

RYAN) that the House suspend the rules and pass the bill, H.R. 1026, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

ENSURING TAX EXEMPT ORGANIZATIONS THE RIGHT TO APPEAL ACT

Mr. RYAN of Wisconsin. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1314) to amend the Internal Revenue Code of 1986 to provide for a right to an administrative appeal relating to adverse determinations of tax-exempt status of certain organizations, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1314

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Ensuring Tax Exempt Organizations the Right to Appeal Act".

SEC. 2. ADMINISTRATIVE APPEAL RELATING TO ADVERSE DETERMINATIONS OF TAX-EXEMPT STATUS OF CERTAIN ORGANIZATIONS.

(a) IN GENERAL.—Section 7123 of the Internal Revenue Code of 1986 is amended by adding at the end of the following:

“(c) ADMINISTRATIVE APPEAL RELATING TO ADVERSE DETERMINATION OF TAX-EXEMPT STATUS OF CERTAIN ORGANIZATIONS.—

“(1) IN GENERAL.—The Secretary shall prescribe procedures under which an organization which claims to be described in section 501(c) may request an administrative appeal (including a conference relating to such appeal if requested by the organization) to the Internal Revenue Service Office of Appeals of an adverse determination described in paragraph (2).

“(2) ADVERSE DETERMINATIONS.—For purposes of paragraph (1), an adverse determination is described in this paragraph if such determination is adverse to an organization with respect to—

“(A) the initial qualification or continuing qualification of the organization as exempt from tax under section 501(a) or as an organization described in section 170(c)(2),

“(B) the initial classification or continuing classification of the organization as a private foundation under section 509(a), or

“(C) the initial classification or continuing classification of the organization as a private operating foundation under section 4942(j)(3).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to determinations made on or after May 19, 2014.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Wisconsin (Mr. RYAN) and the gentleman from Georgia (Mr. LEWIS) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin.

GENERAL LEAVE

Mr. RYAN of Wisconsin. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1314, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield myself such time as I may consume.

I thank the gentleman from Pennsylvania (Mr. MEEHAN) for his work in crafting this legislation and for bringing it to the floor. This, too, is one of the important things that we needed to do to restore some trust and confidence and accountability at the Internal Revenue Service.

For the purpose of describing the legislation, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. MEEHAN).

Mr. MEEHAN. I thank the chairman for his recognition and support of this very, very—once again—thematically important bill.

Mr. Speaker, I rise today in support of what is commonsense legislation, H.R. 1314. What it does is gives tax-exempt status applicants whose application is denied the right to appeal that decision. That seems fundamental, doesn't it, in a country like ours, where the Constitution built within it the concept of the right to petition your government for the decisions that they make.

The purpose of the legislation is simple. What it will do is codify in statute the requirement for the IRS to create a mechanism by which 501(c) organizations—tax-exempt organizations—if they get an adverse determination of their tax-exempt status, they can request an administrative appeal to the agency's internal Office of Appeals.

My colleague from Illinois talked about the concept here of impunity. To me, this is a lot of what this speaks to. The idea that an administrative agency—in this case, the IRS—will take this application and then would make a decision—it was because of the good work that was done in the previous Congress by this committee and the Oversight Subcommittee of this committee, that they exposed the reality that, in many cases, these particular appeals, these particular decisions, were being made after the applicant was being targeted because of the fact that they had chosen to express particular political views in the context of their application.

What was done was that those applications, once denied, were diverted to a different part of the structure in which they went to die. That made the IRS the judge; the jury; and, in fact, the executioner because you were done with respect to your application. There was no place else to go.

Now, I have to say that, when this came to light because of the work of this committee, the IRS did issue interim guidance in May 2014 that ensured that all groups subject to a denial would have the right to appeal the decision.

This bill today, H.R. 1314, codifies that guidance into law so there is no

ambiguity and that, once again, we don't have the ability of the IRS to indiscriminately and sua sponte make their own decisions about when American taxpayers should have the right to be able to petition for an appeal of an adverse decision.

Mr. Speaker, I will enter in the RECORD a letter from the Small Business and Entrepreneurship Council which supports the legislation.

The group writes: “H.R. 1314 is an important bill as it allows taxpayers an additional right to petition their government when they disagree with a decision.”

That is the fundamental challenge that we have to the impunity which has been taking place.

SMALL BUSINESS AND
ENTREPRENEURSHIP COUNCIL,
Vienna, VA, April 13, 2015.

Hon. PAT MEEHAN,
Cannon Building,
Washington, DC.

DEAR REPRESENTATIVE MEEHAN: The Small Business and Entrepreneurship Council is pleased to support H.R. 1314, a bill that would allow for an appeals process for those organizations that are denied tax-exempt status by the Internal Revenue Service (IRS).

H.R. 1314 is an important bill as it allows taxpayers an additional right to petition their government when they disagree with a decision by the IRS to deny tax-exempt status. Given the clear and well-documented bias by IRS staff that thwarted and delayed the approval of organizations based on their ideology, more accountability and protection for taxpayers is needed. H.R. 1314 provides that check.

Thank you for your leadership on this important issue.

Sincerely,

KAREN KERRIGAN,
President & CEO.

Mr. MEEHAN. I urge my colleagues, as they have on our subcommittee and our committee with their unanimous support from both sides of the aisle, to support this commonsense taxpayer protection and to send an unmistakable signal to the American taxpayers that they should not be targeted by the IRS for their political views.

Mr. LEWIS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 1314. Currently, not all 501(c) organizations are able to appeal decisions regarding the application for tax-exempt status; instead, the right to appeal depends on whether the application was processed inside the Internal Revenue Service.

