Public Law 106–230
106th Congress

An Act

To amend the Internal Revenue Code of 1986 to require 527 organizations to disclose their political activities.

July 1, 2000
[H.R. 4762]

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

SECTION 1. REQUIRED NOTIFICATION OF SECTION 527 STATUS.

(a) IN GENERAL.—Section 527 of the Internal Revenue Code of 1986 (relating to political organizations) is amended by adding at the end the following new subsection: 26 USC 527.

"(i) ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE SECTION 527 ORGANIZATIONS.—

"(1) IN GENERAL.—Except as provided in paragraph (5), an organization shall not be treated as an organization described in this section—

"(A) unless it has given notice to the Secretary, electronically and in writing, that it is to be so treated, or

"(B) if the notice is given after the time required under paragraph (2), the organization shall not be so treated for any period before such notice is given.

"(2) TIME TO GIVE NOTICE.—The notice required under paragraph (1) shall be transmitted not later than 24 hours after the date on which the organization is established. Deadline.

"(3) CONTENTS OF NOTICE.—The notice required under paragraph (1) shall include information regarding—

"(A) the name and address of the organization (including any business address, if different) and its electronic mailing address,

"(B) the purpose of the organization,

"(C) the names and addresses of its officers, highly compensated employees, contact person, custodian of records, and members of its Board of Directors,

"(D) the name and address of, and relationship to, any related entities (within the meaning of section 168(h)(4)), and

"(E) such other information as the Secretary may require to carry out the internal revenue laws.

"(4) EFFECT OF FAILURE.—In the case of an organization failing to meet the requirements of paragraph (1) for any period, the taxable income of such organization shall be computed by taking into account any exempt function income (and any deductions directly connected with the production of such income).

"(5) EXCEPTIONS.—This subsection shall not apply to any organization—

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"(A) to which this section applies solely by reason of subsection (f)(1), or

"(B) which reasonably anticipates that it will not have gross receipts of $25,000 or more for any taxable year.

"(6) COORDINATION WITH OTHER REQUIREMENTS.—This subsection shall not apply to any person required (without regard to this subsection) to report under the Federal Election Campaign Act of 1971 (2 U.S.C. 431 et seq.) as a political committee.".

(b) DISCLOSURE REQUIREMENTS.—

(1) INSPECTION AT INTERNAL REVENUE SERVICE OFFICES.—

26 USC 6104.

(A) IN GENERAL.—Section 6104(a)(1)(A) of the Internal Revenue Code of 1986 (relating to public inspection of applications) is amended—

(i) by inserting "or a political organization is exempt from taxation under section 527 for any taxable year" after "taxable year";

(ii) by inserting "or notice of status filed by the organization under section 527(i)" before ", together";

(iii) by inserting "or notice" after "such application" each place it appears;

(iv) by inserting "or notice" after "any application";

(v) by inserting "for exemption from taxation under section 501(a)" after "any organization" in the last sentence; and

(vi) by inserting "OR 527" after "SECTION 501" in the heading.

(B) CONFORMING AMENDMENT.—The heading for section 6104(a) of such Code is amended by inserting "OR NOTICE OF STATUS" before the period.

(2) INSPECTION OF NOTICE ON INTERNET AND IN PERSON.—Section 6104(a) of such Code is amended by adding at the end the following new paragraph:

Public information. Records.

"(3) INFORMATION AVAILABLE ON INTERNET AND IN PERSON.—

"(A) IN GENERAL.—The Secretary shall make publicly available, on the Internet and at the offices of the Internal Revenue Service—

"(i) a list of all political organizations which file a notice with the Secretary under section 527(i), and

"(ii) the name, address, electronic mailing address, custodian of records, and contact person for such organization.

Deadline.

"(B) TIME TO MAKE INFORMATION AVAILABLE.—The Secretary shall make available the information required under subparagraph (A) not later than 5 business days after the Secretary receives a notice from a political organization under section 527(i).".

