

UNIVERSITY ACCOUNTABILITY ACT

DECEMBER 17, 2024.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Missouri, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 8914]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 8914) to amend the Internal Revenue Code of 1986 to impose penalties with respect to civil rights violations by certain tax-exempt educational institutions, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

**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 educational 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 institution 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.

## I. SUMMARY AND BACKGROUND

### A. PURPOSE AND SUMMARY

The bill, H.R. 8914, the “University Accountability Act,” as ordered reported by the Committee on Ways and Means on July 9, 2024, imposes an assessable penalty on certain tax-exempt educational institutions with respect to each determination of a civil

rights violation by the institution. Generally, for each determination of a civil rights violation, the penalty amount is the greater of: (1) \$100,000; or (2) in the case of an institution that is required to file a Form 990-series return, five percent of the aggregate administrative compensation paid by the institution during the taxable year in which the violation occurred. Upon the third such determination with respect to an institution, the U.S. Department of the Treasury is required to conduct a review of the institution's tax-exempt status.

#### B. BACKGROUND AND NEED FOR LEGISLATION

Under current law, the primary avenue to hold colleges and universities accountable for violating the rights of Jewish students rests within Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, or national origin. The U.S. Department of Education's Office for Civil Rights ("OCR") is charged with enforcing Title VI through its investigation and complaint process. A violation of Title VI can result in the loss of federal funds for the violating recipient, including a violating college or university. However, it is rare for OCR to find that a Title VI violation has occurred, and when they do, it often results in mere corrective actions meant to bring the college or university back into compliance with Title VI. As a result, colleges and universities are almost never at risk of losing their federal funds.

Despite receiving generous tax benefits from the federal government, including tax-exempt status under the Internal Revenue Code ("IRC"), data and public reporting make clear that colleges and universities have not done enough to investigate, mitigate, and crack down on clear instances of antisemitic behavior occurring on their campuses. As a result, many Jewish students have filed lawsuits against their universities alleging Title VI violations, whereas OCR has been slower to act. And, when OCR has taken action, historically, they elected to settle Title VI cases, including those alleging antisemitism, and resolve them through resolution agreements without determining whether a violation occurred; thereby creating a hollow deterrent for schools that allow such activity on campus, and an easy remedy for schools seeking to avoid a revocation of federal funds. Additionally, while the revocation of tax-exempt status remains the only current punishment for entities who violate their exempt purpose under the IRC, this punishment is almost never implemented by the Internal Revenue Service ("IRS") and is reliant on the agency taking decisive action, which is rare. As a result, and to hold tax-exempt colleges and universities accountable for violating students' civil rights, H.R. 8914 considers additional mechanisms to ensure that institutions of higher education are held responsible for violating students' civil rights.

#### C. LEGISLATIVE HISTORY

##### *Background*

H.R. 8914 was introduced on July 2, 2024, and was referred to the Committee on Ways and Means.

### *Committee Hearings*

On November 15, 2023, the Committee held a hearing entitled, “From Ivory Towers to Dark Corners: Investigating the Nexus Between Antisemitism, Tax-Exempt Universities, and Terror Financing.”<sup>1</sup>

On June 13, 2024, the Committee held a hearing entitled, “Crisis on Campus: Antisemitism, Radical Faculty, and Failure of University Leadership.”<sup>2</sup>

### *Committee Action*

The Committee on Ways and Means marked up H.R. 8914, the “University Accountability Act,” on July 9, 2024, and ordered the bill, as amended, favorably reported (with a quorum being present).<sup>3</sup>

## D. DESIGNATED HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearings were used to develop and consider H.R. 8914:

On November 15, 2023, the Committee held a hearing entitled, “From Ivory Towers to Dark Corners: Investigating the Nexus Between Antisemitism, Tax-Exempt Universities, and Terror Financing.”<sup>4</sup>

On June 13, 2024, the Committee held a hearing entitled, “Crisis on Campus: Antisemitism, Radical Faculty, and Failure of University Leadership.”<sup>5</sup>

## II. EXPLANATION OF THE BILL

### A. PENALTIES WITH RESPECT TO CIVIL RIGHTS VIOLATIONS BY CERTAIN TAX-EXEMPT EDUCATIONAL INSTITUTIONS (SEC. 2 OF THE BILL AND NEW SEC. 6720D OF THE CODE)

#### PRESENT LAW

#### *Section 501(c) tax-exempt organizations*

Section 501(c) describes 28 different categories of organizations that are generally exempt from Federal income tax.<sup>6</sup> Section

<sup>1</sup>H. Comm. on Ways and Means, *Hearing: From Ivory Towers to Dark Corners: Investigating the Nexus Between Antisemitism, Tax-Exempt Universities, and Terror Financing* (Nov. 15, 2023), <https://waysandmeans.house.gov/event/hearing-from-ivory-towers-to-dark-corners-investigating-the-nexus-between-antisemitism-tax-exempt-universities-and-terror-financing/>.

<sup>2</sup>H. Comm. on Ways and Means, *Hearing on the Crisis on Campus: Antisemitism, Radical Faculty, and the Failure of University Leadership* (June 13, 2024), <https://waysandmeans.house.gov/event/hearing-on-the-crisis-on-campus-antisemitism-radical-faculty-and-the-failure-of-university-leadership/>.

<sup>3</sup>H. Comm. on Ways and Means, *Markup of H.R. 8914, H.R. 8913, H.R. 8915, and H.J. Res. 148* (July 9, 2024), <https://waysandmeans.house.gov/event/markup-of-h-r-8914-h-r-8913-h-r-8915-and-h-j-res-148/>.

<sup>4</sup>H. Comm. on Ways and Means, *Hearing: From Ivory Towers to Dark Corners: Investigating the Nexus Between Antisemitism, Tax-Exempt Universities, and Terror Financing* (Nov. 15, 2023), <https://waysandmeans.house.gov/event/hearing-from-ivory-towers-to-dark-corners-investigating-the-nexus-between-antisemitism-tax-exempt-universities-and-terror-financing/>.

<sup>5</sup>H. Comm. on Ways and Means, *Hearing on the Crisis on Campus: Antisemitism, Radical Faculty, and the Failure of University Leadership* (June 13, 2024), <https://waysandmeans.house.gov/event/hearing-on-the-crisis-on-campus-antisemitism-radical-faculty-and-the-failure-of-university-leadership/>.

<sup>6</sup>Sec. 501(c)(1) through (19) and (21) through (29). These “tax-exempt organizations” generally are exempt from Federal income tax on income derived from activities substantially related to their exempt purposes and on their investment income. Such organizations generally are subject to tax (unrelated business income tax, or “UBIT”) on any income derived from business activities

Continued

501(c)(3) provides tax-exempt status to certain nonprofit entities organized and operated exclusively for charitable, religious, educational, or certain other purposes, provided that no part of the net earnings of the organization inures to the benefit of any private shareholder or individual. Organizations described in section 501(c)(3), which are generally referred to as “charities,” are classified as either public charities or private foundations.<sup>7</sup> In addition to the tax-exempt status conferred on organizations described in section 501(c)(3), charitable contributions to such organizations are tax-deductible to the donor for Federal income, estate, and gift tax purposes.<sup>8</sup> In addition, section 501(c)(3) organizations are eligible for certain tax-exempt financing benefits.<sup>9</sup>

*Tax exemption for educational organizations*

The term “charitable” includes, for purposes of section 501(c)(3), the advancement of education or science.<sup>10</sup> The term “educational,” as used in section 501(c)(3), relates to the instruction or training of individuals for the purpose of improving or developing their capabilities, or the instruction of the public on subjects useful to individuals and beneficial to the community.<sup>11</sup>

The following types of organizations may qualify as educational within section 501(c)(3): (1) an organization, such as a primary or secondary school, a college or university, or a professional or trade school, that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled student body in attendance at a place where the educational activities are regularly carried on; (2) an organization whose activities consist of conducting public discussion groups, forums, panels, lectures, or other similar programs; (3) an organization that presents a course of instruction by correspondence or through the use of television or radio; (4) a museum, zoo, planetarium, symphony orchestra, or other similar organization; and (5) a nonprofit children’s day care center.<sup>12</sup> In addition, college athletic organizations that promote certain aspects of athletic competition have generally been held to be educational and, thus, exempt under section 501(c)(3). The exemption is based on the principle that an athletic program conducted for the physical development and betterment of the students is an integral part of a university’s overall educational activities.

that are regularly carried on and not substantially related to their exempt purposes. Secs. 511–514.

<sup>7</sup>Sec. 509(a). Private foundations are defined under section 509(a) as all organizations described in section 501(c)(3) other than the organizations granted public charity status by reason of: (1) being a specific type of organization (*i.e.*, churches, educational institutions, hospitals and certain other medical organizations, certain organizations providing assistance to colleges and universities, or a governmental unit); (2) receiving a substantial part of its support from governmental units or direct or indirect contributions from the general public; (3) providing support to another section 501(c)(3) entity that is not a private foundation (*i.e.*, being a “supporting organization”); or (4) being organized and operated exclusively for testing for public safety. In contrast to public charities, private foundations generally are funded from one or a limited number of sources (an individual, family, or corporation) and are subject to restrictions not applicable to public charities. In general, more generous charitable contribution deduction rules apply to gifts to public charities.

<sup>8</sup>See secs. 170, 642(c), 2055(a)(2), 2106(a)(2)(A)(ii), and 2522(a)(2). Organizations described in section 501(c)(3) generally are eligible for reduced postal rates and, depending on the applicable State and local laws, may also be eligible for State and local income, property, and sales tax benefits.

<sup>9</sup>See sec. 145.

<sup>10</sup>Treas. Reg. sec. 1.501(c)(3)–1(d)(2).

<sup>11</sup>Treas. Reg. sec. 1.501(c)(3)–1(d)(3).

<sup>12</sup>*Ibid.*

### *Civil tax penalties*

The Code provides for both civil and criminal penalties to ensure complete and accurate reporting of tax liability and to discourage fraudulent attempts to defeat or evade tax. Civil and criminal penalties are applied separately. Thus, a taxpayer convicted of a criminal tax offense may be subject to both criminal and civil penalties, and a taxpayer acquitted of a criminal tax offense may nonetheless be subject to civil tax penalties. In cases involving both criminal and civil penalties, the IRS generally does not pursue both simultaneously, but delays pursuit of civil penalties until the criminal proceedings have concluded.

The majority of delinquent taxes and penalties are collected through the civil process. In determining whether a penalty applies along with an adjustment to a tax return, the examining agent is constrained not only by the applicable statutory provisions, but also by the written policy of the IRS not to treat penalties as bargaining points but instead to develop facts sufficient to support the decision to assert or not to assert a penalty.<sup>13</sup> The goal is to ensure consistency, fairness, and predictability in administration of penalties.

Civil penalties are provided in Chapter 68 of the Code (sections 6651 to 6751). Some penalties are calculated by reference to the tax liability, such as the penalty for fraud, while others are fixed dollar amounts or fixed percentages, such as the failure to file a tax return or to pay tax. In general, there is a penalty for (i) fraud;<sup>14</sup> (ii) failure to pay or file (referred to as delinquency penalties);<sup>15</sup> (iii) failure to pay estimated tax;<sup>16</sup> (iv) failure to deposit estimated tax amounts;<sup>17</sup> (v) negligence, substantial understatement, substantial valuation misstatements, substantial overstatement of pension liabilities, substantial estate or gift tax valuation understatement, lack of economic substance, undisclosed foreign financial asset understatements, and understatements with respect to reportable transactions (all of the items in this list are referred to as accuracy related penalties);<sup>18</sup> (vi) not filing or filing incorrect information returns;<sup>19</sup> and (vii) aiding and abetting understatements, taking unreasonable return positions (applied to return preparers), pro-

<sup>13</sup>Policy Statement 20–1, Internal Revenue Manual, sec. 1.2.20.1.1.

<sup>14</sup>Section 6663(a) applies a penalty of 75 percent on any amount of an underpayment attributable to fraud. Fraud differs from negligence in that fraud requires an intent to evade taxes.

