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

IN THE SENATE OF THE UNITED STATES

APRIL 17, 2024

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

A BILL

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

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

SECTION 1. TERMINATION OF TAX-EXEMPT STATUS OF TERRORIST SUPPORTING ORGANIZATIONS.

(a) In General.—Section 501(p) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(8) Application to terrorist supporting organizations.—
“(A) In general.—For purposes of this subsection, in the case of any terrorist supporting organization—

“(i) such organization (and the designation of such organization under subparagraph (B)) shall be treated as described in paragraph (2), and

“(ii) the period of suspension described in paragraph (3) with respect to such organization shall be treated as beginning on the date that the Secretary designates such organization under subparagraph (B) and ending on the date that the Secretary rescinds such designation under subparagraph (D).

“(B) Terrorist supporting organization.—For purposes of this paragraph, the term ‘terrorist supporting organization’ means any organization which is designated by the Secretary as having provided, during the 3-year period ending on the date of such designation, material support or resources (within the meaning of section 2339B of title 18, United States Code) to an organization described in paragraph (2) (determined after the application of
this paragraph to such organization) in excess of a de minimis amount.

“(C) DESIGNATION PROCEDURE.—

“(i) NOTICE REQUIREMENT.—Prior to designating any organization as a terrorist supporting organization under subparagraph (B), the Secretary shall mail to the most recent mailing address provided by such organization on the organization’s annual return or notice under section 6033 (or subsequent form indicating a change of address) a written notice which includes—

“(I) a statement that the Secretary will designate such organization as a terrorist supporting organization unless the organization satisfies the requirements of subclause (I) or (II) of clause (ii),

“(II) the name of the organization or organizations with respect to which the Secretary has determined such organization provided material support or sources as described in subparagraph (B), and
“(III) a description of such material support or resources to the extent consistent with national security and law enforcement interests.

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

“(I) demonstrated to the satisfaction of the Secretary that such organization did not provide the material support or resources referred to in subparagraph (B), or

“(II) made reasonable efforts to have such support or resources returned to such organization and certified in writing to the Secretary that such organization will not provide any further support or resources to organizations described in paragraph (2).
A certification under subclause (II) shall not be treated as valid if the organization making such certification has provided any other such certification during the preceding 5 years.

“(D) RESCISSION.—The Secretary shall rescind a designation under subparagraph (B) if (and only if)—

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

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

“(I) the Secretary determines that it is reasonable to believe that such organization did not receive such notice, and

“(II) such organization satisfies the requirements of subclause (I) or (II) of subparagraph (C)(ii) (determined after taking into account the last sentence thereof), or

“(iii) the Secretary determines, with respect to all organizations to which the
material support or resources referred to
in subparagraph (B) were provided, the pe-
riods of suspension under paragraph (3)
have ended.

A certification described in the matter pre-
ceding subclause (I) of clause (ii) shall not be
treated as valid if the organization making such
certification has provided any other such certifi-
cation during the preceding 5 years.

“(E) ADMINISTRATIVE REVIEW BY INTER-
INAL REVENUE SERVICE INDEPENDENT OFFICE
OF APPEALS.—In the case of the designation of
an organization by the Secretary as a terrorist
supporting organization under subparagraph
(B), a dispute regarding such designation shall
be subject to resolution by the Internal Revenue
Service Independent Office of Appeals under
section 7803(e) in the same manner as if such
designation were made by the Internal Revenue
Service and paragraph (5) of this subsection
did not apply.

“(F) JURISDICTION OF UNITED STATES
COURTS.—Notwithstanding paragraph (5), the
United States district courts shall have exclu-
sive jurisdiction to review a final determination
with respect to an organization’s designation as a terrorist supporting organization under sub-
paragraph (B). In the case of any such determination which was based on classified informa-
tion (as defined in section 1(a) of the Classified Information Procedures Act), such information
may be submitted to the reviewing court ex parte and in camera. For purposes of this sub-
paragraph, a determination with respect to an organization’s designation as a terrorist sup-
porting organization shall not fail to be treated as a final determination merely because such
organization fails to utilize the dispute resolution process of the Internal Revenue Service
Independent Office of Appeals provided under subparagraph (E).”.

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