

114TH CONGRESS
1ST SESSION

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.

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

5 (a) IN GENERAL.—Part I of subchapter F of chapter
6 1 of the Internal Revenue Code of 1986 is amended by
7 adding at the end the following new section:

1 **“SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SEC-**
2 **RETARY OF INTENT TO OPERATE AS 501(c)(4).**

3 “(a) IN GENERAL.—An organization described in
4 section 501(c)(4) shall, not later than 60 days after the
5 organization is established, notify the Secretary (in such
6 manner as the Secretary shall by regulation prescribe)
7 that it is operating as such.

8 “(b) CONTENTS OF NOTICE.—The notice required
9 under subsection (a) shall include the following informa-
10 tion:

11 “(1) The name, address, and taxpayer identi-
12 fication number of the organization.

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

15 “(3) A statement of the purpose of the organi-
16 zation.

17 “(c) ACKNOWLEDGMENT OF RECEIPT.—Not later
18 than 60 days after receipt of such a notice, the Secretary
19 shall send to the organization an acknowledgment of such
20 receipt.

21 “(d) EXTENSION FOR REASONABLE CAUSE.—The
22 Secretary may, for reasonable cause, extend the 60-day
23 period described in subsection (a).

24 “(e) USER FEE.—The Secretary shall impose a rea-
25 sonable user fee for submission of the notice under sub-
26 section (a).

1 “(f) REQUEST FOR DETERMINATION.—Upon request
2 by an organization to be treated as an organization de-
3 scribed in section 501(c)(4), the Secretary may issue a de-
4 termination with respect to such treatment. Such request
5 shall be treated for purposes of section 6104 as an applica-
6 tion for exemption from taxation under section 501(a).”.

7 (b) SUPPORTING INFORMATION WITH FIRST RE-
8 TURN.—Section 6033(f) of such Code is amended—

9 (1) by striking the period at the end and insert-
10 ing “, and”,

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

15 “(1) the information”, and

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

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

24 (c) FAILURE TO FILE INITIAL NOTIFICATION.—Sec-
25 tion 6652(c) of such Code is amended by redesignating

1 paragraphs (4) and (5) as paragraphs (5) and (6), respec-
2 tively, and by inserting after paragraph (3) the following
3 new paragraph:

4 “(4) NOTICES UNDER SECTION 506.—

5 “(A) PENALTY ON ORGANIZATION.—In the
6 case of a failure to submit a notice required
7 under section 506(a) (relating to organizations
8 required to notify Secretary of intent to operate
9 as 501(c)(4)) on the date and in the manner
10 prescribed therefor, there shall be paid by the
11 organization failing to so submit \$20 for each
12 day during which such failure continues, but
13 the total amount imposed under this subpara-
14 graph on any organization for failure to submit
15 any one notice shall not exceed \$5,000.

16 “(B) MANAGERS.—The Secretary may
17 make written demand on an organization sub-
18 ject to penalty under subparagraph (A) speci-
19 fying in such demand a reasonable future date
20 by which the notice shall be submitted for pur-
21 poses of this subparagraph. If such notice is not
22 submitted on or before such date, there shall be
23 paid by the person failing to so submit \$20 for
24 each day after the expiration of the time speci-
25 fied in the written demand during which such

1 failure continues, but the total amount imposed
2 under this subparagraph on all persons for fail-
3 ure to submit any one notice shall not exceed
4 \$5,000.”.

5 (d) CLERICAL AMENDMENT.—The table of sections
6 for part I of subchapter F of chapter 1 of such Code is
7 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).”.

8 (e) EFFECTIVE DATE.—

9 (1) IN GENERAL.—The amendments made by
10 this section shall apply to organizations which are
11 described in section 501(c)(4) of the Internal Rev-
12 enue Code of 1986 and organized after the date of
13 the enactment of this Act.

14 (2) CERTAIN EXISTING ORGANIZATIONS.—In
15 the case of any other organization described in sec-
16 tion 501(c)(4) of such Code, the amendments made
17 by this section shall apply to such organization only
18 if, on or before the date of the enactment of this
19 Act—

20 (A) such organization has not applied for
21 a written determination of recognition as an or-
22 ganization described in section 501(c)(4) of
23 such Code, and

1 (B) such organization has not filed at least
 2 one annual return or notice required under sub-
 3 section (a)(1) or (i) (as the case may be) of sec-
 4 tion 6033 of such Code.

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

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

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

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

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

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