

119TH CONGRESS
2D SESSION

S. 5083

To amend the Internal Revenue Code of 1986 to require reporting by certain charitable organizations relating to fiscal sponsorship arrangements, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 22, 2026

Mr. COTTON 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 require reporting by certain charitable organizations relating to fiscal sponsorship arrangements, 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. SHORT TITLE.**

4 This Act may be cited as the “Fiscal Sponsorship
5 Transparency Act of 2026”.

6 **SEC. 2. TREATMENT OF FISCAL SPONSORSHIP ARRANGE-**
7 **MENTS.**

8 (a) REPORTING REQUIREMENTS.—

1 (1) IN GENERAL.—Section 6033(b) of the In-
2 ternal Revenue Code of 1986 is amended by striking
3 “and” at the end of paragraph (15)(B), by redesignig-
4 nating paragraph (16) as paragraph (17), and by in-
5 serting after paragraph (15) the following new para-
6 graph:

7 “(16) with respect to each fiscal sponsorship ar-
8 rangement of the organization in effect during the
9 taxable year—

10 “(A) the name of each party (other than
11 any individuals) to such arrangement,

12 “(B)(i) in the case of a fiscal sponsorship
13 arrangement described in subsection
14 (p)(1)(B)(ii), the aggregate amounts made
15 available during the taxable year under such ar-
16 rangement for the specifically identified project
17 described in such subsection,

18 “(ii) in the case of any other fiscal spon-
19 sorship arrangement, the aggregate amounts
20 transferred during the taxable year under such
21 arrangement to the person on whose behalf the
22 organization receives and administers amounts,
23 and

1 “(iii) a description of the activities to
2 which the amounts so made available or trans-
3 ferred, as the case may be, relate,

4 “(C) the name of an individual designated
5 as the principal officer managing such fiscal
6 sponsorship arrangement on behalf of the orga-
7 nization, and

8 “(D) the date on which the arrangement
9 began and, if applicable, ended, and”.

10 (2) FISCAL SPONSORSHIP ARRANGEMENT.—

11 Section 6033 of such Code is amended by redesign-
12 nating subsection (p) as subsection (q) and by in-
13 serting after subsection (o) the following new sub-
14 section:

15 “(p) FISCAL SPONSORSHIP ARRANGEMENT.—

16 “(1) IN GENERAL.—For purposes of this sec-
17 tion, the term ‘fiscal sponsorship arrangement’
18 means, with respect to an applicable organization,
19 an arrangement—

20 “(A) between the organization and another
21 person that is not exempt from tax under sec-
22 tion 501(a),

23 “(B) under which—

1 “(i) the organization agrees for con-
 2 sideration to receive and administer
 3 amounts on behalf of such other person, or

4 “(ii)(I) the organization publicly solie-
 5 its amounts for carrying on a specifically
 6 identified project that is represented as a
 7 means to further an exempt purpose of the
 8 organization,

9 “(II) the organization agrees to re-
 10 ceive and administer amounts directed to
 11 such project and make such amounts avail-
 12 able for the organization to carry out the
 13 project (less an amount specified in the ar-
 14 rangement to be used by the organization
 15 for other purposes), and

16 “(III) either the organization or such
 17 other person may terminate the arrange-
 18 ment, and

19 “(C) under which the organization retains
 20 discretion and control over such amounts to en-
 21 sure such amounts are used to further an ex-
 22 empt purpose of the organization.

23 “(2) SPECIAL RULE FOR OTHERWISE DIS-
 24 REGARDED ENTITIES.—For purposes of paragraph
 25 (1), any entity—

1 “(A) which is owned (directly or indirectly)
2 by the organization, and

3 “(B) which would (but for this paragraph)
4 be disregarded as an entity separate from its
5 owner,

6 shall be treated as an entity that is separate from
7 its owner and that is not exempt from tax under sec-
8 tion 501(a).

9 “(3) APPLICABLE ORGANIZATION.—For pur-
10 poses of this subsection, the term ‘applicable organi-
11 zation’ means an organization to which subsection
12 (b) applies, other than—

13 “(A) a private foundation (as defined in
14 section 509(a)), or

15 “(B) a donor advised fund (as defined in
16 section 4966(d)(2)).”.

17 (b) NO DEDUCTION ALLOWED FOR CONTRIBUTIONS
18 UNDER IMPROPER CONDUIT ARRANGEMENT.—Section
19 170(c) of such Code is amended by adding at the end the
20 following: “The term ‘charitable contribution’ shall not in-
21 clude any contribution or gift made under an improper
22 conduit arrangement (as defined in section
23 4960A(d)(2)).”.

24 (c) TAXES IMPOSED ON IMPROPER CONDUIT AR-
25 RANGEMENTS.—

1 (1) IN GENERAL.—Subchapter D of chapter 42
2 of such Code is amended by adding at the end the
3 following new section:

4 **“SEC. 4960A. TAXES ON IMPROPER CONDUIT ARRANGE-**
5 **MENTS.**

6 “(a) INITIAL TAXES.—

7 “(1) ON THE ORGANIZATION.—In the case of a
8 specified tax-exempt organization, there is hereby
9 imposed on any amount knowingly transferred pur-
10 suant to an improper conduit arrangement a tax
11 equal to 20 percent of the amount thereof. The tax
12 imposed by this paragraph shall be paid by the orga-
13 nization.

