion income’ means any amount described in a subpara-
9 graph of subsection (c)(3), whether or not segregated for
10 use for an exempt function.”.

11 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-
12 TION OF AMOUNTS.—Paragraph (1) of section 527(j) of
13 the Internal Revenue Code of 1986 (relating to required
14 disclosure of expenditures and contributions) is amended
15 by adding at the end the following new sentence: “For
16 purposes of subtitle F, the amount imposed by this para-
17 graph shall be assessed and collected in the same manner
18 as penalties imposed by section 6652(c).”.

19 (c) DUPLICATE WRITTEN FILINGS NOT RE-
20 QUIRED.—Subparagraph (A) of section 527(i)(1) of the
21 Internal Revenue Code of 1986 is amended by striking “,
22 electronically and in writing,” and inserting “electroni-
23 cally”.

24 (d) APPLICATION OF FRAUD PENALTY.—Section
25 7207 of the Internal Revenue Code of 1986 (relating to
26 fraudulent returns, statements, and other documents) is

1 amended by striking “pursuant to subsection (b) of section
 2 6047 or pursuant to subsection (d) of section 6104” and
 3 inserting “pursuant to section 6047(b), section 6104(d),
 4 or subsection (i) or (j) of section 527”.

5 (e) CONTENTS AND FILING OF REPORT.—

6 (1) CONTENTS.—Section 527(j)(3) of the Inter-
 7 nal Revenue Code of 1986 (relating to contents of
 8 report) is amended—

9 (A) by inserting “, date, and purpose”
 10 after “The amount” in subparagraph (A), and
 11 (B) by inserting “and date” after “the
 12 amount” in subparagraph (B).

13 (2) ELECTRONIC FILING.—Section 527(j) of
 14 such Code is amended by adding at the end the fol-
 15 lowing new paragraph:

16 “(7) ELECTRONIC FILING.—Any report re-
 17 quired under paragraph (2) with respect to any cal-
 18 endar year shall be filed in electronic form if the or-
 19 ganization has, or has reason to expect to have, con-
 20 tributions exceeding \$50,000 or expenditures exceed-
 21 ing \$50,000 in such calendar year.”.

22 (3) ELECTRONIC FILING AND ACCESS OF RE-
 23 QUIRED DISCLOSURES.—Section 527 of such Code,
 24 as amended by section 5(a), is amended by redesign-

1 nating subsection (k) as subsection (l) and by insert-
2 ing after subsection (j) the following new subsection:

3 “(k) PUBLIC AVAILABILITY OF NOTICES AND RE-
4 PORTS.—

5 “(1) IN GENERAL.—The Secretary shall make
6 any notice described in subsection (i)(1) or report
7 described in subsection (j)(7) available for public in-
8 spection on the Internet not later than 48 hours
9 after such notice or report has been filed (in addi-
10 tion to such public availability as may be made
11 under section 6104(d)(7)).

12 “(2) ACCESS.—The Secretary shall make the
13 entire database of notices and reports which are
14 made available to the public under paragraph (1)
15 searchable by the following items (to the extent the
16 items are required to be included in the notices and
17 reports):

18 “(A) Names, States, zip codes, custodians
19 of records, directors, and general purposes of
20 the organizations.

21 “(B) Entities related to the organizations.

22 “(C) Contributors to the organizations.

23 “(D) Employers of such contributors.

24 “(E) Recipients of expenditures by the or-
25 ganizations.

1 “(F) Ranges of contributions and expendi-
2 tures.

3 “(G) Time periods of the notices and re-
4 ports.

5 Such database shall be downloadable.”.

6 (f) CONTENTS OF NOTICE.—Section 527(i)(3) of the
7 Internal Revenue Code of 1986 (relating to contents of
8 notice) is amended by striking “and” at the end of sub-
9 paragraph (D), by redesignating subparagraph (E) as sub-
10 paragraph (F), and by inserting after subparagraph (D)
11 the following new subparagraph:

12 “(E) whether the organization intends to
13 claim an exemption from the requirements of
14 subsection (j) or section 6033, and”.

15 (g) TIMING OF NOTICE IN CASE OF MATERIAL
16 CHANGE.—

17 (1) IN GENERAL.—Subparagraph (B) of section
18 527(i)(1) of the Internal Revenue Code of 1986 (re-
19 lating to general notification requirement) is amend-
20 ed by inserting “or, in the case of any material
21 change in the information required under paragraph
22 (3), for the period beginning on the date on which
23 the material change occurs and ending on the date
24 on which such notice is given” after “given”.

1 (2) TIME TO GIVE NOTICE.—Section 527(i)(2)
2 of the Internal Revenue Code of 1986 (relating to
3 time to give notice) is amended by inserting “or, in
4 the case of any material change in the information
5 required under paragraph (3), not later than 30
6 days after such material change” after “estab-
7 lished”.

8 (3) EFFECT OF FAILURE.—Paragraph (4) of
9 section 527(i) of the Internal Revenue Code of 1986
10 (relating to effect of failure) is amended by inserting
11 before the period at the end the following: “or, in
12 the case of a failure relating to a material change,
13 by taking into account such income and deductions
14 only during the period beginning on the date on
15 which the material change occurs and ending on the
16 date on which notice is given under this subsection”.

17 (h) EFFECTIVE DATES.—

18 (1) SUBSECTIONS (a) AND (b).—The amend-
19 ments made by subsections (a) and (b) shall apply
20 to failures occurring on or after the date of the en-
21 actment of this Act.

22 (2) SUBSECTION (c).—The amendments made
23 by subsection (c) shall take effect as if included in
24 the amendments made by Public Law 106–230.

1 (3) SUBSECTION (d).—The amendment made
2 by subsection (d) shall apply to reports and notices
3 required to be filed on or after the date of the enact-
4 ment of this Act.

5 (4) SUBSECTIONS (e)(1) AND (f).—The amend-
6 ments made by subsections (e)(1) and (f) shall apply
7 to reports and notices required to be filed more than
8 30 days after the date of the enactment of this Act.

9 (5) SUBSECTIONS (e)(2) AND (e)(3).—The
10 amendments made by subsections (e)(2) and (e)(3)
11 shall apply to reports required to be filed on or after
12 June 30, 2003.

13 (6) SUBSECTION (g).—

14 (A) IN GENERAL.—The amendments made
15 by subsection (g) shall apply to material
16 changes on or after the date of the enactment
17 of this Act.

18 (B) TRANSITION RULE.—In the case of a
19 material change occurring during the 30-day
20 period beginning on the date of the enactment
21 of this Act, a notice under section 527(i) of the
22 Internal Revenue Code of 1986 (as amended by
23 this Act) shall not be required to be filed under
24 such section before the later of—

- 1 (i) 30 days after the date of such ma-
2 terial change, or
3 (ii) 45 days after the date of the en-
4 actment of this Act.

5 **SEC. 7. EFFECT OF AMENDMENTS ON EXISTING DISCLO-**
6 **SURES.**

7 Notices, reports, or returns that were required to be
8 filed with the Secretary of the Treasury before the date
9 of the enactment of the amendments made by this Act
10 and that were disclosed by the Secretary of the Treasury
11 consistent with the law in effect at the time of disclosure
12 shall remain subject on and after such date to the disclo-
13 sure provisions of section 6104 of the Internal Revenue
14 Code of 1986.

Passed the House of Representatives October 16,
2002.

Attest:

JEFF TRANDAHL,
Clerk.