

107TH CONGRESS  
2D SESSION

# S. 3082

To suspend tax-exempt status of designated terrorist organizations.

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IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 2002

Mr. GRASSLEY (for himself and Mr. BAUCUS) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To suspend tax-exempt status of designated terrorist  
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. SUSPENSION OF TAX-EXEMPT STATUS OF DES-**  
4       **IGNATED TERRORIST ORGANIZATIONS.**

5       (a) IN GENERAL.—Section 501 (relating to exemp-  
6       tion from tax on corporations, certain trusts, etc.) is  
7       amended by redesignating subsection (p) as subsection (q)  
8       and by inserting after subsection (o) the following new  
9       subsection:

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

1           “(1) IN GENERAL.—The exemption from tax  
2           under subsection (a) with respect to any organiza-  
3           tion shall be suspended during any period in which  
4           the organization is a designated terrorist organiza-  
5           tion.

6           “(2) DESIGNATED TERRORIST ORGANIZA-  
7           TION.—For purposes of this subsection, the term  
8           ‘designated terrorist organization’ means an organi-  
9           zation which—

10                   “(A) is designated as a terrorist organiza-  
11                   tion by an Executive order under the authority  
12                   of—

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

15                           “(ii) the International Emergency  
16                           Economic Powers Act, or

17                           “(iii) section 5 of the United Nations  
18                           Participation Act, or

19                   “(B) is a person listed in or designated by  
20                   an Executive order as supporting terrorist ac-  
21                   tivity (as defined in section 212(a)(3)(B) of the  
22                   Immigration and Nationality Act) or terrorism  
23                   (as defined in section 140(d)(2) of the Foreign  
24                   Relations Authorization Act, Fiscal Years 1988  
25                   and 1989).

1           “(3) DENIAL OF DEDUCTION.—No deduction  
2       shall be allowed under section 170, 545(b)(2),  
3       556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for  
4       any contribution to an organization during the pe-  
5       riod such organization is a designated terrorist orga-  
6       nization.

7           “(4) DENIAL OF ADMINISTRATIVE OR JUDICIAL  
8       CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-  
9       TION.—Notwithstanding section 7428 or any other  
10      provision of law, no organization or other person  
11      may challenge a suspension under paragraph (1), a  
12      determination or listing under paragraph (2), or a  
13      denial of a deduction under paragraph (3) in any  
14      administrative or judicial proceeding relating to the  
15      Federal tax liability of such organization or other  
16      person.

17          “(5) CREDIT OR REFUND IN CASE OF ERRO-  
18      NEOUS DESIGNATION.—

19           “(A) IN GENERAL.—If an erroneous des-  
20      ignation of an organization pursuant to 1 or  
21      more of the provisions of law described in para-  
22      graph (2) results in an overpayment of income  
23      tax for any taxable year with respect to such  
24      organization, credit or refund (with interest)

1 with respect to such overpayment shall be  
2 made.

3 “(B) WAIVER OF LIMITATIONS.—If credit  
4 or refund of any overpayment of tax described  
5 in subparagraph (A) is prevented at any time  
6 before the close of the 1-year period beginning  
7 on the date of the determination of such credit  
8 or refund by the operation of any law or rule  
9 of law (including res judicata), such refund or  
10 credit may nevertheless be made or allowed if  
11 claim therefor is filed before the close of such  
12 period.”.

13 (b) NOTICE OF SUSPENSIONS.—If the tax exemption  
14 of any organization is suspended under section 501(p) of  
15 the Internal Revenue Code of 1986 (as added by sub-  
16 section (a)), the Internal Revenue Service shall update the  
17 listings of tax-exempt organizations and shall publish ap-  
18 propriate notice to taxpayers of such suspension and of  
19 the fact that contributions to such organization are not  
20 deductible during the period of such suspension.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall take effect on the date of the enactment  
23 of this Act.

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