14 “(2) ON THE MANAGEMENT.—In any case in
15 which a tax is imposed by paragraph (1) with re-
16 spect to a transfer pursuant to an improper conduit
17 arrangement, there is hereby imposed on the agree-
18 ment of any organization manager to the making of
19 such transfer, knowing such arrangement is an im-
20 proper conduit arrangement, a tax equal to 5 per-
21 cent of the amount thereof, unless such agreement
22 is not willful and is due to reasonable cause. The tax
23 imposed by this paragraph shall be paid by the orga-
24 nization manager who agreed to the transfer.

25 “(b) ADDITIONAL TAXES.—

1 “(1) ON THE ORGANIZATION.—In any case in
 2 which an initial tax is imposed by subsection (a)(1)
 3 with respect to a transfer pursuant to an improper
 4 conduit arrangement and such transfer is not cor-
 5 rected within the taxable period, there is hereby im-
 6 posed a tax equal to 100 percent of the amount of
 7 the transfer. The tax imposed by this paragraph
 8 shall be paid by the organization.

9 “(2) ON THE MANAGEMENT.—In any case in
 10 which an additional tax is imposed by paragraph (1),
 11 if an organization manager refused to agree to part
 12 or all of the correction, there is hereby imposed a
 13 tax equal to 50 percent of the amount of the trans-
 14 fer. The tax imposed by this paragraph shall be paid
 15 by any organization manager who refused to agree
 16 to part or all of the correction.

17 “(c) SPECIAL RULES.—For purposes of this sec-
 18 tion—

19 “(1) JOINT AND SEVERAL LIABILITY.—If more
 20 than one person is liable under subsection (a)(2) or
 21 (b)(2) with respect to a transfer, all such persons
 22 shall be jointly and severally liable under such para-
 23 graph with respect to such transfer.

24 “(2) LIMIT FOR MANAGEMENT.—With respect
 25 to any improper conduit arrangement, the maximum

1 amount of the tax imposed by subsection (a)(2) shall
 2 not exceed \$10,000, and the maximum amount of
 3 the tax imposed by subsection (b)(2) shall not ex-
 4 ceed \$20,000.

5 “(d) DEFINITIONS.—For purposes of this section—

6 “(1) SPECIFIED TAX-EXEMPT ORGANIZATION.—

7 The term ‘specified tax-exempt organization’
 8 means—

9 “(A) an organization that is exempt from
 10 tax under section 501(a) and is described in
 11 section 501(c)(3), or

12 “(B) any organization which was described
 13 in subparagraph (A) at any time during the 5-
 14 year period ending on the date of the transfer
 15 pursuant to an improper conduit arrangement.

16 “(2) IMPROPER CONDUIT ARRANGEMENT.—The
 17 term ‘improper conduit arrangement’ means, with
 18 respect to a specified tax-exempt organization, an
 19 arrangement (express or implied) with another per-
 20 son under which—

21 “(A) contributions are solicited or received
 22 to be transferred to a specifically identified per-
 23 son not exempt from tax under section 501(a),
 24 and

1 “(B) the organization fails to exercise dis-
2 cretion and control over the use of the funds.

3 “(3) CORRECTION.—The terms ‘correction’ and
4 ‘correct’ mean, with respect to any transfer to which
5 this section applies, recovering part or all of the
6 transfer to the extent recovery is possible, and where
7 full recovery is not possible such additional correc-
8 tive action as is prescribed by the Secretary by regu-
9 lations.

10 “(4) TAXABLE PERIOD.—The term ‘taxable pe-
11 riod’ means, with respect to any transfer under an
12 improper conduit arrangement, the period beginning
13 with the date on which the transfer occurs and end-
14 ing on the earlier of—

15 “(A) the date of mailing of a notice of defi-
16 ciency with respect to the tax imposed by sub-
17 section (a)(1) under section 6212, or

18 “(B) the date on which tax imposed by
19 subsection (a)(1) is assessed.

20 “(5) ORGANIZATION MANAGER.—The term ‘or-
21 ganization manager’ means, with respect to any
22 specified tax-exempt organization, any officer, direc-
23 tor, or trustee of such organization (or any indi-
24 vidual having powers or responsibilities similar to

1 those of officers, directors, or trustees of the organi-
2 zation).”.

3 (2) CLERICAL AMENDMENT.—The table of sec-
4 tions for subchapter D of chapter 42 of such Code
5 is amended by adding at the end the following new
6 item:

“Sec. 4960A. Taxes on improper conduit arrangements.”.

7 (d) REGULATIONS.—The Secretary of the Treasury
8 shall prescribe such regulations as may be necessary or
9 appropriate to clarify—

10 (1) arrangements to which section 6033(p)(1)
11 of the Internal Revenue Code of 1986 (as added by
12 this Act) applies, and

13 (2) what constitutes “discretion and control”
14 for purposes of sections 6033(p)(1)(C) and
15 4960A(d)(2)(B) of such Code (as added by this
16 Act).

17 (e) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2027.

○