IB

Union Calendar No. 729

118TH CONGRESS
2D SESSION

H. R. 8914

[Report No. 118–894]

To amend the Internal Revenue Code of 1986 to impose penalties with respect to civil rights violations by certain tax-exempt educational institutions.

IN THE HOUSE OF REPRESENTATIVES

JULY 2, 2024

Ms. MALLIOTAKIS (for herself, Ms. STEFANIK, Mr. KUSTOFF, Ms. TENNEY, Mr. MURPHY, Mr. KELLY of Pennsylvania, Mr. SCHWEIKERT, Mrs. MILLER of West Virginia, Mrs. FISCHBACH, Mr. MOORE of Utah, and Mr. FERGUSON) introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 17, 2024

Additional sponsors: Mr. SMITH of Nebraska, Mrs. HOUCHIN, and Mr. D'ESPOSITO

DECEMBER 17, 2024

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on July 2, 2024]

A BILL

To amend the Internal Revenue Code of 1986 to impose penalties with respect to civil rights violations by certain tax-exempt educational institutions.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "University Accountability Act".

SEC. 2. PENALTIES WITH RESPECT TO CIVIL RIGHTS VIOLATIONS BY CERTAIN TAX-EXEMPT EDUCATIONAL INSTITUTIONS.

(a) IN GENERAL.—Part I of subchapter B of chapter 68 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 6720D. CIVIL RIGHTS VIOLATIONS BY CERTAIN TAX-EXEMPT EDUCATIONAL INSTITUTIONS.

"(a) IN GENERAL.—There is hereby imposed a penalty equal to the applicable penalty amount on a specified tax-exempt educational institution with respect to each determination of civil rights violation with respect to such institution.

"(b) TIMING OF LIABILITY.—

"(1) IN GENERAL.—A specified tax-exempt educational institution shall be liable for the penalty imposed under subsection (a) with respect to any determination of civil rights violation on the date of the judgment referred to in subsection (c).

"(2) REVERSAL OF DETERMINATIONS.—In the event that any determination of civil rights violation is vacated, overturned, or otherwise reversed, the Secretary shall refund any penalty paid with respect to the determination of civil rights violation. The preceding sentence shall not be interpreted to prevent the application of this section with respect to any determination of civil rights violation that is reinstated or otherwise redetermined following any such reversal.

"(c) DETERMINATION OF CIVIL RIGHTS VIOLATION.—For purposes of this section—

"(1) IN GENERAL.—The term 'determination of civil rights violation' means, with respect to any specified tax-exempt educational institution, any civil judgment of a Federal court of competent jurisdiction that such institution violated any provision of title VI of the Civil Rights Act of 1964.

"(2) AUTHORITY TO TREAT CERTAIN JUDGMENTS AS A SINGLE DETERMINATION OF CIVIL RIGHTS VIOLATION.—If the Secretary determines that two or more judgments are based on the same set of facts and circumstances, such judgments shall be treated as a single determination of civil rights violation for purposes of this section, section 501(s), and such provisions of

section 6033(o) as the Secretary determines appropriate.

"(d) APPLICABLE PENALTY AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'applicable penalty amount' means, with respect to each determination of civil rights violation made with respect to any specified tax-exempt educational institution, the greater of—

"(A) $100,000, or

"(B) in the case of an institution subject to the requirements of section 6033(a), 5 percent of the aggregate administrative compensation paid by such specified tax-exempt educational institution during the taxable year in which such violation occurred.

"(2) ADMINISTRATIVE COMPENSATION.—The term 'administrative compensation' means, with respect to any specified tax-exempt educational institution, the compensation and other payments described in section 6033(b)(7) made by such institution.

"(e) SPECIFIED TAX-EXEMPT EDUCATIONAL INSTITUTION.—For purposes of this section, the term 'specified tax-exempt educational institution' means any eligible edu-

cational institution (as defined in section 25A(f)(2)) which is described in section 501(c) or section 511(a)(2)(B).

"(f) WAIVER OF LIMITATIONS ON ASSESSMENT AND REFUND.—Sections 6501 and 6511 shall not apply to any penalty imposed under subsection (a) or refund made under subsection (b)(2).".

(b) MANDATORY REVIEW OF EXEMPT STATUS UPON REPEATED CIVIL RIGHTS VIOLATIONS.—Section 501 of such Code is amended by adding at the end the following new subsection:

"(s) MANDATORY REVIEW OF EXEMPT STATUS OF CERTAIN EDUCATIONAL INSTITUTIONS WITH REPEATED CIVIL RIGHTS VIOLATIONS.—Upon any determination of civil rights violation (as defined in section 6720D(c)) with respect to any specified tax-exempt educational institution (as defined in section 6720D(e)), if such determination is not one of the first 2 such determinations (made after the date of the enactment of this subsection) with respect to such institution, the Secretary shall conduct a review to determine if such institution remains an organization described in subsection (c) which is entitled to exemption from tax under subsection (a). Any determination which is vacated, overturned, or otherwise reversed shall not be taken into account under the preceding sentence (unless subsequently reinstated or otherwise redetermined).".

(c) REPORTING BY SPECIFIED TAX-EXEMPT EDUCATIONAL INSTITUTIONS OF DETERMINATIONS OF CIVIL RIGHTS VIOLATION.—Section 6033 of such Code is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

"(o) ADDITIONAL PROVISIONS RELATING TO SPECIFIED TAX-EXEMPT EDUCATIONAL INSTITUTIONS.—

"(1) IN GENERAL.—Every specified tax-exempt educational institution (as defined in section 6720D(c)) which is subject to the requirements of subsection (a) shall, on the return required under subsection (a) for the taxable year, include the following:

"(A) With respect to each determination of civil rights violation (as defined in section 6720D(c)) made with respect to such institution during such taxable year:

"(i) A description of such determination (including the date of such determination) and of the civil rights violation to which such determination relates.

"(ii) The number of determinations of civil rights violation (determined by disregarding determinations not taken into account under the last sentence of section 501(s)) made with respect to such institu-

tion before such determination (and after the date of the enactment of this subsection).

"(iii) Such other information as the Secretary may require.

"(B) With respect to each determination of civil rights violation (as defined in section 6720D(c)) which is vacated, overturned, or otherwise reversed during such taxable year:

"(i) A description of the order or judgment which so reversed such determination, including the date of such order or judgment.

"(ii) The information described in subparagraph (A)(i) with respect to the determination so reversed.

"(iii) Such other information as the Secretary may require.

"(2) APPLICATION TO STATE COLLEGES AND UNIVERSITIES.—Every specified tax-exempt educational institution (as defined in section 6720D(c)) which is described in section 511(a)(2)(B) shall, for any taxable year with respect to which there is a determination of civil rights violation described in subparagraph (A) or (B) of paragraph (1) with respect to such institution, file an annual return that contains

the information described in such subparagraphs. The penalties applicable to returns required under subsection (a) shall apply to returns required under this paragraph.''.

(d) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 of such Code is amended by adding at the end the following new item:

''Sec. 6720D. Civil rights violations by certain tax-exempt educational institutions.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to determinations of civil rights violation made after the date of the enactment of this Act.

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