

Union Calendar No. 270

118TH CONGRESS
1ST SESSION

H. R. 6408

[Report No. 118-331]

To amend the Internal Revenue Code of 1986 to terminate the tax-exempt status of terrorist supporting organizations.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 2023

Mr. KUSTOFF (for himself and Mr. SCHNEIDER) introduced the following bill;
which was referred to the Committee on Ways and Means

DECEMBER 19, 2023

Additional sponsors: Ms. TENNEY, Mr. FERGUSON, Mr. TORRES of New York,
Mr. KELLY of Pennsylvania, Mr. DIAZ-BALART, and Mr. GOTTHEIMER

DECEMBER 19, 2023

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

[For text of introduced bill, see copy of bill as introduced on November 14, 2023]

A BILL

To amend the Internal Revenue Code of 1986 to terminate the tax-exempt status of terrorist supporting 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. TERMINATION OF TAX-EXEMPT STATUS OF TER-**
4 **RORIST SUPPORTING ORGANIZATIONS.**

5 *(a) IN GENERAL.—Section 501(p) of the Internal Rev-*
6 *enue Code of 1986 is amended by adding at the end the*
7 *following new paragraph:*

8 *“(8) APPLICATION TO TERRORIST SUPPORTING*
9 *ORGANIZATIONS.—*

10 *“(A) IN GENERAL.—For purposes of this*
11 *subsection, in the case of any terrorist sup-*
12 *porting organization—*

13 *“(i) such organization (and the des-*
14 *ignation of such organization under sub-*
15 *paragraph (B)) shall be treated as described*
16 *in paragraph (2), and*

17 *“(ii) the period of suspension described*
18 *in paragraph (3) with respect to such orga-*
19 *nization shall be treated as beginning on the*
20 *date that the Secretary designates such or-*
21 *ganization under subparagraph (B) and*
22 *ending on the date that the Secretary re-*
23 *scinds such designation under subparagraph*
24 *(D).*

1 “(B) *TERRORIST SUPPORTING ORGANIZA-*
2 *TION.—For purposes of this paragraph, the term*
3 *‘terrorist supporting organization’ means any*
4 *organization which is designated by the Sec-*
5 *retary as having provided, during the 3-year pe-*
6 *riod ending on the date of such designation, ma-*
7 *terial support or resources (within the meaning*
8 *of section 2339B of title 18, United States Code)*
9 *to an organization described in paragraph (2)*
10 *(determined after the application of this para-*
11 *graph to such organization) in excess of a de*
12 *minimis amount.*

13 “(C) *DESIGNATION PROCEDURE.—*

14 “(i) *NOTICE REQUIREMENT.—Prior to*
15 *designating any organization as a terrorist*
16 *supporting organization under subpara-*
17 *graph (B), the Secretary shall mail to the*
18 *most recent mailing address provided by*
19 *such organization on the organization’s an-*
20 *ual return or notice under section 6033 (or*
21 *subsequent form indicating a change of ad-*
22 *dress) a written notice which includes—*

23 “(I) *a statement that the Sec-*
24 *retary will designate such organization*
25 *as a terrorist supporting organization*

1 *unless the organization satisfies the re-*
2 *quirements of subclause (I) or (II) of*
3 *clause (i),*

4 *“(II) the name of the organization*
5 *or organizations with respect to which*
6 *the Secretary has determined such or-*
7 *ganization provided material support*
8 *or sources as described in subpara-*
9 *graph (B), and*

10 *“(III) a description of such mate-*
11 *rial support or resources to the extent*
12 *consistent with national security and*
13 *law enforcement interests.*

14 *“(ii) OPPORTUNITY TO CURE.—In the*
15 *case of any notice provided to an organiza-*
16 *tion under clause (i), the Secretary shall, at*
17 *the close of the 90-day period beginning on*
18 *the date that such notice was sent, designate*
19 *such organization as a terrorist supporting*
20 *organization under subparagraph (B) if*
21 *(and only if) such organization has not*
22 *(during such period)—*

23 *“(I) demonstrated to the satisfac-*
24 *tion of the Secretary that such organi-*
25 *zation did not provide the material*

1 support or resources referred to in sub-
2 paragraph (B), or

3 “(II) made reasonable efforts to
4 have such support or resources re-
5 turned to such organization and cer-
6 tified in writing to the Secretary that
7 such organization will not provide any
8 further support or resources to organi-
9 zations described in paragraph (2).

10 A certification under subclause (II) shall
11 not be treated as valid if the organization
12 making such certification has provided any
13 other such certification during the preceding
14 5 years.

15 “(D) RESCISSION.—The Secretary shall re-
16 scind a designation under subparagraph (B) if
17 (and only if)—

18 “(i) the Secretary determines that such
19 designation was erroneous,

20 “(ii) after the Secretary receives a
21 written certification from an organization
22 that such organization did not receive the
23 notice described in subparagraph (C)(i)—

24 “(I) the Secretary determines that
25 it is reasonable to believe that such or-

1 *ganization did not receive such notice,*
2 *and*

3 *“(II) such organization satisfies*
4 *the requirements of subclause (I) or*
5 *(II) of subparagraph (C)(ii) (deter-*
6 *mined after taking into account the*
7 *last sentence thereof), or*

8 *“(iii) the Secretary determines, with*
9 *respect to all organizations to which the*
10 *material support or resources referred to in*
11 *subparagraph (B) were provided, the peri-*
12 *ods of suspension under paragraph (3) have*
13 *ended.*

14 *A certification described in the matter preceding*
15 *subclause (I) of clause (II) shall not be treated*
16 *as valid if the organization making such certifi-*
17 *cation has provided any other such certification*
18 *during the preceding 5 years.*

19 *“(E) ADMINISTRATIVE REVIEW BY INTER-*
20 *NAL REVENUE SERVICE INDEPENDENT OFFICE OF*
21 *APPEALS.—In the case of the designation of an*
22 *organization by the Secretary as a terrorist sup-*
23 *porting organization under subparagraph (B), a*
24 *dispute regarding such designation shall be sub-*
25 *ject to resolution by the Internal Revenue Service*

1 *Independent Office of Appeals under section*
2 *7803(e) in the same manner as if such designa-*
3 *tion were made by the Internal Revenue Service*
4 *and paragraph (5) of this subsection did not*
5 *apply.*

6 “(F) *JURISDICTION OF UNITED STATES*
7 *COURTS.—Notwithstanding paragraph (5), the*
8 *United States district courts shall have exclusive*
9 *jurisdiction to review a final determination with*
10 *respect to an organization’s designation as a ter-*
11 *rorist supporting organization under subpara-*
12 *graph (B). In the case of any such determination*
13 *which was based on classified information (as*
14 *defined in section 1(a) of the Classified Informa-*
15 *tion Procedures Act), such information may be*
16 *submitted to the reviewing court ex parte and in*
17 *camera. For purposes of this subparagraph, a*
18 *determination with respect to an organization’s*
19 *designation as a terrorist supporting organiza-*
20 *tion shall not fail to be treated as a final deter-*
21 *mination merely because such organization fails*
22 *to utilize the dispute resolution process of the In-*
23 *ternal Revenue Service Independent Office of Ap-*
24 *peals provided under subparagraph (E).”.*

1 **(b) EFFECTIVE DATE.**—*The amendment made by this*
2 *section shall apply to designations made after the date of*
3 *the enactment of this Act in taxable years ending after such*
4 *date.*

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