

107TH CONGRESS
2D SESSION

S. 3082

To suspend tax-exempt status of designated terrorist organizations.

IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 2002

Mr. GRASSLEY (for himself and Mr. BAUCUS) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To suspend tax-exempt status of designated terrorist
organizations.

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 (relating to exemp-
6 tion from tax on corporations, certain trusts, etc.) is
7 amended by redesignating subsection (p) as subsection (q)
8 and by inserting after subsection (o) the following new
9 subsection:

10 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF DES-

11 IGNATED TERRORIST ORGANIZATIONS.—

1 “(1) IN GENERAL.—The exemption from tax
2 under subsection (a) with respect to any organiza-
3 tion shall be suspended during any period in which
4 the organization is a designated terrorist organiza-
5 tion.

6 “(2) DESIGNATED TERRORIST ORGANIZA-
7 TION.—For purposes of this subsection, the term
8 ‘designated terrorist organization’ means an organi-
9 zation which—

10 “(A) is designated as a terrorist organiza-
11 tion by an Executive order under the authority
12 of—

13 “(i) section 212(a)(3) or 219 of the
14 Immigration and Nationality Act,

15 “(ii) the International Emergency
16 Economic Powers Act, or

17 “(iii) section 5 of the United Nations
18 Participation Act, or

19 “(B) is a person listed in or designated by
20 an Executive order as supporting terrorist ac-
21 tivity (as defined in section 212(a)(3)(B) of the
22 Immigration and Nationality Act) or terrorism
23 (as defined in section 140(d)(2) of the Foreign
24 Relations Authorization Act, Fiscal Years 1988
25 and 1989).

1 “(3) DENIAL OF DEDUCTION.—No deduction
2 shall be allowed under section 170, 545(b)(2),
3 556(b)(2), 642(e), 2055, 2106(a)(2), or 2522 for
4 any contribution to an organization during the pe-
5 riod such organization is a designated terrorist orga-
6 nization.

7 “(4) DENIAL OF ADMINISTRATIVE OR JUDICIAL
8 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
9 TION.—Notwithstanding section 7428 or any other
10 provision of law, no organization or other person
11 may challenge a suspension under paragraph (1), a
12 determination or listing under paragraph (2), or a
13 denial of a deduction under paragraph (3) in any
14 administrative or judicial proceeding relating to the
15 Federal tax liability of such organization or other
16 person.

17 “(5) CREDIT OR REFUND IN CASE OF ERRO-
18 NEOUS DESIGNATION.—

19 “(A) IN GENERAL.—If an erroneous des-
20 ignation of an organization pursuant to 1 or
21 more of the provisions of law described in para-
22 graph (2) results in an overpayment of income
23 tax for any taxable year with respect to such
24 organization, credit or refund (with interest)

1 with respect to such overpayment shall be
2 made.

3 “(B) WAIVER OF LIMITATIONS.—If credit
4 or refund of any overpayment of tax described
5 in subparagraph (A) is prevented at any time
6 before the close of the 1-year period beginning
7 on the date of the determination of such credit
8 or refund by the operation of any law or rule
9 of law (including res judicata), such refund or
10 credit may nevertheless be made or allowed if
11 claim therefor is filed before the close of such
12 period.”.

13 (b) NOTICE OF SUSPENSIONS.—If the tax exemption
14 of any organization is suspended under section 501(p) of
15 the Internal Revenue Code of 1986 (as added by sub-
16 section (a)), the Internal Revenue Service shall update the
17 listings of tax-exempt organizations and shall publish ap-
18 propriate notice to taxpayers of such suspension and of
19 the fact that contributions to such organization are not
20 deductible during the period of such suspension.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect on the date of the enactment
23 of this Act.

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