(3) INSPECTION BY COMMITTEE OF CONGRESS.—Section 6104(a)(2) of such Code is amended by inserting "or notice of status of any political organization which is exempt from taxation under section 527 for any taxable year" after "taxable year".

(4) PUBLIC INSPECTION MADE AVAILABLE BY ORGANIZATION.—Section 6104(d) of such Code (relating to public inspection of certain annual returns and applications for exemption) is amended—

(A) by striking "AND APPLICATIONS FOR EXEMPTION" and inserting ", APPLICATIONS FOR EXEMPTION, AND NOTICES OF STATUS" in the heading;

(B) by inserting "or notice of status under section 527(i)" after "section 501" and by inserting "or any notice materials" after "materials" in paragraph (1)(A)(ii);

(C) by inserting or "or such notice materials" after "materials" in paragraph (1)(B); and

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

"(6) NOTICE MATERIALS.—For purposes of paragraph (1), the term 'notice materials' means the notice of status filed under section 527(i) and any papers submitted in support of such notice and any letter or other document issued by the Internal Revenue Service with respect to such notice.".

(c) FAILURE TO MAKE PUBLIC.—Section 6652(c)(1)(D) of the Internal Revenue Code of 1986 (relating to public inspection of applications for exemption) is amended— 26 USC 6652.

(1) by inserting "or notice materials (as defined in such section)" after "section)"; and

(2) by inserting "AND NOTICE OF STATUS" after "EXEMPTION" in the heading.

(d) EFFECTIVE DATE.— 26 USC 527 note.

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall take effect on the date of the enactment of this section.

(2) ORGANIZATIONS ALREADY IN EXISTENCE.—In the case of an organization established before the date of the enactment of this section, the time to file the notice under section 527(i)(2) of the Internal Revenue Code of 1986, as added by this section, shall be 30 days after the date of the enactment of this section. Deadline.

(3) INFORMATION AVAILABILITY.—The amendment made by subsection (b)(2) shall take effect on the date that is 45 days after the date of the enactment of this section.

SEC. 2. DISCLOSURES BY POLITICAL ORGANIZATIONS.

(a) REQUIRED DISCLOSURE OF 527 ORGANIZATIONS.—Section 527 of the Internal Revenue Code of 1986 (relating to political organizations), as amended by section 1(a), is amended by adding at the end the following new section: 26 USC 527.

"(j) REQUIRED DISCLOSURE OF EXPENDITURES AND CONTRIBUTIONS.—

"(1) PENALTY FOR FAILURE.—In the case of—

"(A) a failure to make the required disclosures under paragraph (2) at the time and in the manner prescribed therefor, or

"(B) a failure to include any of the information required to be shown by such disclosures or to show the correct information,

there shall be paid by the organization an amount equal to the rate of tax specified in subsection (b)(1) multiplied by the amount to which the failure relates.

"(2) REQUIRED DISCLOSURE.—A political organization which accepts a contribution, or makes an expenditure, for an exempt function during any calendar year shall file with the Secretary either— Reports. Effective dates. Deadlines.

"(A)(i) in the case of a calendar year in which a regularly scheduled election is held—

"(I) quarterly reports, beginning with the first quarter of the calendar year in which a contribution is accepted or expenditure is made, which shall be filed not later than the fifteenth day after the last day of each calendar quarter, except that the report for the quarter ending on December 31 of such calendar year shall be filed not later than January 31 of the following calendar year,

"(II) a pre-election report, which shall be filed not later than the twelfth day before (or posted by registered or certified mail not later than the fifteenth day before) any election with respect to which the organization makes a contribution or expenditure, and which shall be complete as of the twentieth day before the election, and

"(III) a post-general election report, which shall be filed not later than the thirtieth day after the general election and which shall be complete as of the twentieth day after such general election, and

"(ii) in the case of any other calendar year, a report covering the period beginning January 1 and ending June 30, which shall be filed no later than July 31 and a report covering the period beginning July 1 and ending December 31, which shall be filed no later than January 31 of the following calendar year, or