<sup>15</sup>Section 6651(a) applies the delinquency penalties. Failing to pay the amount shown as tax will result in a 0.5 percent monthly penalty on the net amount due, increasing to 1 percent monthly in the first month starting after the IRS gives notice and demand for immediate payment. The maximum aggregate penalty is 25 percent. Failing to file a return results in a penalty of 5 percent per month on the tax required to be shown on the return, up to a maximum aggregate penalty of 25 percent.

<sup>16</sup>Section 6654 provides for additions to tax for underpayment of estimated tax for individuals. Section 6655 provides for the additions to tax for underpayment of estimated tax for corporations. In both cases, the additions to tax are computed by applying the underpayment rate under section 6621 to the amount of the underpayment, for the period of the underpayment. Section 6621 applies an interest rate of the federal short-term interest rate plus 3 percent.

<sup>17</sup>Section 6656(a) applies a penalty for failure to deposit of 2 percent if the failure to deposit is 5 days or less, 5 percent if the failure is greater than 5 days but not more than 15 days, and 10 percent if the failure is more than 15 days.

<sup>18</sup>Section 6662 applies a 20 percent penalty to any part of an underpayment attributable to accuracy related errors as listed in section 6662(b). This penalty increases to 40 percent in certain circumstances.

<sup>19</sup>Section 6721 applies a \$250 penalty for failure to file a correct information return, up to a maximum of \$3 million per year. These amounts are adjusted annually to account for inflation. For a failure relating to a return required to be filed in 2025 (*i.e.*, a 2024 return), the penalty amount is \$330, up to a maximum of \$3,987,000 per year. Rev. Proc. 2023–48, 2023–48 I.R.B. 1287, November 27, 2023. No penalty is imposed if the failure is due to reasonable cause.

moting abusive tax shelters, and failing to furnish information regarding tax shelters (referred to collectively as the preparer, promoter, and protestor penalties).<sup>20</sup>

These penalties are categorized into two types: additions to the tax and additional amounts (herein “additions to tax”), and assessable penalties. The additions to tax penalties are generally subject to deficiency proceedings and include delinquency penalties (section 6651), failure by individuals to pay estimated income tax (section 6654), failure by corporations to pay estimated income tax (section 6655), failure to make deposit of taxes (section 6656), accuracy-related penalties (sections 6662 and 6662A), and the fraud penalty (section 6663). Some of these penalties may be waived under certain circumstances, including a showing of reasonable cause under section 6664.

Assessable penalties can be assessed without restrictions (such as the opportunity for preassessment judicial review) applicable in deficiency cases. These penalties are imposed for failure to pay over collected taxes and to file information returns reporting specified information and transactions (section 6671 through 6720C), for failure to comply with certain information reporting requirements, such as failure to file correct information returns (section 6721), failure to furnish correct payee statements (section 6722), and failure to comply with other information reporting requirements (sections 6723 and 6725). These penalties may also be waived under certain circumstances, including a showing of reasonable cause under section 6724.

#### REASONS FOR CHANGE

Under present law, there is no civil tax penalty that is imposed on colleges and universities that are found to have violated a student’s civil rights. Generally, the Committee believes that colleges and universities should be subject to a tax penalty if they are determined by a Federal court to have violated title VI of the Civil Rights Act of 1964. The Committee further believes that tax-exempt institutions should be subject to a mandatory review of their tax-exempt status upon the third determination of civil rights violation.

#### EXPLANATION OF PROVISION

##### *Penalty for civil rights violation*

The provision imposes an assessable penalty on a “specified tax-exempt educational institution” with respect to each determination of civil rights violation with respect to the institution. The penalty is equal to the applicable penalty amount, as described below.

For purposes of the provision, a “specified tax-exempt educational institution” is an eligible educational institution as defined in section 25A(f)(2)<sup>21</sup> that is described in section 501(c) (describing cer-

<sup>20</sup> Section 6701 applies a penalty of \$1,000 on any person who aids in the understatement of tax liability for individuals and \$10,000 on any person who aids in the understatement of tax liability for a corporation. Section 6700 applies a penalty of \$1,000 against anyone involved directly or indirectly in the sale of an abusive tax shelter. These are not currently adjusted for inflation.

<sup>21</sup> Section 25A(f)(2) defines an eligible educational institution as an institution that (1) is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. sec. 1088), as in effect on August 5, 1977, and (2) is eligible to participate in a program under title IV of such Act.

tain organizations exempt from Federal income tax) or section 511(a)(2)(B) (generally describing State colleges and universities).

A determination of civil rights violation means, with respect to a specified tax-exempt educational institution, any civil judgment of a Federal court of competent jurisdiction that the institution violated any provision of title VI of the Civil Rights Act of 1964. Title VI generally prohibits discrimination on the basis of race, color, or national origin in programs and activities receiving Federal financial assistance. If the Secretary of the Treasury (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 the penalty, the mandatory review of tax-exempt status (discussed below), and such portions of the reporting requirements (also discussed below) as the Secretary determines appropriate.

The term “applicable penalty amount” means, with respect to each determination of civil rights violation made with respect to a specified tax-exempt educational institution, the greater of (1) \$100,000, or (2) in the case of an institution that is required to file a Form 990-series return under section 6033(a), five percent of the aggregate administrative compensation paid by the institution during the taxable year in which the violation occurred. Thus, the applicable penalty amount is \$100,000 in the case of a State college or university that is not, under present law, required to file a Form 990-series return. Administrative compensation means, with respect to a specified tax-exempt educational institution, the compensation and other payments described in section 6033(b)(7) made by the institution. Section 6033(b)(7) generally describes compensation and other payments made during the year by a section 501(c)(3) organization to individuals who are foundation managers (within the meaning of section 4946(b)(1))<sup>22</sup> or highly compensated employees.

A specified tax-exempt educational institution is liable for the penalty with respect to any determination of civil rights violation on the date of the judgment referred to above. In the event such a determination is vacated, overturned, or otherwise reversed, the Secretary shall refund any penalty paid with respect to the determination. This requirement to refund the penalty, however, does not prevent the imposition of a penalty with respect to any determination of civil rights violation that is reinstated or otherwise re-determined following a reversal.

Under the provision, the limitations periods for timely assessment and collections under section 6501 and limitations periods for claiming refunds under section 6511 are inapplicable to the penalties and refund thereof.

*Mandatory review of tax-exempt status upon third determination of a violation*

Upon the determination of civil rights violation with respect to a specified tax-exempt educational institution, if it is not one of the first two such determinations made after the date of enactment,

<sup>22</sup>Section 4946(b)(1) defines the term “foundation manager” to include an officer, director, or trustee (or an individual having powers or responsibilities similar to those of officers, directors, or trustees) and with respect to any act (or failure to act) the employees having the authority or responsibility with respect to such act (or failure to act).

the Secretary shall conduct a review to determine whether the institution remains an organization that is described in section 501(c) and entitled to exemption from Federal income tax under section 501(a). For this purpose, any determination of civil rights violation that is vacated, overturned, or otherwise reversed is not taken into account, unless subsequently reinstated or otherwise redetermined.

*Reporting requirements*

The provision requires a specified tax-exempt educational institution that is subject to the annual information return reporting requirements of section 6033(a) for the taxable year (that is, an organization that is required under present law to file a Form 990-series return) to include on the return the following information with respect to each determination of civil rights violation with respect to the institution:

1. a description of the determination (including the date of the determination) and of the civil rights violation to which the determination relates;
2. the number of determinations of civil rights violation made with respect to the institution after the date of enactment and before such determination (disregarding determinations that are vacated, overturned, or otherwise reversed, unless subsequently reinstated or otherwise redetermined); and
3. such other information as the Secretary may require.

For each determination of civil rights violation that is vacated, overturned, or otherwise reversed during the taxable year, such institution must include the following information on its annual information return:

1. a description of the order or judgment that reversed the determination, including the date of the order or judgment;
2. a description of the determination so reversed (including the date of the determination) and of the civil rights violation to which the determination relates; and
3. such other information as the Secretary may require.

Certain State colleges or universities may not, under present law, be required to file a Form 990-series annual information return under section 6033(a). Under the provision, however, a specified tax-exempt educational institution that is described in section 511(a)(2)(B) (generally describing State colleges and universities) shall, for any taxable year in which there is a determination of civil rights violation (or reversal thereof) with respect to the institution, file an annual return that contains the above-described information relating to reporting of determinations and reversals. The penalties applicable to Form 990-series returns filed under section 6033(a) (such as the failure-to-file penalty under section 6652(c)) shall also apply to such a return.

EFFECTIVE DATE

The provision is effective for determinations of civil rights violations made after the date of enactment.

**III. VOTE OF THE COMMITTEE**

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Com-

mittee on Ways and Means in its consideration of H.R. 8914, the “University Accountability Act,” on July 9, 2024.

H.R. 8914 was ordered favorably reported to the House of Representatives as amended by a roll call vote of 24 yeas to 12 nays (with a quorum being present).

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	X			Mr. Neal		X	
Mr. Buchanan	X			Mr. Doggett			
Mr. Smith (NE)	X			Mr. Thompson		X	
Mr. Kelly	X			Mr. Larson		X	
Mr. Schweikert	X			Mr. Blumenauer		X	
Mr. LaHood	X			Mr. Pascrell			
Dr. Wenstrup	X			Mr. Davis			
Mr. Arrington	X			Ms. Sánchez			
Dr. Ferguson	X			Ms. Sewell		X	
Mr. Estes	X			Ms. DelBene		X	
Mr. Smucker	X			Ms. Chu		X	
Mr. Hern	X			Ms. Moore			
Ms. Miller	X			Mr. Kildee		X	
Dr. Murphy				Mr. Beyer		X	
Mr. Kustoff	X			Mr. Evans			
Mr. Fitzpatrick	X			Mr. Schneider		X	
Mr. Steube	X			Mr. Panetta		X	
Ms. Tenney	X			Mr. Gomez		X	
Mrs. Fischbach	X						
Mr. Moore	X						
Mrs. Steel	X						
Ms. Van Duyne	X						
Mr. Feenstra	X						
Ms. Malliotakis	X						
Mr. Carey	X						

**IV. BUDGET EFFECTS OF THE BILL**

**A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS**

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 8914 as reported. The estimate prepared by the Congressional Budget Office (“CBO”) is included below.

The bill is estimated to increase Federal fiscal year budget receipts over the 2024 to 2034 budget period by less than \$500,000.

**B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES BUDGET AUTHORITY**

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority.

**C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE**

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the following statement by CBO is provided.

<b>H.R. 8914, University Accountability Act</b>			
As ordered reported by the House Committee on Ways and Means on July 9, 2024			
By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	0
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply? Yes	
<b>Mandate Effects</b>			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between -\$500,000 and \$500,000.			

H.R. 8914 would impose a penalty on universities that violate title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, or national origin in programs and activities that receive federal funding. For tax-exempt universities required to file a federal income tax Form 990, the penalty would be the greater of \$100,000 or 5 percent of the sum of compensation paid to private foundation managers and certain highly compensated employees. For tax-exempt universities not required to file a Form 990, including most public universities, the penalty would be \$100,000. The bill also would require the Secretary of the Treasury to review the tax-exempt status of any university with multiple violations.

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by the Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. The estimates for the revenue provisions of H.R. 8914 were provided by JCT.<sup>1</sup>

For this estimate, CBO and JCT assume that the bill will be enacted in fiscal year 2024. JCT estimates that enacting the bill would increase revenues by less than \$500,000 over the 2024–2034 period. That increase would stem from collections of penalties.

CBO estimates that implementing the bill would increase federal costs by less than \$500,000 over the 2024–2029 period for the Internal Revenue Service to make those changes; any related spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Kathleen Burke. The estimate was reviewed by John McClelland, Director of Tax Analysis.

PHILLIP L. SWAGEL,  
Director, Congressional Budget Office.

