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114TH CONGRESS
1ST SESSION

S. 274

To prohibit the Department of the Treasury from assigning tax statuses to organizations based on their political beliefs and activities.

IN THE SENATE OF THE UNITED STATES

JANUARY 28, 2015

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

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A BILL

To prohibit the Department of the Treasury from assigning tax statuses to organizations based on their political beliefs and activities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PROHIBITING TAX STATUS FROM BEING ASSIGNED BASED ON POLITICAL BELIEFS AND ACTIVITIES.

(a) FINDINGS.—Congress finds the following:

(1) The income tax system of the United States relies on voluntary compliance by taxpayers.

(2) The filing of tax returns and other tax-related documents with the Internal Revenue Service often requires the submission of information to the Federal government that taxpayers would otherwise consider private.

(3) To ensure widespread voluntary compliance by taxpayers, the American public must have absolute trust that the Internal Revenue Service is acting in a non-partisan manner.

(4) Taxpayers must be ensured that their treatment by the Internal Revenue Service will not be based on race, national origin, gender, sexual orientation, religious beliefs, or political creed, including their support for or opposition to any government policies.

(5) The confidence of taxpayers in the system of taxation in the United States is compromised when the Internal Revenue Service is required to assign tax treatment based on political beliefs or activities.

(6) The targeting of certain individuals and groups by the Internal Revenue Services based on their political beliefs and activities must be stopped, and to ensure the integrity of the income tax system of the United States, the Internal Revenue Service

should be removed from evaluating the political activities of any individuals or organizations.

(b) POLITICAL ORGANIZATIONS.—Paragraph (1) of section 527(e) of the Internal Revenue Code of 1986 is amended to read as follows:

"(1) POLITICAL ORGANIZATION.—The term 'political organization' means a party, committee, association, fund, or other organization (whether or not incorporated)—

"(A) which is registered as a political committee with the Federal Election Commission,

"(B) has been determined, pursuant to proceedings under section 309 of the Federal Election Campaign Act of 1971 (52 U.S.C. 30109) or by a court of law, to be a political committee, as defined under section 301(4) of such Act (52 U.S.C. 30101(4)), or

"(C) which is organized and operated primarily for the purposes of directly or indirectly accepting contributions or making expenditures, or both, for influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any State or local public office and—

"(i) is not required to register with the Federal Election Commission, and

"(ii) is required to register with the appropriate State agency as a political committee.".

(c) TAX-EXEMPT ORGANIZATIONS.—Section 501 of such Code is amended by inserting after subsection (r) the following new subsection:

"(s) PROMOTION OF SOCIAL WELFARE.—

"(1) IN GENERAL.—For purposes of paragraph (4)(A) of subsection (c), the term 'promotion of social welfare' shall include—

"(A) any political activity in furtherance of American democracy, provided that such activities do not exceed 50 percent of the organization's total activities (not including activities performed on a volunteer basis),

"(B) any activities for the purpose of educating individuals on issues of public importance and on the behavior of public officials, including participation in ballot initiatives and referenda, and

"(C) any activity described in clauses (i), (ii), (iii), and (v) of section 301(9)(B) of the

Federal Election Campaign Act of 1971 (52 U.S.C. 30101(9)(B)).

"(2) POLITICAL ACTIVITY IN FURTHERANCE OF AMERICAN DEMOCRACY.—For purposes of this subsection, the term 'political activity in furtherance of American democracy' shall include any activity described in subparagraph (A) of section 301(9) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(9)).

"(3) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to exempt an organization from satisfying any applicable requirements for filing as a political committee pursuant to the Federal Election Campaign Act of 1971 (52 U.S.C. 30101 et seq.).".

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