107TH CONGRESS
2D SESSION

S. 3081

To amend the Internal Revenue Code of 1986 to suspend the tax-exempt status of designated terrorist organizations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 2002

Mr. JOHNSON 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 suspend the tax-exempt status of designated terrorist organizations, and for other purposes.

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. SUSPENSION OF TAX-EXEMPT STATUS OF DES-**

4   **IGNATED TERRORIST ORGANIZATIONS.**

5   (a) IN GENERAL.—Section 501 of the Internal Rev-

6   enue Code of 1986 (relating to exemption from tax on cor-

7   porations, certain trusts, etc.) is amended by redesig-

8   nating subsection (p) as subsection (q) and by inserting

9   after subsection (o) the following new subsection:

1   "(p) SUSPENSION OF TAX-EXEMPT STATUS OF DES-

2 IGNATED TERRORIST ORGANIZATIONS.—

3   "(1) IN GENERAL.—The exemption from tax

4 under subsection (a) with respect to any organiza-

5 tion shall be suspended during any period in which

6 the organization is a designated terrorist organiza-

7 tion.

8   "(2) DESIGNATED TERRORIST ORGANIZA-

9 TION.—For purposes of this subsection, the term

10 'designated terrorist organization' means an organi-

11 zation which—

12   "(A) is designated as a terrorist organiza-

13   tion by an Executive order under the authority

14   of—

15   "(i) section 212(a)(3) or 219 of the

16   Immigration and Nationality Act,

17   "(ii) the International Emergency

18   Economic Powers Act, or

19   "(iii) section 5 of the United Nations

20   Participation Act, or

21   "(B) is a person listed in or designated by

22   an Executive order as supporting terrorist ac-

23   tivity (as defined in section 212(a)(3)(B) of the

24   Immigration and Nationality Act) or terrorism

25   (as defined in section 140(d)(2) of the Foreign

1   Relations Authorization Act, Fiscal Years 1988

2   and 1989).

3   "(3) DENIAL OF DEDUCTION.—No deduction

4   shall be allowed under section 170, 545(b)(2),

5   556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for

6   any contribution to an organization during the pe-

7   riod such organization is a designated terrorist orga-

8   nization.

9   "(4) DENIAL OF ADMINISTRATIVE OR JUDICIAL

10   CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-

11   TION.—Notwithstanding section 7428 or any other

12   provision of law, no organization or other person

13   may challenge a suspension under paragraph (1), a

14   determination or listing under paragraph (2), or a

15   denial of a deduction under paragraph (3) in any

16   administrative or judicial proceeding relating to the

17   Federal tax liability of such organization or other

18   person.

19   "(5) CREDIT OR REFUND IN CASE OF ERRO-

20   NEOUS DESIGNATION.—

21   "(A) IN GENERAL.—If an erroneous des-

22   ignation of an organization pursuant to 1 or

23   more of the provisions of law described in para-

24   graph (2) results in an overpayment of income

25   tax for any taxable year with respect to such

1 organization, credit or refund (with interest)

2 with respect to such overpayment shall be

3 made.

4 "(B) WAIVER OF LIMITATIONS.—If credit

5 or refund of any overpayment of tax described

6 in subparagraph (A) is prevented at any time

7 before the close of the 1-year period beginning

8 on the date of the determination of such credit

9 or refund by the operation of any law or rule

10 of law (including res judicata), such refund or

11 credit may nevertheless be made or allowed if

12 claim therefor is filed before the close of such

13 period.".

14 (b) NOTICE OF SUSPENSIONS.—If the tax exemption

15 of any organization is suspended under section 501(p) of

16 the Internal Revenue Code of 1986 (as added by sub-

17 section (a)), the Internal Revenue Service shall update the

18 listings of tax-exempt organizations and shall publish ap-

19 propriate notice to taxpayers of such suspension and of

20 the fact that contributions to such organization are not

21 deductible during the period of such suspension.

22 (c) EFFECTIVE DATE.—The amendments made by

23 this section shall take effect on the date of the enactment

24 of this Act.

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