<sup>1</sup>See Joint Committee on Taxation, *Description of H.R. 8914, the "University Accountability Act,"* JCX-27-24 (July 5, 2024), [www.jct.gov/publications/2024/jcx-27-24](http://www.jct.gov/publications/2024/jcx-27-24).

## **V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE**

### **A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS**

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings and recommendations that are reflected in this report.

### **B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES**

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill does not authorize funding, so no statement of general performance goals and objectives is required.

### **C. APPLICABILITY OF HOUSE RULE XXI, CLAUSE 5(b)**

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the bill, and states that the bill does not provide such a Federal income tax rate increase.

### **D. INFORMATION RELATING TO UNFUNDED MANDATES**

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

### **E. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS**

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

### **F. DUPLICATION OF FEDERAL PROGRAMS**

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

## G. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the “IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the IRS and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the IRC and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

**VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED****A. CHANGES IN EXISTING LAW PROPOSED BY THE BILL, AS REPORTED**

Pursuant to clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill are shown as follows:

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

**INTERNAL REVENUE CODE OF 1986**

\* \* \* \* \*

**Subtitle A—Income Taxes**

\* \* \* \* \*

**CHAPTER 1—NORMAL TAXES AND SURTAXES**

\* \* \* \* \*

**Subchapter F—EXEMPT ORGANIZATIONS**

\* \* \* \* \*

**PART I—GENERAL RULE**

\* \* \* \* \*

**SEC. 501. EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.**

(a) EXEMPTION FROM TAXATION.—An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation

under this subtitle unless such exemption is denied under section 502 or 503.

(b) TAX ON UNRELATED BUSINESS INCOME AND CERTAIN OTHER ACTIVITIES.—An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(c) LIST OF EXEMPT ORGANIZATIONS.—The following organizations are referred to in subsection (a):

(1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation—

(A) is exempt from Federal income taxes—

(i) under such Act as amended and supplemented before July 18, 1984, or

(ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

(B) is described in subsection (l).

(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

(4)(A) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

(B) Subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

(5) Labor, agricultural, or horticultural organizations.

(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (wheth-

er or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

(8) Fraternal beneficiary societies, orders, or associations—

(A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

(B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

(9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual. For purposes of providing for the payment of sick and accident benefits to members of such an association and their dependents, the term "dependent" shall include any individual who is a child (as defined in section 152(f)(1)) of a member who as of the end of the calendar year has not attained age 27.

(10) Domestic fraternal societies, orders, or associations, operating under the lodge system—

(A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

(B) which do not provide for the payment of life, sick, accident, or other benefits.

(11) Teachers' retirement fund associations of a purely local character, if—

(A) no part of their net earnings inures (other than through payment of retirement benefits) to the benefit of any private shareholder or individual, and

(B) the income consists solely of amounts received from public taxation, amounts received from assessments on the teaching salaries of members, and income in respect of investments.

(12)(A) Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

(B) In the case of a mutual or cooperative telephone company, subparagraph (A) shall be applied without taking into account any income received or accrued—

(i) from a nonmember telephone company for the performance of communication services which involve members of the mutual or cooperative telephone company,

(ii) from qualified pole rentals,

(iii) from the sale of display listings in a directory furnished to the members of the mutual or cooperative telephone company, or

(iv) from the prepayment of a loan under section 306A, 306B, or 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

(C) In the case of a mutual or cooperative electric company, subparagraph (A) shall be applied without taking into account any income received or accrued—

(i) from qualified pole rentals, or

(ii) from any provision or sale of electric energy transmission services or ancillary services if such services are provided on a nondiscriminatory open access basis under an open access transmission tariff approved or accepted by FERC or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member),

(iii) from the provision or sale of electric energy distribution services or ancillary services if such services are provided on a nondiscriminatory open access basis to distribute electric energy not owned by the mutual or electric cooperative company—

(I) to end-users who are served by distribution facilities not owned by such company or any of its members (other than income received or accrued directly or indirectly from a member), or

(II) generated by a generation facility not owned or leased by such company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member),

(iv) from any nuclear decommissioning transaction, or

(v) from any asset exchange or conversion transaction.

(D) For purposes of this paragraph, the term “qualified pole rental” means any rental of a pole (or other structure used to support wires) if such pole (or other structure)—

(i) is used by the telephone or electric company to support one or more wires which are used by such company in providing telephone or electric services to its members, and

(ii) is used pursuant to the rental to support one or more wires (in addition to the wires described in clause (i)) for use in connection with the transmission by wire of electricity or of telephone or other communications.

For purposes of the preceding sentence, the term “rental” includes any sale of the right to use the pole (or other structure).

(E) For purposes of subparagraph (C)(ii), the term “FERC” means—

(i) the Federal Energy Regulatory Commission, or

(ii) in the case of any utility with respect to which all of the electricity generated, transmitted, or distributed by such utility is generated, transmitted, distributed, and

- consumed in the same State, the State agency of such State with the authority to regulate electric utilities.
- (F) For purposes of subparagraph (C)(iv), the term “nuclear decommissioning transaction” means—
- (i) any transfer into a trust, fund, or instrument established to pay any nuclear decommissioning costs if the transfer is in connection with the transfer of the mutual or cooperative electric company’s interest in a nuclear power plant or nuclear power plant unit,
  - (ii) any distribution from any trust, fund, or instrument established to pay any nuclear decommissioning costs, or
  - (iii) any earnings from any trust, fund, or instrument established to pay any nuclear decommissioning costs.
- (G) For purposes of subparagraph (C)(v), the term “asset exchange or conversion transaction” means any voluntary exchange or involuntary conversion of any property related to generating, transmitting, distributing, or selling electric energy by a mutual or cooperative electric company, the gain from which qualifies for deferred recognition under section 1031 or 1033, but only if the replacement property acquired by such company pursuant to such section constitutes property which is used, or to be used, for—
- (i) generating, transmitting, distributing, or selling electric energy, or
  - (ii) producing, transmitting, distributing, or selling natural gas.
- (H)(i) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2)(C), income received or accrued from a load loss transaction shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.
- (ii) For purposes of clause (i), the term “load loss transaction” means any wholesale or retail sale of electric energy (other than to members) to the extent that the aggregate sales during the recovery period do not exceed the load loss mitigation sales limit for such period.
- (iii) For purposes of clause (ii), the load loss mitigation sales limit for the recovery period is the sum of the annual load losses for each year of such period.
- (iv) For purposes of clause (iii), a mutual or cooperative electric company’s annual load loss for each year of the recovery period is the amount (if any) by which—
- (I) the megawatt hours of electric energy sold during such year to members of such electric company are less than
  - (II) the megawatt hours of electric energy sold during the base year to such members.
- (v) For purposes of clause (iv)(II), the term “base year” means—
- (I) the calendar year preceding the start-up year, or
  - (II) at the election of the mutual or cooperative electric company, the second or third calendar years preceding the start-up year.
- (vi) For purposes of this subparagraph, the recovery period is the 7-year period beginning with the start-up year.

(vii) For purposes of this subparagraph, the start-up year is the first year that the mutual or cooperative electric company offers nondiscriminatory open access or the calendar year which includes the date of the enactment of this subparagraph, if later, at the election of such company.

(viii) A company shall not fail to be treated as a mutual or cooperative electric company for purposes of this paragraph or as a corporation operating on a cooperative basis for purposes of section 1381(a)(2)(C) by reason of the treatment under clause (i).

(ix) For purposes of subparagraph (A), in the case of a mutual or cooperative electric company, income received, or accrued, indirectly from a member shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.

(I) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2), income received or accrued in connection with an election under section 45J(e)(1) shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.

(J) In the case of a mutual or cooperative telephone or electric company described in this paragraph, subparagraph (A) shall be applied without taking into account any income received or accrued from—

(i) any grant, contribution, or assistance provided pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act or any similar grant, contribution, or assistance by any local, State, or regional governmental entity for the purpose of relief, recovery, or restoration from, or preparation for, a disaster or emergency, or

(ii) any grant or contribution by any governmental entity (other than a contribution in aid of construction or any other contribution as a customer or potential customer) the purpose of which is substantially related to providing, constructing, restoring, or relocating electric, communication, broadband, internet, or other utility facilities or services.

(13) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for the purpose of the disposal of bodies by burial or cremation which is not permitted by its charter to engage in any business not necessarily incident to that purpose and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(14)(A) Credit unions without capital stock organized and operated for mutual purposes and without profit.

(B) Corporations or associations without capital stock organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of shares or deposits in—

(i) domestic building and loan associations,

(ii) cooperative banks without capital stock organized and operated for mutual purposes and without profit,

(iii) mutual savings banks not having capital stock represented by shares, or

(iv) mutual savings banks described in section 591(b).

(C) Corporations or associations organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for associations or banks described in clause (i), (ii), or (iii) of subparagraph (B); but only if 85 percent or more of the income is attributable to providing such reserve funds and to investments. This subparagraph shall not apply to any corporation or association entitled to exemption under subparagraph (B).

(15)(A) Insurance companies (as defined in section 816(a)) other than life (including interinsurers and reciprocal underwriters) if—

(i)(I) the gross receipts for the taxable year do not exceed \$600,000, and

(II) more than 50 percent of such gross receipts consist of premiums, or

(ii) in the case of a mutual insurance company—

(I) the gross receipts of which for the taxable year do not exceed \$150,000, and

(II) more than 35 percent of such gross receipts consist of premiums.

Clause (ii) shall not apply to a company if any employee of the company, or a member of the employee's family (as defined in section 2032A(e)(2)), is an employee of another company exempt from taxation by reason of this paragraph (or would be so exempt but for this sentence).

(B) For purposes of subparagraph (A), in determining whether any company or association is described in subparagraph (A), such company or association shall be treated as receiving during the taxable year amounts described in subparagraph (A) which are received during such year by all other companies or associations which are members of the same controlled group as the insurance company or association for which the determination is being made.

(C) For purposes of subparagraph (B), the term "controlled group" has the meaning given such term by section 831(b)(2)(B)(ii),<sup>1</sup> except that in applying section 831(b)(2)(B)(ii) <sup>1</sup> for purposes of this subparagraph, subparagraphs (B) and (C) of section 1563(b)(2) shall be disregarded.

(16) Corporations organized by an association subject to part IV of this subchapter or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, on dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof; nor

shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose.

(17)(A) A trust or trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits, if—

(i) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities, with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of supplemental unemployment compensation benefits,

(ii) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section 414(q)), and

(iii) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section 414(q)). A plan shall not be considered discriminatory within the meaning of this clause merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

(B) In determining whether a plan meets the requirements of subparagraph (A), any benefits provided under any other plan shall not be taken into consideration, except that a plan shall not be considered discriminatory—

(i) merely because the benefits under the plan which are first determined in a nondiscriminatory manner within the meaning of subparagraph (A) are then reduced by any sick, accident, or unemployment compensation benefits received under State or Federal law (or reduced by a portion of such benefits if determined in a nondiscriminatory manner), or

(ii) merely because the plan provides only for employees who are not eligible to receive sick, accident, or unemployment compensation benefits under State or Federal law the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such laws if such employees were eligible for such benefits, or

(iii) merely because the plan provides only for employees who are not eligible under another plan (which meets the requirements of subparagraph (A)) of supplemental unemployment compensation benefits provided wholly by the employer the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such other plan if such employees were eligible under such other plan, but only if the employees eligible under both plans would make a classification which would be nondiscriminatory within the meaning of subparagraph (A).

(C) A plan shall be considered to meet the requirements of subparagraph (A) during the whole of any year of the plan if on one day in each quarter it satisfies such requirements.

(D) The term “supplemental unemployment compensation benefits” means only—

(i) benefits which are paid to an employee because of his involuntary separation from the employment of the employer (whether or not such separation is temporary) resulting directly from a reduction in force, the discontinuance of a plant or operation, or other similar conditions, and

(ii) sick and accident benefits subordinate to the benefits described in clause (i).