"(B) monthly reports for the calendar year, beginning with the first month of the calendar year in which a contribution is accepted or expenditure is made, which shall be filed not later than the twentieth day after the last day of the month and shall be complete as if the last day of the month, except that, in lieu of filing the reports otherwise due in November and December of any year in which a regularly scheduled general election is held, a pre-general election report shall be filed in accordance with subparagraph (A)(i)(II), a post-general election report shall be filed in accordance with subparagraph (A)(i)(III), and a year end report shall be filed not later than January 31 of the following calendar year.

"(3) CONTENTS OF REPORT.—A report required under paragraph (2) shall contain the following information:

"(A) The amount of each expenditure made to a person if the aggregate amount of expenditures to such person during the calendar year equals or exceeds $500 and the name and address of the person (in the case of an individual, including the occupation and name of employer of such individual).

"(B) The name and address (in the case of an individual, including the occupation and name of employer of such individual) of all contributors which contributed an aggregate amount of $200 or more to the organization during the calendar year and the amount of the contribution.

Any expenditure or contribution disclosed in a previous reporting period is not required to be included in the current reporting period.

"(4) CONTRACTS TO SPEND OR CONTRIBUTE.—For purposes of this subsection, a person shall be treated as having made

an expenditure or contribution if the person has contracted or is otherwise obligated to make the expenditure or contribution.

"(5) COORDINATION WITH OTHER REQUIREMENTS.—This subsection shall not apply—

"(A) to any person required (without regard to this subsection) to report under the Federal Election Campaign Act of 1971 (2 U.S.C. 431 et seq.) as a political committee,

"(B) to any State or local committee of a political party or political committee of a State or local candidate,

"(C) to any organization which reasonably anticipates that it will not have gross receipts of $25,000 or more for any taxable year,

"(D) to any organization to which this section applies solely by reason of subsection (f)(1), or

"(E) with respect to any expenditure which is an independent expenditure (as defined in section 301 of such Act).

"(6) ELECTION.—For purposes of this subsection, the term 'election' means—

"(A) a general, special, primary, or runoff election for a Federal office,

"(B) a convention or caucus of a political party which has authority to nominate a candidate for Federal office,

"(C) a primary election held for the selection of delegates to a national nominating convention of a political party, or

"(D) a primary election held for the expression of a preference for the nomination of individuals for election to the office of President.".

(b) PUBLIC DISCLOSURE OF REPORTS.—

(1) IN GENERAL.—Section 6104(d) of the Internal Revenue Code of 1986 (relating to public inspection of certain annual returns and applications for exemption), as amended by section 1(b)(4), is amended— 26 USC 6104.

(A) by inserting "REPORTS," after "RETURNS," in the heading;

(B) in paragraph (1)(A), by striking "and" at the end of clause (i), by inserting "and" at the end of clause (ii), and by inserting after clause (ii) the following new clause:

"(iii) the reports filed under section 527(j) (relating to required disclosure of expenditures and contributions) by such organization,"; and

(C) in paragraph (1)(B), by inserting ", reports," after "return".

(2) DISCLOSURE OF CONTRIBUTORS ALLOWED.—Section 6104(d)(3)(A) of such Code (relating to nondisclosure of contributors, etc.) is amended by inserting "or a political organization exempt from taxation under section 527" after "509(a))".

(3) DISCLOSURE BY INTERNAL REVENUE SERVICE.—Section 6104(d) of such Code is amended by adding at the end the following new paragraph:

"(6) DISCLOSURE OF REPORTS BY INTERNAL REVENUE SERVICE.—Any report filed by an organization under section 527(j) (relating to required disclosure of expenditures and contributions) shall be made available to the public at such times and in such places as the Secretary may prescribe.".

