

107TH CONGRESS
1ST SESSION

S. 744

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law.

IN THE SENATE OF THE UNITED STATES

APRIL 6, 2001

Mrs. HUTCHISON (for herself, Mr. LIEBERMAN, and Mr. FEINGOLD) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXEMPTION FOR STATE AND LOCAL CAN-**
 2 **DIDATE COMMITTEES FROM NOTIFICATION**
 3 **REQUIREMENTS.**

4 (a) EXEMPTION FROM NOTIFICATION REQUIRE-
 5 MENTS.—Paragraph (5) of section 527(i) of the Internal
 6 Revenue Code of 1986 (relating to organizations must no-
 7 tify Secretary that they are section 527 organizations) is
 8 amended by striking “or” at the end of subparagraph (A),
 9 by striking the period at the end of subparagraph (B) and
 10 inserting “, or”, and by adding at the end the following:

11 “(C) which is a political committee of a
 12 State or local candidate.”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 subsection (a) shall take effect as if included in the
 15 amendments made by Public Law 106–230.

16 **SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL PO-**
 17 **LITICAL COMMITTEES FROM REPORTING**
 18 **AND ANNUAL RETURN REQUIREMENTS.**

19 (a) EXEMPTION FROM REPORTING REQUIRE-
 20 MENTS.—

21 (1) IN GENERAL.—Section 527(j)(5) of the In-
 22 ternal Revenue Code of 1986 (relating to coordina-
 23 tion with other requirements) is amended by striking
 24 “or” at the end of subparagraph (D), by striking the
 25 period at the end of subparagraph (E) and inserting
 26 “, or”, and by adding at the end the following:

1 “(F) to any organization described in para-
2 graph (7), but only if, during the calendar
3 year—

4 “(i) such organization is required by
5 State or local law to report, and such orga-
6 nization reports, information regarding
7 each separate expenditure and contribution
8 (including information regarding the per-
9 son who makes such contribution or re-
10 ceives such expenditure) with respect to
11 which information would otherwise be re-
12 quired to be reported under this sub-
13 section, and

14 “(ii) such information is made public
15 by the agency with which such information
16 is filed and is publicly available for inspec-
17 tion in a manner similar to reports under
18 section 6104(d)(1).

19 An organization shall not be treated as failing to
20 meet the requirements of subparagraph (F)(i) solely
21 because the minimum amount of any expenditure or
22 contribution required to be reported under State or
23 local law is greater (but not by more than \$100)
24 than the minimum amount required under this sub-
25 section.”.

1 (2) DESCRIPTION OF ORGANIZATION.—Section
2 527(j) of such Code is amended by adding at the
3 end the following:

4 “(7) CERTAIN ORGANIZATIONS.—An organiza-
5 tion is described in this paragraph if—

6 “(A) such organization is not described in
7 subparagraph (A), (B), (C), or (D) of para-
8 graph (5),

9 “(B) such organization does not engage in
10 any exempt function activities other than activi-
11 ties for the purpose of influencing or attempt-
12 ing to influence the selection, nomination, elec-
13 tion, or appointment of any individual to any
14 State or local public office or office in a State
15 or local political organization, and

16 “(C) no candidate for Federal office or in-
17 dividual holding Federal office—

18 “(i) controls or materially participates
19 in the direction of such organization,

20 “(ii) solicits any contributions to such
21 organization, or

22 “(iii) directs, in whole or in part, any
23 expenditure made by such organization.”.

24 (b) EXEMPTION FROM REQUIREMENTS FOR ANNUAL
25 RETURN BASED ON GROSS RECEIPTS.—Paragraph (6) of

1 section 6012(a) of the Internal Revenue Code of 1986 (re-
2 lating to persons required to make returns of income) is
3 amended by striking “organization, which” and all that
4 follows through “section)” and inserting “organization—

5 “(A) which has political organization tax-
6 able income (within the meaning of section
7 527(c)(1)) for the taxable year, or

8 “(B) which—

9 “(i) is not a political committee of a
10 State or local candidate or an organization
11 to which section 527 applies solely by rea-
12 son of subsection (f)(1) of such section,
13 and

14 “(ii) has gross receipts of—

15 “(I) in the case of political orga-
16 nization described in section
17 527(j)(5)(F), \$100,000 or more for
18 the taxable year, and

19 “(II) in the case of any other po-
20 litical organization, \$25,000 or more
21 for the taxable year”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect as if included in the amend-
24 ments made by Public Law 106–230.

1 **SEC. 3. NOTIFICATION OF INTERACTION OF REPORTING**
2 **REQUIREMENTS.**

3 (a) IN GENERAL.—The Secretary of the Treasury, in
4 consultation with the Federal Election Commission, shall
5 publicize—

6 (1) the effect of the amendments made by this
7 Act, and

8 (2) the interaction of requirements to file a no-
9 tification or report under section 527 of the Internal
10 Revenue Code of 1986 and reports under the Fed-
11 eral Election Campaign Act of 1971.

12 (b) INFORMATION.—Information provided under sub-
13 section (a) shall be included in any appropriate form, in-
14 struction, notice, or other guidance issued to the public
15 by the Secretary of the Treasury or the Federal Election
16 Commission regarding reporting requirements of political
17 organizations (as defined in section 527 of the Internal
18 Revenue Code of 1986) or reporting requirements under
19 the Federal Election Campaign Act of 1971.

20 **SEC. 4. WAIVER OF PENALTIES.**

21 (a) WAIVER OF FILING PENALTIES.—Section 527 of
22 the Internal Revenue Code of 1986 is amended by adding
23 at the end the following:

24 “(k) AUTHORITY TO WAIVE.—The Secretary may
25 waive all or any portion of the—

1 “(1) tax assessed on an organization by reason
2 of the failure of the organization to give notice
3 under subsection (i), or

4 “(2) penalty imposed under subsection (j) for a
5 failure to file a report,

6 on a showing that such failure was due to reasonable cause
7 and not due to willful neglect.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 subsection (a) shall apply to any tax assessed or penalty
10 imposed after June 30, 2000.

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