(E) Exemption shall not be denied under subsection (a) to any organization entitled to such exemption as an association described in paragraph (9) of this subsection merely because such organization provides for the payment of supplemental unemployment benefits (as defined in subparagraph (D)(i)).

(18) A trust or trusts created before June 25, 1959, forming part of a plan providing for the payment of benefits under a pension plan funded only by contributions of employees, if—

(A) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of benefits under the plan,

(B) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section 414(q)),

(C) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section 414(q)). A plan shall not be considered discriminatory within the meaning of this subparagraph merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan, and

(D) in the case of a plan under which an employee may designate certain contributions as deductible—

(i) such contributions do not exceed the amount with respect to which a deduction is allowable under section 219(b)(3),

(ii) requirements similar to the requirements of section 401(k)(3)(A)(ii) are met with respect to such elective contributions,

(iii) such contributions are treated as elective deferrals for purposes of section 402(g), and

(iv) the requirements of section 401(a)(30) are met. For purposes of subparagraph (D)(ii), rules similar to the rules of section 401(k)(8) shall apply. For purposes of section 4979, any excess contribution under clause (ii) shall be treated as an excess contribution under a cash or deferred arrangement.

(19) A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—

(A) organized in the United States or any of its possessions,

(B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(21)(A) A trust or trusts established in writing, created or organized in the United States, and contributed to by any person (except an insurance company) if—

(i) the purpose of such trust or trusts is exclusively—

(I) to satisfy, in whole or in part, the liability of such person for, or with respect to, claims for compensation for disability or death due to pneumoconiosis under Black Lung Acts,

(II) to pay premiums for insurance exclusively covering such liability,

(III) to pay administrative and other incidental expenses of such trust in connection with the operation of the trust and the processing of claims against such person under Black Lung Acts, and

(IV) to pay accident or health benefits for retired miners and their spouses and dependents (including administrative and other incidental expenses of such trust in connection therewith) or premiums for insurance exclusively covering such benefits; and

(ii) no part of the assets of the trust may be used for, or diverted to, any purpose other than—

(I) the purposes described in clause (i),

(II) investment (but only to the extent that the trustee determines that a portion of the assets is not currently needed for the purposes described in clause (i)) in qualified investments, or

(III) payment into the Black Lung Disability Trust Fund established under section 9501, or into the general fund of the United States Treasury (other than in satisfaction of any tax or other civil or criminal liability of the person who established or contributed to the trust).

(B) No deduction shall be allowed under this chapter for any payment described in subparagraph (A)(i)(IV) from such trust.

(C) Payments described in subparagraph (A)(i)(IV) may be made from such trust during a taxable year only to the extent that the aggregate amount of such payments during such taxable year does not exceed the excess (if any), as of the close of the preceding taxable year, of—

(i) the fair market value of the assets of the trust, over

(ii) 110 percent of the present value of the liability described in subparagraph (A)(i)(I) of such person. The determinations under the preceding sentence shall be made by an independent actuary using actuarial methods and assumptions (not inconsistent with the regulations prescribed under section 192(c)(1)(A)) each of which is reasonable and which are reasonable in the aggregate.

(D) For purposes of this paragraph:

(i) The term “Black Lung Acts” means part C of title IV of the Federal Mine Safety and Health Act of 1977, and any State law providing compensation for disability or death due to that pneumoconiosis.

(ii) The term “qualified investments” means—

- (I) public debt securities of the United States,
- (II) obligations of a State or local government which are not in default as to principal or interest, and
- (III) time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(7) of the Federal Credit Union Act, 12 U.S.C. 1752(7)) located in the United States.

(iii) The term “miner” has the same meaning as such term has when used in section 402(d) of the Black Lung Benefits Act (30 U.S.C. 902(d)).

(iv) The term “incidental expenses” includes legal, accounting, actuarial, and trustee expenses.

(22) A trust created or organized in the United States and established in writing by the plan sponsors of multiemployer plans if—

(A) the purpose of such trust is exclusively—

(i) to pay any amount described in section 4223(c) or (h) of the Employee Retirement Income Security Act of 1974, and

(ii) to pay reasonable and necessary administrative expenses in connection with the establishment and operation of the trust and the processing of claims against the trust,

(B) no part of the assets of the trust may be used for, or diverted to, any purpose other than—

- (i) the purposes described in subparagraph (A), or
- (ii) the investment in securities, obligations, or time or demand deposits described in clause (ii) of paragraph (21)(D),

(C) such trust meets the requirements of paragraphs (2), (3), and (4) of section 4223(b), 4223(h), or, if applicable, section 4223(c) of the Employee Retirement Income Security Act of 1974, and

(D) the trust instrument provides that, on dissolution of the trust, assets of the trust may not be paid other than to plans which have participated in the plan or, in the case of a trust established under section 4223(h) of such Act, to plans with respect to which employers have participated in the fund.

(23) Any association organized before 1880 more than 75 percent of the members of which are present or past members of the Armed Forces and a principal purpose of which is to pro-

vide insurance and other benefits to veterans or their dependents.

(24) A trust described in section 4049 of the Employee Retirement Income Security Act of 1974 (as in effect on the date of the enactment of the Single-Employer Pension Plan Amendments Act of 1986).

- (25)(A) Any corporation or trust which—
- (i) has no more than 35 shareholders or beneficiaries,
  - (ii) has only 1 class of stock or beneficial interest, and
  - (iii) is organized for the exclusive purposes of—
    - (I) acquiring real property and holding title to, and collecting income from, such property, and
    - (II) remitting the entire amount of income from such property (less expenses) to 1 or more organizations described in subparagraph (C) which are shareholders of such corporation or beneficiaries of such trust.

For purposes of clause (iii), the term “real property” shall not include any interest as a tenant in common (or similar interest) and shall not include any indirect interest.

(B) A corporation or trust shall be described in subparagraph (A) without regard to whether the corporation or trust is organized by 1 or more organizations described in subparagraph (C).

(C) An organization is described in this subparagraph if such organization is—

- (i) a qualified pension, profit sharing, or stock bonus plan that meets the requirements of section 401(a),
- (ii) a governmental plan (within the meaning of section 414(d)),
- (iii) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, or
- (iv) any organization described in paragraph (3).

(D) A corporation or trust shall in no event be treated as described in subparagraph (A) unless such corporation or trust permits its shareholders or beneficiaries—

- (i) to dismiss the corporation’s or trust’s investment adviser, following reasonable notice, upon a vote of the shareholders or beneficiaries holding a majority of interest in the corporation or trust, and
- (ii) to terminate their interest in the corporation or trust by either, or both, of the following alternatives, as determined by the corporation or trust:

- (I) by selling or exchanging their stock in the corporation or interest in the trust (subject to any Federal or State securities law) to any organization described in subparagraph (C) so long as the sale or exchange does not increase the number of shareholders or beneficiaries in such corporation or trust above 35, or

- (II) by having their stock or interest redeemed by the corporation or trust after the shareholder or beneficiary has provided 90 days notice to such corporation or trust.

(E)(i) For purposes of this title—

(I) a corporation which is a qualified subsidiary shall not be treated as a separate corporation, and

(II) all assets, liabilities, and items of income, deduction, and credit of a qualified subsidiary shall be treated as assets, liabilities, and such items (as the case may be) of the corporation or trust described in subparagraph (A).

(ii) For purposes of this subparagraph, the term “qualified subsidiary” means any corporation if, at all times during the period such corporation was in existence, 100 percent of the stock of such corporation is held by the corporation or trust described in subparagraph (A).

(iii) For purposes of this subtitle, if any corporation which was a qualified subsidiary ceases to meet the requirements of clause (ii), such corporation shall be treated as a new corporation acquiring all of its assets (and assuming all of its liabilities) immediately before such cessation from the corporation or trust described in subparagraph (A) in exchange for its stock.

(F) For purposes of subparagraph (A), the term “real property” includes any personal property which is leased under, or in connection with, a lease of real property, but only if the rent attributable to such personal property (determined under the rules of section 856(d)(1)) for the taxable year does not exceed 15 percent of the total rent for the taxable year attributable to both the real and personal property leased under, or in connection with, such lease.

(G)(i) An organization shall not be treated as failing to be described in this paragraph merely by reason of the receipt of any otherwise disqualifying income which is incidentally derived from the holding of real property.

(ii) Clause (i) shall not apply if the amount of gross income described in such clause exceeds 10 percent of the organization’s gross income for the taxable year unless the organization establishes to the satisfaction of the Secretary that the receipt of gross income described in clause (i) in excess of such limitation was inadvertent and reasonable steps are being taken to correct the circumstances giving rise to such income.

(26) Any membership organization if—

(A) such organization is established by a State exclusively to provide coverage for medical care (as defined in section 213(d)) on a not-for-profit basis to individuals described in subparagraph (B) through—

(i) insurance issued by the organization, or

(ii) a health maintenance organization under an arrangement with the organization,

(B) the only individuals receiving such coverage through the organization are individuals—

(i) who are residents of such State, and

(ii) who, by reason of the existence or history of a medical condition—

(I) are unable to acquire medical care coverage for such condition through insurance or from a health maintenance organization, or

(II) are able to acquire such coverage only at a rate which is substantially in excess of the rate for

such coverage through the membership organization,

(C) the composition of the membership in such organization is specified by such State, and

(D) no part of the net earnings of the organization inures to the benefit of any private shareholder or individual.

A spouse and any qualifying child (as defined in section 24(c)) of an individual described in subparagraph (B) (without regard to this sentence) shall be treated as described in subparagraph (B).

(27)(A) Any membership organization if—

(i) such organization is established before June 1, 1996, by a State exclusively to reimburse its members for losses arising under workmen's compensation acts,

(ii) such State requires that the membership of such organization consist of—

(I) all persons who issue insurance covering workmen's compensation losses in such State, and

(II) all persons and governmental entities who self-insure against such losses, and

(iii) such organization operates as a non-profit organization by—

(I) returning surplus income to its members or workmen's compensation policyholders on a periodic basis, and

(II) reducing initial premiums in anticipation of investment income.

(B) Any organization (including a mutual insurance company) if—

(i) such organization is created by State law and is organized and operated under State law exclusively to—

(I) provide workmen's compensation insurance which is required by State law or with respect to which State law provides significant disincentives if such insurance is not purchased by an employer, and

(II) provide related coverage which is incidental to workmen's compensation insurance,

(ii) such organization must provide workmen's compensation insurance to any employer in the State (for employees in the State or temporarily assigned out-of-State) which seeks such insurance and meets other reasonable requirements relating thereto,

(iii)(I) the State makes a financial commitment with respect to such organization either by extending the full faith and credit of the State to the initial debt of such organization or by providing the initial operating capital of such organization, and (II) in the case of periods after the date of enactment of this subparagraph, the assets of such organization revert to the State upon dissolution or State law does not permit the dissolution of such organization, and

(iv) the majority of the board of directors or oversight body of such organization are appointed by the chief executive officer or other executive branch official of the State, by the State legislature, or by both.

(28) The National Railroad Retirement Investment Trust established under section 15(j) of the Railroad Retirement Act of 1974.

(29) CO-OP HEALTH INSURANCE ISSUERS.—

(A) IN GENERAL.—A qualified nonprofit health insurance issuer (within the meaning of section 1322 of the Patient Protection and Affordable Care Act) which has received a loan or grant under the CO-OP program under such section, but only with respect to periods for which the issuer is in compliance with the requirements of such section and any agreement with respect to the loan or grant.

(B) CONDITIONS FOR EXEMPTION.—Subparagraph (A) shall apply to an organization only if—

(i) the organization has given notice to the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition of its status under this paragraph,

(ii) except as provided in section 1322(c)(4) of the Patient Protection and Affordable Care Act, no part of the net earnings of which inures to the benefit of any private shareholder or individual,

(iii) no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and

(iv) the organization does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

(d) RELIGIOUS AND APOSTOLIC ORGANIZATIONS.—The following organizations are referred to in subsection (a): Religious or apostolic associations or corporations, if such associations or corporations have a common treasury or community treasury, even if such associations or corporations engage in business for the common benefit of the members, but only if the members thereof include (at the time of filing their returns) in their gross income their entire pro rata shares, whether distributed or not, of the taxable income of the association or corporation for such year. Any amount so included in the gross income of a member shall be treated as a dividend received.