(c) FAILURE TO MAKE PUBLIC.—Section 6652(c)(1)(C) of the Internal Revenue Code of 1986 (relating to public inspection of annual returns) is amended—

26 USC 6652.

(1) by inserting "or report required under section 527(j)" after "filing)";

(2) by inserting "or report" after "1 return"; and

(3) by inserting "AND REPORTS" after "RETURNS" in the heading.

Applicability.
26 USC 527 note.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to expenditures made and contributions received after the date of the enactment of this Act, except that such amendment shall not apply to expenditures made, or contributions received, after such date pursuant to a contract entered into on or before such date.

SEC. 3. RETURN REQUIREMENTS RELATING TO SECTION 527 ORGANIZATIONS.

(a) RETURN REQUIREMENTS.—

26 USC 6012.

(1) ORGANIZATIONS REQUIRED TO FILE.—Section 6012(a)(6) of the Internal Revenue Code of 1986 (relating to political organizations required to make returns of income) is amended by inserting "or which has gross receipts of $25,000 or more for the taxable year (other than an organization to which section 527 applies solely by reason of subsection (f)(1) of such section)" after "taxable year".

26 USC 6033.

(2) INFORMATION REQUIRED TO BE INCLUDED ON RETURN.—Section 6033 of such Code (relating to returns by exempt organizations) is amended by redesignating subsection (g) as subsection (h) and inserting after subsection (f) the following new subsection:

"(g) RETURNS REQUIRED BY POLITICAL ORGANIZATIONS.—In the case of a political organization required to file a return under section 6012(a)(6)—

"(1) such organization shall file a return—

"(A) containing the information required, and complying with the other requirements, under subsection (a)(1) for organizations exempt from taxation under section 501(a), and

"(B) containing such other information as the Secretary deems necessary to carry out the provisions of this subsection, and

"(2) subsection (a)(2)(B) (relating to discretionary exceptions) shall apply with respect to such return.".

(b) PUBLIC DISCLOSURE OF RETURNS.—

(1) RETURNS MADE AVAILABLE BY SECRETARY.—

26 USC 6104.

(A) IN GENERAL.—Section 6104(b) of the Internal Revenue Code of 1986 (relating to inspection of annual information returns) is amended by inserting "6012(a)(6)," before "6033".

(B) CONTRIBUTOR INFORMATION.—Section 6104(b) of such Code is amended by inserting "or a political organization exempt from taxation under section 527" after "509(a)".

(2) RETURNS MADE AVAILABLE BY ORGANIZATIONS.—

(A) IN GENERAL.—Paragraph (1)(A)(i) of section 6104(d) of such Code (relating to public inspection of certain annual returns, reports, applications for exemption, and notices of status) is amended by inserting "or section 6012(a)(6)

(relating to returns by political organizations)" after "organizations)".

(B) CONFORMING AMENDMENTS.—

(i) Section 6104(d)(1) of such Code is amended in the matter preceding subparagraph (A) by inserting "or an organization exempt from taxation under section 527(a)" after "501(a)". 26 USC 6104.

(ii) Section 6104(d)(2) of such Code is amended by inserting "or section 6012(a)(6)" after "section 6033".

(c) FAILURE TO FILE RETURN.—Section 6652(c)(1) of the Internal Revenue Code of 1986 (relating to annual returns under section 6033) is amended— 26 USC 6652.

(1) by inserting "or section 6012(a)(6) (relating to returns by political organizations)" after "organizations)" in subparagraph (A)(i);

(2) by inserting "or section 6012(a)(6)" after "section 6033" in subparagraph (A)(ii);

(3) by inserting "or section 6012(a)(6)" after "section 6033" in the third sentence of subparagraph (A); and

(4) by inserting "OR 6012(a)(6)" after "SECTION 6033" in the heading.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to returns for taxable years beginning after June 30, 2000. Applicability. 26 USC 6012 note.

Approved July 1, 2000.

LEGISLATIVE HISTORY—H.R. 4762 (S. 2742):

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June 28, 29, considered and passed Senate.