

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3993

To amend section 527 of the Internal Revenue Code of 1986 to eliminate reporting and return requirements for State and local candidate committees and to avoid duplicate reporting of campaign-related information.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2002

Mr. BRADY of Texas introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend section 527 of the Internal Revenue Code of 1986 to eliminate reporting and return requirements for State and local candidate committees and to avoid duplicate reporting of campaign-related information.

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. MODIFICATIONS OF REPORTING REQUIRE-**  
4 **MENTS FOR CERTAIN STATE AND LOCAL PO-**  
5 **LITICAL ORGANIZATIONS.**

6 (a) NOTIFICATION.—Paragraph (5) of section 527(i)  
7 of the Internal Revenue Code of 1986 (relating to organi-  
8 zations must notify Secretary that they are section 527

1 organizations) is amended by striking “or” at the end of  
 2 subparagraph (A), by striking the period at the end of  
 3 subparagraph (B) and inserting “, or”, and by adding at  
 4 the end the following:

5           “(C) which is a political committee of a  
 6           State or local candidate, or a local committee of  
 7           a political party, as defined by State law.”.

8           (b) EXEMPTION FOR CERTAIN STATE AND LOCAL  
 9 POLITICAL COMMITTEES FROM REPORTING REQUIRE-  
 10 MENTS.—

11           (1) IN GENERAL.—Paragraph (5) of section  
 12 527(j) of such Code (relating to required disclosures  
 13 of expenditures and contributions) is amended by re-  
 14 designating subparagraphs (C), (D), and (E) as sub-  
 15 subparagraphs (D), (E), and (F), respectively, and by  
 16 inserting after subparagraph (B) the following new  
 17 subparagraph:

18           “(C) to any organization which is an ex-  
 19           empt State or local political organization.”.

20           (2) EXEMPT STATE OR LOCAL POLITICAL ORGA-  
 21 NIZATION.—Subsection (e) of section 527 of such  
 22 Code (relating to other definitions) is amended by  
 23 adding at the end the following new paragraph:

24           “(5) EXEMPT STATE OR LOCAL POLITICAL OR-  
 25 GANIZATION.—

1           “(A) IN GENERAL.—The term ‘exempt  
2 State or local political organization’ means a  
3 political organization—

4           “(i) which does not engage in any ex-  
5 empt function other than to influence or to  
6 attempt to influence the selection, nomina-  
7 tion, election, or appointment of any indi-  
8 vidual to any State or local public office or  
9 office in a State or local political organiza-  
10 tion,

11           “(ii) which is subject to State or local  
12 requirements to submit reports containing  
13 information—

14           “(I) regarding individual expendi-  
15 tures from and contributions to such  
16 organization, and

17           “(II) regarding the person who  
18 makes such contributions or receives  
19 such expenditures,

20 which is substantially similar to the infor-  
21 mation which would otherwise be required  
22 to be reported under this section, and

23           “(iii) with respect to which the reports  
24 referred to in clause (ii) are made public  
25 by the agency with which such reports are

1 filed and are publicly available for inspec-  
2 tion in a manner similar to that required  
3 by section 6104(d)(1).

4 “(B) PARTICIPATION OF FEDERAL CAN-  
5 DIDATE OR OFFICE HOLDER.—The term ‘ex-  
6 empt State or local political organization’ shall  
7 not include any organization otherwise de-  
8 scribed in subparagraph (A) if a candidate for  
9 nomination or election to Federal elective office  
10 or an individual who holds such office—

11 “(i) controls or materially participates  
12 in the direction of the organization, or

13 “(ii) directs, in whole or in part, ex-  
14 penditures or fundraising activities of the  
15 organization.”.

16 (c) ANNUAL RETURN REQUIREMENTS.—

17 (1) INCOME TAX RETURNS REQUIRED ONLY  
18 WHERE POLITICAL ORGANIZATION TAXABLE IN-  
19 COME.—Paragraph (6) of section 6012(a) of such  
20 Code (relating to general rule of persons required to  
21 make returns of income) is amended by striking “or  
22 which has gross receipts of \$25,000 or more for the  
23 taxable year (other than an organization to which  
24 section 527 applies solely by reason of subsection  
25 (f)(1) of such section)”.

1           (2) INFORMATION RETURNS.—Subsection (g) of  
2           section 6033 of such Code (relating to returns re-  
3           quired by political organizations) is amended to read  
4           as follows:

5           “(g) RETURNS REQUIRED BY POLITICAL ORGANIZA-  
6           TIONS.—

7           “(1) IN GENERAL.—Every political organization  
8           (within the meaning of section 527(e)(1)), and every  
9           fund treated under section 527(g) as if it constituted  
10          a political organization, which has gross receipts of  
11          \$25,000 or more for the taxable year shall file a  
12          return—

13                 “(A) containing the information required,  
14                 and complying with the other requirements,  
15                 under subsection (a)(1) for organizations ex-  
16                 empt from taxation under section 501(a), and

17                 “(B) containing such other information as  
18                 the Secretary deems necessary to carry out the  
19                 provisions of this subsection.