(e) COOPERATIVE HOSPITAL SERVICE ORGANIZATIONS.—For purposes of this title, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if—

(1) such organization is organized and operated solely—

(A) to perform, on a centralized basis, one or more of the following services which, if performed on its own behalf by a hospital which is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), would constitute activities in exercising or performing the purpose or function constituting the basis for its exemption: data processing, purchasing (including the purchasing of insurance on a group basis), warehousing, billing and collection (including the purchase of patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, printing, communications, record cen-

ter, and personnel (including selection, testing, training, and education of personnel) services; and

(B) to perform such services solely for two or more hospitals each of which is—

(i) an organization described in subsection (c)(3) which is exempt from taxation under subsection (a),

(ii) a constituent part of an organization described in subsection (c)(3) which is exempt from taxation under subsection (a) and which, if organized and operated as a separate entity, would constitute an organization described in subsection (c)(3), or

(iii) owned and operated by the United States, a State, the District of Columbia, or a possession of the United States, or a political subdivision or an agency or instrumentality of any of the foregoing;

(2) such organization is organized and operated on a cooperative basis and allocates or pays, within 8½ months after the close of its taxable year, all net earnings to patrons on the basis of services performed for them; and

(3) if such organization has capital stock, all of such stock outstanding is owned by its patrons.

For purposes of this title, any organization which, by reason of the preceding sentence, is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), shall be treated as a hospital and as an organization referred to in section 170(b)(1)(A)(iii).

(f) COOPERATIVE SERVICE ORGANIZATIONS OF OPERATING EDUCATIONAL ORGANIZATIONS.—For purposes of this title, if an organization is—

(1) organized and operated solely to hold, commingle, and collectively invest and reinvest (including arranging for and supervising the performance by independent contractors of investment services related thereto) in stocks and securities, the moneys contributed thereto by each of the members of such organization, and to collect income therefrom and turn over the entire amount thereof, less expenses, to such members,

(2) organized and controlled by one or more such members, and

(3) comprised solely of members that are organizations described in clause (ii) or (iv) of section 170(b)(1)(A)—

(A) which are exempt from taxation under subsection (a),

or

(B) the income of which is excluded from taxation under section 115,

then such organization shall be treated as an organization organized and operated exclusively for charitable purposes.

(g) DEFINITION OF AGRICULTURAL.—For purposes of subsection (c)(5), the term “agricultural” includes the art or science of cultivating land, harvesting crops or aquatic resources, or raising livestock.

(h) EXPENDITURES BY PUBLIC CHARITIES TO INFLUENCE LEGISLATION.—

(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the ac-

tivities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally—

(A) makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year, or

(B) makes grass roots expenditures in excess of the grass roots ceiling amount for such organization for each taxable year.

(2) DEFINITIONS.—For purposes of this subsection—

(A) LOBBYING EXPENDITURES.—The term “lobbying expenditures” means expenditures for the purpose of influencing legislation (as defined in section 4911(d)).

(B) LOBBYING CEILING AMOUNT.—The lobbying ceiling amount for any organization for any taxable year is 150 percent of the lobbying nontaxable amount for such organization for such taxable year, determined under section 4911.

(C) GRASS ROOTS EXPENDITURES.—The term “grass roots expenditures” means expenditures for the purpose of influencing legislation (as defined in section 4911(d) without regard to paragraph (1)(B) thereof).

(D) GRASS ROOTS CEILING AMOUNT.—The grass roots ceiling amount for any organization for any taxable year is 150 percent of the grass roots nontaxable amount for such organization for such taxable year, determined under section 4911.

(3) ORGANIZATIONS TO WHICH THIS SUBSECTION APPLIES.—This subsection shall apply to any organization which has elected (in such manner and at such time as the Secretary may prescribe) to have the provisions of this subsection apply to such organization and which, for the taxable year which includes the date the election is made, is described in subsection (c)(3) and—

(A) is described in paragraph (4), and

(B) is not a disqualified organization under paragraph (5).

(4) ORGANIZATIONS PERMITTED TO ELECT TO HAVE THIS SUBSECTION APPLY.—An organization is described in this paragraph if it is described in—

(A) section 170(b)(1)(A)(ii) (relating to educational institutions),

(B) section 170(b)(1)(A)(iii) (relating to hospitals and medical research organizations),

(C) section 170(b)(1)(A)(iv) (relating to organizations supporting government schools),

(D) section 170(b)(1)(A)(vi) (relating to organizations publicly supported by charitable contributions),

(E) section 170(b)(1)(A)(ix) (relating to agricultural research organizations),

(F) section 509(a)(2) (relating to organizations publicly supported by admissions, sales, etc.), or

(G) section 509(a)(3) (relating to organizations supporting certain types of public charities) except that for purposes of this subparagraph, section 509(a)(3) shall be

- applied without regard to the last sentence of section 509(a).
- (5) **DISQUALIFIED ORGANIZATIONS.**—For purposes of paragraph (3) an organization is a disqualified organization if it is—
- (A) described in section 170(b)(1)(A)(i) (relating to churches),
  - (B) an integrated auxiliary of a church or of a convention or association of churches, or
  - (C) a member of an affiliated group of organizations (within the meaning of section 4911(f)(2)) if one or more members of such group is described in subparagraph (A) or (B).
- (6) **YEARS FOR WHICH ELECTION IS EFFECTIVE.**—An election by an organization under this subsection shall be effective for all taxable years of such organization which—
- (A) end after the date the election is made, and
  - (B) begin before the date the election is revoked by such organization (under regulations prescribed by the Secretary).
- (7) **NO EFFECT ON CERTAIN ORGANIZATIONS.**—With respect to any organization for a taxable year for which—
- (A) such organization is a disqualified organization (within the meaning of paragraph (5)), or
  - (B) an election under this subsection is not in effect for such organization,
- nothing in this subsection or in section 4911 shall be construed to affect the interpretation of the phrase, “no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation,” under subsection (c)(3).
- (8) **AFFILIATED ORGANIZATIONS.**—For rules regarding affiliated organizations, see section 4911(f).
- (i) **PROHIBITION OF DISCRIMINATION BY CERTAIN SOCIAL CLUBS.**—Notwithstanding subsection (a), an organization which is described in subsection (c)(7) shall not be exempt from taxation under subsection (a) for any taxable year if, at any time during such taxable year, the charter, bylaws, or other governing instrument, of such organization or any written policy statement of such organization contains a provision which provides for discrimination against any person on the basis of race, color, or religion. The preceding sentence to the extent it relates to discrimination on the basis of religion shall not apply to—
- (1) an auxiliary of a fraternal beneficiary society if such society—
    - (A) is described in subsection (c)(8) and exempt from tax under subsection (a), and
    - (B) limits its membership to the members of a particular religion, or
  - (2) a club which in good faith limits its membership to the members of a particular religion in order to further the teachings or principles of that religion, and not to exclude individuals of a particular race or color.
- (j) **SPECIAL RULES FOR CERTAIN AMATEUR SPORTS ORGANIZATIONS.**—

(1) IN GENERAL.—In the case of a qualified amateur sports organization—

(A) the requirement of subsection (c)(3) that no part of its activities involve the provision of athletic facilities or equipment shall not apply, and

(B) such organization shall not fail to meet the requirements of subsection (c)(3) merely because its membership is local or regional in nature.

(2) QUALIFIED AMATEUR SPORTS ORGANIZATION DEFINED.—For purposes of this subsection, the term “qualified amateur sports organization” means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports.

(k) TREATMENT OF CERTAIN ORGANIZATIONS PROVIDING CHILD CARE.—For purposes of subsection (c)(3) of this section and sections 170(c)(2), 2055(a)(2), and 2522(a)(2), the term “educational purposes” includes the providing of care of children away from their homes if—

(1) substantially all of the care provided by the organization is for purposes of enabling individuals to be gainfully employed, and

(2) the services provided by the organization are available to the general public.

(l) GOVERNMENT CORPORATIONS EXEMPT UNDER SUBSECTION (C)(1).—For purposes of subsection (c)(1), the following organizations are described in this subsection:

(1) The Central Liquidity Facility established under title III of the Federal Credit Union Act (12 U.S.C. 1795 et seq.).

(2) The Resolution Trust Corporation established under section 21A<sup>1</sup> of the Federal Home Loan Bank Act.

(3) The Resolution Funding Corporation established under section 21B of the Federal Home Loan Bank Act.

(4) The Patient-Centered Outcomes Research Institute established under section 1181(b) of the Social Security Act.

(m) CERTAIN ORGANIZATIONS PROVIDING COMMERCIAL-TYPE INSURANCE NOT EXEMPT FROM TAX.—

(1) DENIAL OF TAX EXEMPTION WHERE PROVIDING COMMERCIAL-TYPE INSURANCE IS SUBSTANTIAL PART OF ACTIVITIES.—An organization described in paragraph (3) or (4) of subsection (c) shall be exempt from tax under subsection (a) only if no substantial part of its activities consists of providing commercial-type insurance.

(2) OTHER ORGANIZATIONS TAXED AS INSURANCE COMPANIES ON INSURANCE BUSINESS.—In the case of an organization described in paragraph (3) or (4) of subsection (c) which is exempt from tax under subsection (a) after the application of paragraph (1) of this subsection—

(A) the activity of providing commercial-type insurance shall be treated as an unrelated trade or business (as defined in section 513), and

(B) in lieu of the tax imposed by section 511 with respect to such activity, such organization shall be treated as an

insurance company for purposes of applying subchapter L with respect to such activity.

(3) COMMERCIAL-TYPE INSURANCE.—For purposes of this subsection, the term “commercial-type insurance” shall not include—

(A) insurance provided at substantially below cost to a class of charitable recipients,

(B) incidental health insurance provided by a health maintenance organization of a kind customarily provided by such organizations,

(C) property or casualty insurance provided (directly or through an organization described in section 414(e)(3)(B)(ii)) by a church or convention or association of churches for such church or convention or association of churches,

(D) providing retirement or welfare benefits (or both) by a church or a convention or association of churches (directly or through an organization described in section 414(e)(3)(A) or 414(e)(3)(B)(ii)) for the employees (including employees described in section 414(e)(3)(B)) of such church or convention or association of churches or the beneficiaries of such employees, and

(E) charitable gift annuities.

(4) INSURANCE INCLUDES ANNUITIES.—For purposes of this subsection, the issuance of annuity contracts shall be treated as providing insurance.

(5) CHARITABLE GIFT ANNUITY.—For purposes of paragraph (3)(E), the term “charitable gift annuity” means an annuity if—

(A) a portion of the amount paid in connection with the issuance of the annuity is allowable as a deduction under section 170 or 2055, and

(B) the annuity is described in section 514(c)(5) (determined as if any amount paid in cash in connection with such issuance were property).

(n) CHARITABLE RISK POOLS.—

(1) IN GENERAL.—For purposes of this title—

(A) a qualified charitable risk pool shall be treated as an organization organized and operated exclusively for charitable purposes, and

(B) subsection (m) shall not apply to a qualified charitable risk pool.

(2) QUALIFIED CHARITABLE RISK POOL.—For purposes of this subsection, the term “qualified charitable risk pool” means any organization—

(A) which is organized and operated solely to pool insurable risks of its members (other than risks related to medical malpractice) and to provide information to its members with respect to loss control and risk management,

(B) which is comprised solely of members that are organizations described in subsection (c)(3) and exempt from tax under subsection (a), and

(C) which meets the organizational requirements of paragraph (3).