This bill would give the right of an administrative appeal to all organizations that apply for tax-exempt status. It is a good, commonsense bill. I urge all of my colleagues on both sides of the aisle to vote “yes” on H.R. 1314, and I thank the chair of our full committee and the sponsor of this bill.

I reserve the balance of my time.

Mr. RYAN of Wisconsin. I thank the gentleman from Georgia as well for his comments.

Mr. Speaker, I yield 3 minutes to the gentleman from Illinois (Mr. ROSKAM), the chairman of the subcommittee.

Mr. ROSKAM. Mr. Speaker, I thank the chairman for yielding.

This is a classic example of the IRS basically putting the American taxpayers in a nice little cul de sac. They would come in; you would have a process, and they would review something and so forth and so on.

Then rather than moving you through where you could get a disposition, rather than moving you through to where you could get an answer, rather than moving you through so you knew that there was somebody unbiased that was looking at something, they essentially moved you into a cul de sac and just kind of let you walk around the neighborhood for a while and not particularly caring about the disposition of this.

□ 1430

I want to say, Mr. Speaker, these bills that we are discussing today, many of them were authored and have been highlighted and brainstormed by Dr. CHARLES BOUSTANY, the former chairman of the Oversight Subcommittee. And now, on a bipartisan basis, folks have come together.

So I want to congratulate Mr. MEEHAN for the procedure by which this has now been expedited and the expectation that people will be fairly considered and fairly reviewed and that they won't be stuck in a cul-de-sac with no way out.

Mr. LEWIS. Mr. Speaker, I yield back the balance of my time.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield the balance of my time to the gentleman from Pennsylvania (Mr. MEEHAN) for the purpose of closing.

Mr. MEEHAN. Mr. Speaker, I think the point has been made very articulately by all of the speakers who have talked about what really is a fundamental and simple issue, which is the right to appeal to your government.

What concerned me the most when we began to look at what occurred with the IRS conduct in the context of the applications by the organizations which were denied based on their perceived political views or religious views, that the process for these particular applicants was changed; that it went to a different division, where, as my colleague from Illinois identified, it went to die in the cul-de-sac.

So this is a question of fundamental fairness, that every American taxpayer should have the right to be treated equally. That is all we are asking for here, fundamental, equal treatment, and the right, when you disagree with the decision by an IRS administrative official, to have somebody else question that decision.

That is fundamental. It is simple. It is basic American, and I am very proud that we have colleagues from both sides of the aisle who have joined together to petition to assure that that right is codified into law. That is what we accomplish today.

I am grateful for the support of all of my colleagues and the leadership of the

chairman of the subcommittee, who has been helping to bring to light these abuses. I urge my colleagues to support the legislation.

Mr. RYAN of Wisconsin. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. RYAN) that the House suspend the rules and pass the bill, H.R. 1314, as amended.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

IRS BUREAUCRACY REDUCTION AND JUDICIAL REVIEW ACT

Mr. RYAN of Wisconsin. Mr. Speaker, I move to suspend the rules and pass the bill (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, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 1295

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "IRS Bureaucracy Reduction and Judicial Review Act".

SEC. 2. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY OF INTENT TO OPERATE AS 501(c)(4).

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

"SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY OF INTENT TO OPERATE AS 501(c)(4).

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

"(b) CONTENTS OF NOTICE.—The notice required under subsection (a) shall include the following information:

"(1) The name, address, and taxpayer identification number of the organization.

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

"(3) A statement of the purpose of the organization.

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

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

"(e) USER FEE.—The Secretary shall impose a reasonable user fee for submission of the notice under subsection (a).

"(f) REQUEST FOR DETERMINATION.—Upon request by an organization to be treated as an organization described in section 501(c)(4), the Secretary may issue a determination with respect to such treatment. Such request shall be treated for purposes of section 6104 as an application for exemption from taxation under section 501(a)."

(b) SUPPORTING INFORMATION WITH FIRST RETURN.—Section 6033(f) of such Code is amended—

(1) by striking the period at the end and inserting ", and",

(2) by striking "include on the return required under subsection (a) the information" and inserting the following: "include on the return required under subsection (a)—

"(1) the information", and

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

"(2) in the case of the first such return filed by such an organization after submitting a notice to the Secretary under section 506(a), such information as the Secretary shall by regulation require in support of the organization's treatment as an organization described in section 501(c)(4)."

(c) FAILURE TO FILE INITIAL NOTIFICATION.—Section 6652(c) of such Code is amended by redesignating paragraphs (4), (5), and (6) as paragraphs (5), (6), and (7), respectively, and by inserting after paragraph (3) the following new paragraph:

"(4) NOTICES UNDER SECTION 506.—

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

"(B) MANAGERS.—The Secretary may make written demand on an organization subject to penalty under subparagraph (A) specifying in such demand a reasonable future date by which the notice shall be submitted for purposes of this subparagraph. If such notice is not submitted on or before such date, there shall be paid by the person failing to so submit \$20 for each day after the expiration of the time specified in the written demand during which such failure continues, but the total amount imposed under this subparagraph on all persons for failure to submit any one notice shall not exceed \$5,000."

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

(e) LIMITATION.—Notwithstanding any other provision of law, any fees collected pursuant to section 506(e) of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Secretary of the Treasury or the Secretary's delegate unless provided by an appropriations Act.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to organizations which are described in section 501(c)(4) of the Internal Revenue Code of 1986 and organized after the date of the enactment of this Act.

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

(A) such organization has not applied for a written determination of recognition as an organization described in section 501(c)(4) of such Code, and

(B) such organization has not filed at least one annual return or notice required under subsection (a)(1) or (i) (as the case may be) of section 6033 of such Code.

In the case of any organization to which the amendments made by this section apply by reason of the preceding sentence, such organization