20          “(2) EXCEPTIONS FROM FILING.—

21                 “(A) MANDATORY EXCEPTIONS.—Para-  
22                 graph (1) shall not apply to an organization—

23                         “(i) which is an exempt State or local  
24                         political organization (as defined in section  
25                         527(e)(5)),

1           “(ii) which is a State or local com-  
2           mittee of a political party, or political com-  
3           mittee of a State or local candidate, as de-  
4           fined by State law,

5           “(iii) which is a caucus or association  
6           of State or local elected officials,

7           “(iv) which is a national association of  
8           State or local officials,

9           “(v) which is an authorized committee  
10          (as defined in section 301(6) of the Fed-  
11          eral Election Campaign Act of 1971) of a  
12          candidate for Federal office,

13          “(vi) which is a national committee  
14          (as defined in section 301(14) of the Fed-  
15          eral Election Campaign Act of 1971) of a  
16          political party, or

17          “(vii) to which section 527 applies for  
18          the taxable year solely by reason of sub-  
19          section (f)(1) of such section.

20          “(B) DISCRETIONARY EXCEPTION.—The  
21          Secretary may relieve any organization required  
22          under paragraph (1) to file an information re-  
23          turn from filing such a return where he deter-  
24          mines that such filing is not necessary to the

1           efficient administration of the internal revenue  
2           laws.”.

3           (d) **WAIVER OF PENALTIES.**—Section 527 of such  
4 Code is amended by adding at the end the following:

5           “(k) **AUTHORITY TO WAIVE.**—The Secretary may  
6 waive all or any portion of the—

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

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

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

14           (e) **EFFECTIVE DATE.**—The amendments made by  
15 this section shall take effect as if included in the amend-  
16 ments made by Public Law 106–230.

17 **SEC. 2. NOTIFICATION OF INTERACTION OF REPORTING**  
18 **REQUIREMENTS.**

19           (a) **IN GENERAL.**—The Secretary of the Treasury, in  
20 consultation with the Federal Election Commission, shall  
21 publicize information on—

22                   (1) the effect of the amendments made by this  
23           Act, and

24                   (2) the interaction of requirements to file a no-  
25           tification or report under section 527 of the Internal

1 Revenue Code of 1986 and reports under the Fed-  
2 eral Election Campaign Act of 1971.

3 (b) INFORMATION.—Information provided under sub-  
4 section (a) shall be included in any appropriate form, in-  
5 struction, notice, or other guidance issued to the public  
6 by the Secretary of the Treasury or the Federal Election  
7 Commission regarding reporting requirements of political  
8 organizations (as defined in section 527 of the Internal  
9 Revenue Code of 1986) or reporting requirements under  
10 the Federal Election Campaign Act of 1971.

11 **SEC. 3. TECHNICAL CORRECTIONS TO SECTION 527 ORGA-**  
12 **NIZATION DISCLOSURE PROVISIONS.**

13 (a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—  
14 Paragraph (4) of section 527(i) of the Internal Revenue  
15 Code of 1986 (relating to failure to notify) is amended  
16 by adding at the end the following new sentence: “For  
17 purposes of the preceding sentence, the term ‘exempt func-  
18 tion income’ means any amount described in a subpara-  
19 graph of subsection (c)(3), whether or not segregated for  
20 use for an exempt function.”.

21 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-  
22 TION OF PENALTY.—Paragraph (1) of section 527(j) of  
23 such Code (relating to required disclosure of expenditures  
24 and contributions) is amended by adding at the end the  
25 following new sentence: “For purposes of subtitle F, the



1 penalty imposed by this paragraph shall be assessed and  
2 collected in the same manner as penalties imposed by sec-  
3 tion 6652(c).”.

4 (c) APPLICATION OF FRAUD PENALTY.—Section  
5 7207 of such Code (relating to fraudulent returns, state-  
6 ments, and other documents) is amended by striking “pur-  
7 suant to subsection (b) of section 6047 or pursuant to sub-  
8 section (d) of section 6104” and inserting “pursuant to  
9 section 6047(b), section 6104(d), or subsection (i) or (j)  
10 of section 527”.

11 (d) DUPLICATE ELECTRONIC AND WRITTEN FILINGS  
12 NOT REQUIRED.—

13 (1) Subparagraph (A) of section 527(i)(1) of  
14 such Code is amended by striking “, electronically  
15 and in writing,”.

16 (2) Subsection (i) of section 527 of such Code  
17 is amended by adding at the end the following new  
18 paragraph:

19 “(7) ELECTRONIC FILING.—The Secretary shall  
20 develop procedures for submission in electronic form  
21 of notices required to be filed under this subsection  
22 and reports required to be filed under subsection  
23 (j).”.

24 (e) EFFECTIVE DATES.—

1           (1) SUBSECTIONS (a) AND (b).—The amend-  
2           ments made by subsections (a) and (b) shall apply  
3           to failures occurring on or after the date of the en-  
4           actment of this Act.

5           (2) SUBSECTIONS (c) AND (d).—The amend-  
6           ments made by subsections (c) and (d) shall take ef-  
7           fect as if included in the amendments made by Pub-  
8           lic Law 106–230.

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