(3) ORGANIZATIONAL REQUIREMENTS.—An organization (hereinafter in this subsection referred to as the “risk pool”) meets the organizational requirements of this paragraph if—

(A) such risk pool is organized as a nonprofit organization under State law provisions authorizing risk pooling arrangements for charitable organizations,

(B) such risk pool is exempt from any income tax imposed by the State (or will be so exempt after such pool qualifies as an organization exempt from tax under this title),

(C) such risk pool has obtained at least \$1,000,000 in startup capital from nonmember charitable organizations,

(D) such risk pool is controlled by a board of directors elected by its members, and

(E) the organizational documents of such risk pool require that—

(i) each member of such pool shall at all times be an organization described in subsection (c)(3) and exempt from tax under subsection (a),

(ii) any member which receives a final determination that it no longer qualifies as an organization described in subsection (c)(3) shall immediately notify the pool of such determination and the effective date of such determination, and

(iii) each policy of insurance issued by the risk pool shall provide that such policy will not cover the insured with respect to events occurring after the date such final determination was issued to the insured.

An organization shall not cease to qualify as a qualified charitable risk pool solely by reason of the failure of any of its members to continue to be an organization described in subsection (c)(3) if, within a reasonable period of time after such pool is notified as required under subparagraph (E)(ii), such pool takes such action as may be reasonably necessary to remove such member from such pool.

(4) OTHER DEFINITIONS.—For purposes of this subsection—

(A) STARTUP CAPITAL.—The term “startup capital” means any capital contributed to, and any program-related investments (within the meaning of section 4944(c)) made in, the risk pool before such pool commences operations.

(B) NONMEMBER CHARITABLE ORGANIZATION.—The term “nonmember charitable organization” means any organization which is described in subsection (c)(3) and exempt from tax under subsection (a) and which is not a member of the risk pool and does not benefit (directly or indirectly) from the insurance coverage provided by the pool to its members.

(o) TREATMENT OF HOSPITALS PARTICIPATING IN PROVIDER-SPONSORED ORGANIZATIONS.—An organization shall not fail to be treated as organized and operated exclusively for a charitable purpose for purposes of subsection (c)(3) solely because a hospital which is owned and operated by such organization participates in a provider-sponsored organization (as defined in section 1855(d) of the Social Security Act), whether or not the provider-sponsored organization is exempt from tax. For purposes of subsection (c)(3), any

person with a material financial interest in such a provider-sponsored organization shall be treated as a private shareholder or individual with respect to the hospital.

(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

(B) in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or

(C) in or pursuant to an Executive order issued under the authority of any Federal law if—

(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

(ii) such Executive order refers to this subsection.

(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

(A) begins on the later of—

(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

(ii) the date of the enactment of this subsection, and

(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under any provision of this title, including sections 170, 545(b)(2), 642(c), 2055, 2106(a)(2), and 2522, with respect to any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the

period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

(6) ERRONEOUS DESIGNATION.—

(A) IN GENERAL.—If—

(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization, credit or refund (with interest) with respect to such overpayment shall be made.

(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including *res judicata*), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.

(q) SPECIAL RULES FOR CREDIT COUNSELING ORGANIZATIONS.—

(1) IN GENERAL.—An organization with respect to which the provision of credit counseling services is a substantial purpose shall not be exempt from tax under subsection (a) unless such organization is described in paragraph (3) or (4) of subsection (c) and such organization is organized and operated in accordance with the following requirements:

(A) The organization—

(i) provides credit counseling services tailored to the specific needs and circumstances of consumers,

(ii) makes no loans to debtors (other than loans with no fees or interest) and does not negotiate the making of loans on behalf of debtors,

(iii) provides services for the purpose of improving a consumer's credit record, credit history, or credit rating only to the extent that such services are incidental to providing credit counseling services, and

(iv) does not charge any separately stated fee for services for the purpose of improving any consumer's credit record, credit history, or credit rating.

(B) The organization does not refuse to provide credit counseling services to a consumer due to the inability of

the consumer to pay, the ineligibility of the consumer for debt management plan enrollment, or the unwillingness of the consumer to enroll in a debt management plan.

(C) The organization establishes and implements a fee policy which—

(i) requires that any fees charged to a consumer for services are reasonable,

(ii) allows for the waiver of fees if the consumer is unable to pay, and

(iii) except to the extent allowed by State law, prohibits charging any fee based in whole or in part on a percentage of the consumer's debt, the consumer's payments to be made pursuant to a debt management plan, or the projected or actual savings to the consumer resulting from enrolling in a debt management plan.

(D) At all times the organization has a board of directors or other governing body—

(i) which is controlled by persons who represent the broad interests of the public, such as public officials acting in their capacities as such, persons having special knowledge or expertise in credit or financial education, and community leaders,

(ii) not more than 20 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees or the repayment of consumer debt to creditors other than the credit counseling organization or its affiliates), and

(iii) not more than 49 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees).

(E) The organization does not own more than 35 percent of—

(i) the total combined voting power of any corporation (other than a corporation which is an organization described in subsection (c)(3) and exempt from tax under subsection (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services,

(ii) the profits interest of any partnership (other than a partnership which is an organization described in subsection (c)(3) and exempt from tax under subsection (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services, and

(iii) the beneficial interest of any trust or estate (other than a trust which is an organization described in subsection (c)(3) and exempt from tax under sub-

section (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services.

(F) The organization receives no amount for providing referrals to others for debt management plan services, and pays no amount to others for obtaining referrals of consumers.

(2) ADDITIONAL REQUIREMENTS FOR ORGANIZATIONS DESCRIBED IN SUBSECTION (C)(3).—

(A) IN GENERAL.—In addition to the requirements under paragraph (1), an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (3) of subsection (c) shall not be exempt from tax under subsection (a) unless such organization is organized and operated in accordance with the following requirements:

(i) The organization does not solicit contributions from consumers during the initial counseling process or while the consumer is receiving services from the organization.

(ii) The aggregate revenues of the organization which are from payments of creditors of consumers of the organization and which are attributable to debt management plan services do not exceed the applicable percentage of the total revenues of the organization.

(B) APPLICABLE PERCENTAGE.—

(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable percentage is 50 percent.

(ii) TRANSITION RULE.—Notwithstanding clause (i), in the case of an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (3) of subsection (c) and exempt from tax under subsection (a) on the date of the enactment of this subsection, the applicable percentage is—

(I) 80 percent for the first taxable year of such organization beginning after the date which is 1 year after the date of the enactment of this subsection, and

(II) 70 percent for the second such taxable year beginning after such date, and

(III) 60 percent for the third such taxable year beginning after such date.

(3) ADDITIONAL REQUIREMENT FOR ORGANIZATIONS DESCRIBED IN SUBSECTION (C)(4).—In addition to the requirements under paragraph (1), an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (4) of subsection (c) shall not be exempt from tax under subsection (a) unless such organization notifies the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition as a credit counseling organization.

(4) CREDIT COUNSELING SERVICES; DEBT MANAGEMENT PLAN SERVICES.—For purposes of this subsection—

(A) CREDIT COUNSELING SERVICES.—The term “credit counseling services” means—

(i) the providing of educational information to the general public on budgeting, personal finance, financial literacy, saving and spending practices, and the sound use of consumer credit,

(ii) the assisting of individuals and families with financial problems by providing them with counseling, or

(iii) a combination of the activities described in clauses (i) and (ii).

(B) DEBT MANAGEMENT PLAN SERVICES.—The term “debt management plan services” means services related to the repayment, consolidation, or restructuring of a consumer’s debt, and includes the negotiation with creditors of lower interest rates, the waiver or reduction of fees, and the marketing and processing of debt management plans.

(r) ADDITIONAL REQUIREMENTS FOR CERTAIN HOSPITALS.—

(1) IN GENERAL.—A hospital organization to which this subsection applies shall not be treated as described in subsection (c)(3) unless the organization—

(A) meets the community health needs assessment requirements described in paragraph (3),

(B) meets the financial assistance policy requirements described in paragraph (4),

(C) meets the requirements on charges described in paragraph (5), and

(D) meets the billing and collection requirement described in paragraph (6).

(2) HOSPITAL ORGANIZATIONS TO WHICH SUBSECTION APPLIES.—

(A) IN GENERAL.—This subsection shall apply to—

(i) an organization which operates a facility which is required by a State to be licensed, registered, or similarly recognized as a hospital, and

(ii) any other organization which the Secretary determines has the provision of hospital care as its principal function or purpose constituting the basis for its exemption under subsection (c)(3) (determined without regard to this subsection).

(B) ORGANIZATIONS WITH MORE THAN 1 HOSPITAL FACILITY.—If a hospital organization operates more than 1 hospital facility—

(i) the organization shall meet the requirements of this subsection separately with respect to each such facility, and

(ii) the organization shall not be treated as described in subsection (c)(3) with respect to any such facility for which such requirements are not separately met.

(3) COMMUNITY HEALTH NEEDS ASSESSMENTS.—

- (A) IN GENERAL.—An organization meets the requirements of this paragraph with respect to any taxable year only if the organization—
- (i) has conducted a community health needs assessment which meets the requirements of subparagraph (B) in such taxable year or in either of the 2 taxable years immediately preceding such taxable year, and
  - (ii) has adopted an implementation strategy to meet the community health needs identified through such assessment.
- (B) COMMUNITY HEALTH NEEDS ASSESSMENT.—A community health needs assessment meets the requirements of this paragraph if such community health needs assessment—
- (i) takes into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health, and
  - (ii) is made widely available to the public.
- (4) FINANCIAL ASSISTANCE POLICY.—An organization meets the requirements of this paragraph if the organization establishes the following policies:
- (A) FINANCIAL ASSISTANCE POLICY.—A written financial assistance policy which includes—
- (i) eligibility criteria for financial assistance, and whether such assistance includes free or discounted care,
  - (ii) the basis for calculating amounts charged to patients,
  - (iii) the method for applying for financial assistance,
  - (iv) in the case of an organization which does not have a separate billing and collections policy, the actions the organization may take in the event of non-payment, including collections action and reporting to credit agencies, and
  - (v) measures to widely publicize the policy within the community to be served by the organization.
- (B) POLICY RELATING TO EMERGENCY MEDICAL CARE.—A written policy requiring the organization to provide, without discrimination, care for emergency medical conditions (within the meaning of section 1867 of the Social Security Act (42 U.S.C. 1395dd)) to individuals regardless of their eligibility under the financial assistance policy described in subparagraph (A).
- (5) LIMITATION ON CHARGES.—An organization meets the requirements of this paragraph if the organization—
- (A) limits amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy described in paragraph (4)(A) to not more than the amounts generally billed to individuals who have insurance covering such care, and
  - (B) prohibits the use of gross charges.
- (6) BILLING AND COLLECTION REQUIREMENTS.—An organization meets the requirement of this paragraph only if the orga-

nization does not engage in extraordinary collection actions before the organization has made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy described in paragraph (4)(A).

(7) REGULATORY AUTHORITY.—The Secretary shall issue such regulations and guidance as may be necessary to carry out the provisions of this subsection, including guidance relating to what constitutes reasonable efforts to determine the eligibility of a patient under a financial assistance policy for purposes of paragraph (6).

(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).

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## Subtitle F—Procedure and Administration

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### CHAPTER 61—INFORMATION AND RETURNS

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#### Subchapter A—RETURNS AND RECORDS

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#### PART III—INFORMATION RETURNS

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#### Subpart A—INFORMATION CONCERNING PERSONS SUBJECT TO SPECIAL PROVISIONS

\* \* \* \* \*

#### SEC. 6033. RETURNS BY EXEMPT ORGANIZATIONS.

(a) ORGANIZATIONS REQUIRED TO FILE.—

(1) IN GENERAL.—Except as provided in paragraph (3), every organization exempt from taxation under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and shall keep such records, render under oath such statements, make such other returns, and comply with such rules and regula-

tions as the Secretary may from time to time prescribe; except that, in the discretion of the Secretary, any organization described in section 401(a) may be relieved from stating in its return any information which is reported in returns filed by the employer which established such organization.

