

107TH CONGRESS
2D SESSION

H. R. 5603

AN ACT

To amend the Internal Revenue Code of 1986 to suspend the tax-exempt status of designated terrorist organizations, and for other purposes.

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To amend the Internal Revenue Code of 1986 to suspend the tax-exempt status of designated terrorist 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. SUSPENSION OF TAX-EXEMPT STATUS OF DES-**
2 **IGNATED TERRORIST ORGANIZATIONS.**

3 (a) IN GENERAL.—Section 501 of the Internal Rev-
4 enue Code of 1986 (relating to exemption from tax on cor-
5 porations, certain trusts, etc.) is amended by redesi-
6 gnating subsection (p) as subsection (q) and by inserting
7 after subsection (o) the following new subsection:

8 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF DES-
9 IGNATED TERRORIST ORGANIZATIONS.—

10 “(1) IN GENERAL.—The exemption from tax
11 under subsection (a) with respect to any organiza-
12 tion shall be suspended during any period in which
13 the organization is a designated terrorist organiza-
14 tion.

15 “(2) DESIGNATED TERRORIST ORGANIZA-
16 TION.—For purposes of this subsection, the term
17 ‘designated terrorist organization’ means an organi-
18 zation which—

19 “(A) is designated as a terrorist organiza-
20 tion in or pursuant to an Executive order or
21 otherwise under the authority of—

22 “(i) section 212(a)(3) or 219 of the
23 Immigration and Nationality Act,

24 “(ii) the International Emergency
25 Economic Powers Act, or

1 “(iii) section 5 of the United Nations
2 Participation Act, or

3 “(B) is designated in or pursuant to an
4 Executive order or otherwise as supporting ter-
5 rorist activity (as defined in section
6 212(a)(3)(B) of the Immigration and Nation-
7 ality Act) or terrorism (as defined in section
8 140(d)(2) of the Foreign Relations Authoriza-
9 tion Act, Fiscal Years 1988 and 1989).

10 “(3) DENIAL OF DEDUCTION.—No deduction
11 shall be allowed under section 170, 545(b)(2),
12 556(b)(2), 642(e), 2055, 2106(a)(2), or 2522 for
13 any contribution to an organization during the pe-
14 riod such organization is a designated terrorist orga-
15 nization.

16 “(4) DENIAL OF ADMINISTRATIVE OR JUDICIAL
17 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
18 TION.—Notwithstanding section 7428 or any other
19 provision of law, no organization or other person
20 may challenge a suspension under paragraph (1), a
21 designation described in paragraph (2), or a denial
22 of a deduction under paragraph (3) in any adminis-
23 trative or judicial proceeding relating to the Federal
24 tax liability of such organization or other person.

25 “(5) ERRONEOUS DESIGNATION.—

1 “(A) IN GENERAL.—If a designation of an
2 organization pursuant to 1 or more of the pro-
3 visions of law described in paragraph (2) is de-
4 termined to be erroneous pursuant to such law
5 and the erroneous designation results in an
6 overpayment of income tax for any taxable year
7 with respect to such organization, credit or re-
8 fund (with interest) with respect to such over-
9 payment shall be made.

10 “(B) WAIVER OF LIMITATIONS.—If credit
11 or refund of any overpayment of tax described
12 in subparagraph (A) is prevented at any time
13 before the close of the 1-year period beginning
14 on the date of the determination of such credit
15 or refund by the operation of any law or rule
16 of law (including *res judicata*), such refund or
17 credit may nevertheless be made or allowed if
18 claim therefor is filed before the close of such
19 period.”.

20 (b) NOTICE OF SUSPENSIONS.—If the tax exemption
21 of any organization is suspended under section 501(p) of
22 the Internal Revenue Code of 1986 (as added by sub-
23 section (a)), the Internal Revenue Service shall update the
24 listings of tax-exempt organizations and shall publish ap-
25 propriate notice to taxpayers of such suspension and of

1 the fact that contributions to such organization are not
2 deductible during the period of such suspension.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

Passed the House of Representatives October 21,
2002.

Attest:

Clerk.