

119TH CONGRESS
2D SESSION

S. 3942

To amend the Internal Revenue Code of 1986 to provide that 501(c)(3) organizations are liable for the use of funding provided as a fiscal sponsor.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 2026

Mr. CRUZ (for himself and Mr. BUDD) 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 provide that 501(c)(3) organizations are liable for the use of funding provided as a fiscal sponsor.

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. SHORT TITLE.**

4 This Act may be cited as the “Stop Proxy Organiza-
5 tions Nurturing Subversive Operations and Riots Act” or
6 the “SPONSOR Act”.

1 **SEC. 2. LIABILITY OF TAX-EXEMPT FISCAL SPONSORS FOR**
 2 **SPONSORED ACTIVITIES.**

3 Section 501 of the Internal Revenue Code of 1986
 4 is amended by adding at the end the following new sub-
 5 section:

6 “(s) LIABILITY OF FISCAL SPONSORS FOR SPON-
 7 SORED ACTIVITIES.—

8 “(1) IN GENERAL.—If—

9 “(A) an organization described in sub-
 10 section (c)(3) expends funds for a fiscal spon-
 11 sorship, and

12 “(B) a deduction under section 170 is al-
 13 lowed to any donor, or such organization rep-
 14 resents to any donor that the donor is entitled
 15 to a deduction under section 170, with respect
 16 to a contribution to the organization for pur-
 17 poses of such fiscal sponsorship,

18 then the organization shall bear any criminal liabil-
 19 ity related to or arising from such fiscal sponsorship,
 20 and any civil liability concerning a covered activity
 21 related to or arising from such fiscal sponsorship.

22 “(2) COVERED ACTIVITY.—For purposes of this
 23 subsection, the term ‘covered activity’ means—

24 “(A) aiding and abetting an act of inter-
 25 national terrorism committed, planned, or au-
 26 thorized by an organization that had been des-

1 ignated as a foreign terrorist organization
2 under section 219 of the Immigration and Na-
3 tionality Act (8 U.S.C. 1189), as of the date on
4 which such act of international terrorism was
5 committed, planned, or authorized, by know-
6 ingly providing substantial assistance, or con-
7 spiring with the person who committed such an
8 act of international terrorism,

9 “(B) by force or a specified and credible
10 threat of force, or by physical obstruction, in-
11 tentionally injuring, intimidating or interfering
12 with or attempting to injure, intimidate or
13 interfere with any person lawfully exercising or
14 seeking to exercise a constitutional right, or

15 “(C) by using force or a specified credible
16 threat of force or by physically blocking the
17 movement of any article or commodity in com-
18 merce to intentionally prevent the lawful move-
19 ment of interstate and intrastate commerce.

20 For purposes of the preceding sentence, the term
21 ‘intimidate’ means to place an individual in reason-
22 able apprehension of bodily harm to such individual
23 or to another.

24 “(3) FISCAL SPONSORSHIP.—For purposes of
25 this subsection, the term ‘fiscal sponsorship means’

1 a relationship in which an organization described in
2 subsection (c)(3)—

3 “(A) agrees to receive and administer
4 funds on behalf of a project or organization
5 that is not exempt from tax under subsection
6 (a), and

7 “(B) retains discretion and control over
8 such funds to ensure they are used for the pur-
9 poses for which such organization was orga-
10 nized and operated.

11 “(4) PRESUMPTION OF RESPONSIBILITY.—An
12 organization to which paragraph (1) applies is pre-
13 sumed to be responsible for ensuring that the man-
14 ner in which its funds are used under any fiscal
15 sponsorship complies with applicable laws, regula-
16 tions, and tax obligations.

17 “(5) DEFENSES.—The liability established by
18 this subsection does not bar the organization de-
19 scribed in subsection (c)(3) from defenses based on
20 exercise of due diligence and reasonable oversight.”.

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