(2) BEING A PARTY TO CERTAIN REPORTABLE TRANSACTIONS.—Every tax-exempt entity described in section 4965(c) shall file (in such form and manner and at such time as determined by the Secretary) a disclosure of—

(A) such entity's being a party to any prohibited tax shelter transaction (as defined in section 4965(e)), and

(B) the identity of any other party to such transaction which is known by such tax-exempt entity.

(3) EXCEPTIONS FROM FILING.—

(A) MANDATORY EXCEPTIONS.—Paragraph (1) shall not apply to—

(i) churches, their integrated auxiliaries, and conventions or associations of churches,

(ii) any organization (other than a private foundation, as defined in section 509(a)) described in subparagraph (C), the gross receipts of which in each taxable year are normally not more than \$5,000, or

(iii) the exclusively religious activities of any religious order.

(B) DISCRETIONARY EXCEPTIONS.—The Secretary may relieve any organization required under paragraph (1) (other than an organization described in section 509(a)(3)) to file an information return from filing such a return where he determines that such filing is not necessary to the efficient administration of the internal revenue laws.

(C) CERTAIN ORGANIZATIONS.—The organizations referred to in subparagraph (A)(ii) are—

(i) a religious organization described in section 501(c)(3);

(ii) an educational organization described in section 170(b)(1)(A)(ii);

(iii) a charitable organization, or an organization for the prevention of cruelty to children or animals, described in section 501(c)(3), if such organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions of the general public;

(iv) an organization described in section 501(c)(3), if such organization is operated, supervised, or controlled by or in connection with a religious organization described in clause (i);

(v) an organization described in section 501(c)(8); and

(vi) an organization described in section 501(c)(1), if such organization is a corporation wholly owned by the United States or any agency or instrumentality thereof, or a wholly-owned subsidiary of such a corporation.

(b) CERTAIN ORGANIZATIONS DESCRIBED IN SECTION 501(C)(3).— Every organization described in section 501(c)(3) which is subject to the requirements of subsection (a) shall furnish annually information, at such time and in such manner as the Secretary may by forms or regulations prescribe, setting forth—

- (1) its gross income for the year,
- (2) its expenses attributable to such income and incurred within the year,
- (3) its disbursements within the year for the purposes for which it is exempt,
- (4) a balance sheet showing its assets, liabilities, and net worth as of the beginning of such year,
- (5) the total of the contributions and gifts received by it during the year, and the names and addresses of all substantial contributors,
- (6) the names and addresses of its foundation managers (within the meaning of section 4946(b)(1)) and highly compensated employees,
- (7) the compensation and other payments made during the year to each individual described in paragraph (6),
- (8) in the case of an organization with respect to which an election under section 501(h) is effective for the taxable year, the following amounts for such organization for such taxable year:

- (A) the lobbying expenditures (as defined in section 4911(c)(1)),
- (B) the lobbying nontaxable amount (as defined in section 4911(c)(2)),
- (C) the grass roots expenditures (as defined in section 4911(c)(3)), and
- (D) the grass roots nontaxable amount (as defined in section 4911(c)(4)),
- (9) such other information with respect to direct or indirect transfers to, and other direct or indirect transactions and relationships with, other organizations described in section 501(c) (other than paragraph (3) thereof) or section 527 as the Secretary may require to prevent—

(A) diversion of funds from the organization's exempt purpose, or

(B) misallocation of revenues or expenses,

(10) the respective amounts (if any) of the taxes imposed on the organization, or any organization manager of the organization, during the taxable year under any of the following provisions (and the respective amounts (if any) of reimbursements paid by the organization during the taxable year with respect to taxes imposed on any such organization manager under any of such provisions):

(A) section 4911 (relating to tax on excess expenditures to influence legislation),

(B) section 4912 (relating to tax on disqualifying lobbying expenditures of certain organizations),

(C) section 4955 (relating to taxes on political expenditures of section 501(c)(3) organizations), except to the extent that, by reason of section 4962, the taxes imposed

under such section are not required to be paid or are credited or refunded, and

(D) section 4959 (relating to taxes on failures by hospital organizations),

(11) the respective amounts (if any) of—

(A) the taxes imposed with respect to the organization on any organization manager, or any disqualified person, during the taxable year under section 4958 (relating to taxes on private excess benefit from certain charitable organizations), and

(B) reimbursements paid by the organization during the taxable year with respect to taxes imposed under such section,

except to the extent that, by reason of section 4962, the taxes imposed under such section are not required to be paid or are credited or refunded,

(12) such information as the Secretary may require with respect to any excess benefit transaction (as defined in section 4958),

(13) such information with respect to disqualified persons as the Secretary may prescribe,

(14) such information as the Secretary may require with respect to disaster relief activities,

(15) in the case of an organization to which the requirements of section 501(r) apply for the taxable year—

(A) a description of how the organization is addressing the needs identified in each community health needs assessment conducted under section 501(r)(3) and a description of any such needs that are not being addressed together with the reasons why such needs are not being addressed, and

(B) the audited financial statements of such organization (or, in the case of an organization the financial statements of which are included in a consolidated financial statement with other organizations, such consolidated financial statement), and

(16) such other information for purposes of carrying out the internal revenue laws as the Secretary may require.

For purposes of paragraph (8), if section 4911(f) applies to the organization for the taxable year, such organization shall furnish the amounts with respect to the affiliated group as well as with respect to such organization.

(c) ADDITIONAL PROVISIONS RELATING TO PRIVATE FOUNDATIONS.— In the case of an organization which is a private foundation (within the meaning of section 509(a))—

(1) the Secretary shall by regulations provide that the private foundation shall include in its annual return under this section such information (not required to be furnished by subsection (b) or the forms or regulations prescribed thereunder) as would have been required to be furnished under section 6056 (relating to annual reports by private foundations) as such section 6056 was in effect on January 1, 1979, and

(2) the foundation managers shall furnish copies of the annual return under this section to such State officials, at such

times, and under such conditions, as the Secretary may by regulations prescribe.

Nothing in paragraph (1) shall require the inclusion of the name and address of any recipient (other than a disqualified person within the meaning of section 4946) of 1 or more charitable gifts or grants made by the foundation to such recipient as an indigent or needy person if the aggregate of such gifts or grants made by the foundation to such recipient during the year does not exceed \$1,000.

(d) SECTION TO APPLY TO NONEXEMPT CHARITABLE TRUSTS AND NONEXEMPT PRIVATE FOUNDATIONS.—The following organizations shall comply with the requirements of this section in the same manner as organizations described in section 501(c)(3) which are exempt from tax under section 501(a):

(1) NONEXEMPT CHARITABLE TRUSTS.—A trust described in section 4947(a)(1) (relating to nonexempt charitable trusts).

(2) NONEXEMPT PRIVATE FOUNDATIONS.—A private foundation which is not exempt from tax under section 501(a).

(e) SPECIAL RULES RELATING TO LOBBYING ACTIVITIES.—

(1) REPORTING REQUIREMENTS.—

(A) IN GENERAL.—If this subsection applies to an organization for any taxable year, such organization—

(i) shall include on any return required to be filed under subsection (a) for such year information setting forth the total expenditures of the organization to which section 162(e)(1) applies and the total amount of the dues or other similar amounts paid to the organization to which such expenditures are allocable, and

(ii) except as provided in paragraphs (2)(A)(i) and (3), shall, at the time of assessment or payment of such dues or other similar amounts, provide notice to each person making such payment which contains a reasonable estimate of the portion of such dues or other similar amounts to which such expenditures are so allocable.

(B) ORGANIZATIONS TO WHICH SUBSECTION APPLIES.—

(i) IN GENERAL.—This subsection shall apply to any organization which is exempt from taxation under section 501 other than an organization described in section 501(c)(3).

(ii) SPECIAL RULE FOR IN-HOUSE EXPENDITURES.—This subsection shall not apply to the in-house expenditures (within the meaning of section 162(e)(4)(B)(ii)) of an organization for a taxable year if such expenditures do not exceed \$2,000. In determining whether a taxpayer exceeds the \$2,000 limit under this clause, there shall not be taken into account overhead costs otherwise allocable to activities described in subparagraphs (A) and (D) of section 162(e)(1).

(iii) COORDINATION WITH SECTION 527(F).—This subsection shall not apply to any amount on which tax is imposed by reason of section 527(f).

(C) ALLOCATION.—For purposes of this paragraph—

(i) IN GENERAL.—Expenditures to which section 162(e)(1) applies shall be treated as paid out of dues or other similar amounts to the extent thereof.

(ii) CARRYOVER OF LOBBYING EXPENDITURES IN EXCESS OF DUES.—If expenditures to which section 162(e)(1) applies exceed the dues or other similar amounts for any taxable year, such excess shall be treated as expenditures to which section 162(e)(1) applies which are paid or incurred by the organization during the following taxable year.

(2) TAX IMPOSED WHERE ORGANIZATION DOES NOT NOTIFY.—  
(A) IN GENERAL.—If an organization—

(i) elects not to provide the notices described in paragraph (1)(A) for any taxable year, or

(ii) fails to include in such notices the amount allocable to expenditures to which section 162(e)(1) applies (determined on the basis of actual amounts rather than the reasonable estimates under paragraph (1)(A)(ii)),

then there is hereby imposed on such organization for such taxable year a tax in an amount equal to the product of the highest rate of tax imposed by section 11 for the taxable year and the aggregate amount not included in such notices by reason of such election or failure.

(B) WAIVER WHERE FUTURE ADJUSTMENTS MADE.—The Secretary may waive the tax imposed by subparagraph (A)(ii) for any taxable year if the organization agrees to adjust its estimates under paragraph (1)(A)(ii) for the following taxable year to correct any failures.

(C) TAX TREATED AS INCOME TAX.—For purposes of this title, the tax imposed by subparagraph (A) shall be treated in the same manner as a tax imposed by chapter 1 (relating to income taxes).

(3) EXCEPTION WHERE DUES GENERALLY NONDEDUCTIBLE.—Paragraph (1)(A) shall not apply to an organization which establishes to the satisfaction of the Secretary that substantially all of the dues or other similar amounts paid by persons to such organization are not deductible without regard to section 162(e).

(f) CERTAIN ORGANIZATIONS DESCRIBED IN SECTION 501(C)(4).—Every organization described in section 501(c)(4) which is subject to the requirements of subsection (a) shall include on the return required under subsection (a)—

(1) the information referred to in paragraphs (11), (12) and (13) of subsection (b) with respect to such organization, and

(2) in the case of the first such return filed by such an organization after submitting a notice to the Secretary under section 506(a), such information as the Secretary shall by regulation require in support of the organization's treatment as an organization described in section 501(c)(4).

(g) RETURNS REQUIRED BY POLITICAL ORGANIZATIONS.—

(1) IN GENERAL.—This section shall apply to a political organization (as defined by section 527(e)(1)) which has gross receipts of \$25,000 or more for the taxable year. In the case of a political organization which is a qualified State or local polit-

ical organization (as defined in section 527(e)(5)), the preceding sentence shall be applied by substituting “\$100,000” for “\$25,000”.

(2) ANNUAL RETURNS.—Political organizations described in paragraph (1) shall file an annual return—

(A) containing the information required, and complying with the other requirements, under subsection (a)(1) for organizations exempt from taxation under section 501(a), with such modifications as the Secretary considers appropriate to require only information which is necessary for the purposes of carrying out section 527, and

(B) containing such other information as the Secretary deems necessary to carry out the provisions of this subsection.

(3) MANDATORY EXCEPTIONS FROM FILING.—Paragraph (2) shall not apply to an organization—

(A) which is a State or local committee of a political party, or political committee of a State or local candidate,

(B) which is a caucus or association of State or local officials,

(C) which is an authorized committee (as defined in section 301(6) of the Federal Election Campaign Act of 1971) of a candidate for Federal office,

(D) which is a national committee (as defined in section 301(14) of the Federal Election Campaign Act of 1971) of a political party,

(E) which is a United States House of Representatives or United States Senate campaign committee of a political party committee,

(F) which is required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act), or

(G) to which section 527 applies for the taxable year solely by reason of subsection (f)(1) of such section.

(4) DISCRETIONARY EXCEPTION.—The Secretary may relieve any organization required under paragraph (2) to file an information return from filing such a return if the Secretary determines that such filing is not necessary to the efficient administration of the internal revenue laws.

(h) CONTROLLING ORGANIZATIONS.—Each controlling organization (within the meaning of section 512(b)(13)) which is subject to the requirements of subsection (a) shall include on the return required under subsection (a)—

(1) any interest, annuities, royalties, or rents received from each controlled entity (within the meaning of section 512(b)(13)),

(2) any loans made to each such controlled entity, and

(3) any transfers of funds between such controlling organization and each such controlled entity.

(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—Any organization the gross receipts of which in any taxable year result in such organization being referred to in subsection (a)(3)(A)(ii) or (a)(3)(B)—

(1) shall furnish annually, in electronic form, and at such time and in such manner as the Secretary may by regulations prescribe, information setting forth—

- (A) the legal name of the organization,
  - (B) any name under which such organization operates or does business,
  - (C) the organization's mailing address and Internet web site address (if any),
  - (D) the organization's taxpayer identification number,
  - (E) the name and address of a principal officer, and
  - (F) evidence of the continuing basis for the organization's exemption from the filing requirements under subsection (a)(1), and
- (2) upon the termination of the existence of the organization, shall furnish notice of such termination.
- (j) LOSS OF EXEMPT STATUS FOR FAILURE TO FILE RETURN OR NOTICE.—
- (1) IN GENERAL.—
    - (A) NOTICE.—If an organization described in subsection (a)(1) or (i) fails to file the annual return or notice required under either subsection for 2 consecutive years, the Secretary shall notify the organization—
      - (i) that the Internal Revenue Service has no record of such a return or notice from such organization for 2 consecutive years, and
      - (ii) about the revocation that will occur under subparagraph (B) if the organization fails to file such a return or notice by the due date for the next such return or notice required to be filed.
 The notification under the preceding sentence shall include information about how to comply with the filing requirements under subsections (a)(1) and (i).
    - (B) REVOCATION.—If an organization described in subsection (a)(1) or (i) fails to file an annual return or notice required under either subsection for 3 consecutive years, such organization's status as an organization exempt from tax under section 501(a) shall be considered revoked on and after the date set by the Secretary for the filing of the third annual return or notice. The Secretary shall publish and maintain a list of any organization the status of which is so revoked.
  - (2) APPLICATION NECESSARY FOR REINSTATEMENT.—Any organization the tax-exempt status of which is revoked under paragraph (1) must apply in order to obtain reinstatement of such status regardless of whether such organization was originally required to make such an application.
  - (3) RETROACTIVE REINSTATEMENT IF REASONABLE CAUSE SHOWN FOR FAILURE.—If, upon application for reinstatement of status as an organization exempt from tax under section 501(a), an organization described in paragraph (1) can show to the satisfaction of the Secretary evidence of reasonable cause for the failure described in such paragraph, the organization's exempt status may, in the discretion of the Secretary, be reinstated effective from the date of the revocation under such paragraph.
- (k) ADDITIONAL PROVISIONS RELATING TO SPONSORING ORGANIZATIONS.—Every organization described in section 4966(d)(1) shall, on the return required under subsection (a) for the taxable year—

- (1) list the total number of donor advised funds (as defined in section 4966(d)(2)) it owns at the end of such taxable year,
- (2) indicate the aggregate value of assets held in such funds at the end of such taxable year, and
- (3) indicate the aggregate contributions to and grants made from such funds during such taxable year.

(l) **ADDITIONAL PROVISIONS RELATING TO SUPPORTING ORGANIZATIONS.**—Every organization described in section 509(a)(3) shall, on the return required under subsection (a)—

- (1) list the supported organizations (as defined in section 509(f)(3)) with respect to which such organization provides support,
- (2) indicate whether the organization meets the requirements of clause (i), (ii), or (iii) of section 509(a)(3)(B), and
- (3) certify that the organization meets the requirements of section 509(a)(3)(C).

(m) **ADDITIONAL INFORMATION REQUIRED FROM CO-OP INSURERS.**—An organization described in section 501(c)(29) shall include on the return required under subsection (a) the following information:

- (1) The amount of the reserves required by each State in which the organization is licensed to issue qualified health plans.
- (2) The amount of reserves on hand.

(n) **MANDATORY ELECTRONIC FILING.**—Any organization required to file a return under this section shall file such return in electronic form.

(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 institution 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.*

[(o)] (p) **CROSS REFERENCES.**—For provisions relating to statements, etc., regarding exempt status of organizations, see section 6001.

For reporting requirements as to certain liquidations, dissolutions, terminations, and contractions, see section 6043(b). For provisions relating to penalties for failure to file a return required by this section, see section 6652(c).

For provisions relating to information required in connection with certain plans of deferred compensation, see section 6058.

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**CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES**

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**Subchapter B—ASSESSABLE PENALTIES**

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**PART I—GENERAL PROVISIONS**

Sec. 6671. Rules for application of assessable penalties.

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

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**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 educational 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).*

\* \* \* \* \*

## VII. DISSENTING VIEWS

Committee Democrats oppose H.R. 8914, because it undermines the framework of Title VI of the Civil Rights Act of 1964. This Bill is a missed opportunity to combat antisemitism and hate on college campuses. It fails to address the issue and focuses on punishing colleges and universities. Instead, we should be working on ways to improve schools and communities to be more accepting and hate-free.

This Bill adds Section 6720, Civil Rights Violations by Certain Tax-Exempt Educational Institutions, to the Internal Revenue Code. Specifically, it imposes a penalty on public and private tax-exempt colleges and universities if there is a determination by a federal court that the educational institution violated Title VI of the Civil Rights Act of 1964. The penalty is either the greater of \$100,000 or 5 percent of the aggregate administrative compensation paid by such tax-exempt educational institution. The bill imposes a mandatory review of an educational institution's exempt status by the Secretary of Treasury if such institution has been adjudged with more than two Title VI violations. However, it does not specify a time limit for the number of violations, other than that the violations must have occurred after the date of enactment.

The Majority did not bother to vet this Bill with university stakeholders or civil rights experts. Rather, they chose to levy tax penalties on educational institutions. They have this all backwards, hammering institutions with penalties without any regard for enforcing current law to hold educational institutions accountable. A better solution would be to fully fund the Department of Education's Office of Civil Rights (OCR). Additional funding for OCR would allow for better enforcement of the law and help reduce the current backlog of OCR's cases.

In addition, this Bill may have unintended consequences. For instance, it may embolden plaintiff-attorneys to bring litigation against universities regardless of merit. The threat of a tax penalty and an Internal Revenue Service (IRS) audit may put an undue thumb on the scale for plaintiffs who might be engaging in an otherwise frivolous lawsuit. Colleges and universities may be highly motivated to pay considerable sums to plaintiffs' attorneys to settle. Unfortunately, time consuming and expensive litigation takes college and universities resources away from effective compliance with Title VI, while doing little to protect students against hatebased discrimination. Furthermore, this bill elevates Title VI over other Titles in the Civil Rights Act. It could also lead to chilling effects with Diversity Equity and Inclusion (DEI) programs. Also, the tax penalty might be grossly disproportionate to the violation.

Moreover, this Bill does not apply to for-profit educational institutions. However, for-profit educational institutions only exist because they participate in the Federal Student Loan Program. It is

unclear why they should get a pass on potential civil rights violations. Minority students are over-represented in for-profit schools and the harms from these schools fall disproportionately on communities of color.

The Bill could have inequitable effects across different institutions. The proposed tax penalty will have a disproportionately greater effect on large research institutions, which by virtue of their size have: (1) more students and employees who could bring claims, (2) more programs and activities that could come under scrutiny, and (3) exposure to greater penalties. These factors, put together, could result in a greater chilling effect on teaching and research, and are exponentially greater for larger institutions than for smaller institutions.

Finally, this Bill provides for mandatory audits, is poorly designed, and will result in a misallocation of IRS resources. By requiring mandatory review of tax-exempt status after more than two judgments would effectively mandate targeted audits against one group in the tax-exempt space, where the IRS has very limited resources to conduct audits in this sector. By necessity, resources would be diverted towards conducting these audits. Based on the statutory language, the review requirement kicks in after more than two violations after the date of enactment with no sunset, meaning an institution could never have more than two judgments of violations if it wanted to avoid the mandatory review. Additionally, what is included in a mandatory review is not clearly defined, so one could imagine Treasury under different Administrations setting up different processes and standards for these reviews. For these reasons, we oppose this bill.

RICHARD E. NEAL.

## DISSENTING VIEWS

There's no question that antisemitism in the United States is a very real problem, that it is a growing problem, and that it is growing with alarming speed and ferocity across the nation, especially on our college campuses.

We saw shocking incidents of rank antisemitism against Jewish students individually and the Jewish community in general throughout the just completed academic year, and especially towards the end of the year with the encampments, obstructions of finals, and graduation ceremonies. What made the headlines is just the tip of the iceberg of what Jewish students on campuses experienced across the country. I have heard from countless students about their personal experiences on campus. Last December, I hosted a roundtable conversation with Jewish university students and another roundtable in May.

In all these conversations, I have been shocked by the level of discomfort, distress, and disconnection from their college communities many of these students have described. We for sure have to do better. Of course, the rising antisemitism is not limited to college campuses. It's being experienced in high schools and workplaces, in the public square and in local communities and neighborhoods.

Just a week ago Saturday, my own neighborhood was targeted when militant activists came marching down my street at 2:30 in the morning—banging drums, blasting sirens and horns, and spewing vile, antisemitic chants at me and my neighbors.

And on July Fourth, the posters of the hostages still being held by Hamas in Gaza, including 8 Americans, that I had outside my office, were aggressively ripped from the wall, shredded, and tossed across the hallway.

Whoever tore down those posters did so with hate in their heart. But with love and devotion to bring the hostages home, I am pleased to share that the posters are back up and we remain undaunted in our support for Israel, our commitment to bring the hostages home, and our commitment to continue to pursue peace.

We can all agree that we must address the rising incidence and pervasiveness of antisemitism on college campuses. It is fair to expect administrations to do more to respond to these incidents. I think we would also agree that must address antisemitism at its root causes—in the academies and in our communities.

It's not simply a matter of calling out hate and bigotry. We need to work together—Republicans and Democrats—to defeat it. To cut it at the source, root and branch.

Unfortunately, the bills related to antisemitism we are discussing today are not bipartisan efforts to craft effective policy, but rather hyper partisan messaging that will not move us forward on this issue.

The University Accountability Act is a missed opportunity to combat antisemitism and hate on college campuses. While it claims to promote accountability, this bill fails to address the issue head on and focuses on punishing schools instead of working to improve them.

I'm concerned about this bill's unintended consequence—the very real potential for creating a vicious cycle of aggressive and tendentious claims against universities to force schools into settlements so as to garner steep legal fees and rich settlements and avoid penalties of up to \$2 million, regardless of the merit or severity of a case.

Instead of focusing on funneling cases into litigation, we should be giving the Office of Civil Rights the resources to actually combat and defeat the antisemitism that is infecting our schools. Every student, wherever they are pursuing their academic advancement, should be able to grow and learn in environment free of hate.

Our unifying goal should be to protect these students and make our schools better. Colleges and universities should be places where all students' views can be challenged in a civil and safe learning environment, and where they can continue to grow in a positive way.

Instead of rushing through a poorly conceived bill, we should be focusing on improving enforcement and investing in education and training to address the root cause of antisemitism and all forms of discrimination.

Congress should pass the Showing Up for Students Act and provide OCR with the funding it needs to improve enforcement and invest in education—money that could go to hire more staff to decrease the backlog of cases and resolve issues in a timely manner.

I'm disappointed that the Majority decided to rush this poorly thought-out bill through our committee instead of working together across the aisle. I've been working with my colleagues across the aisle with Rep. Kustoff and on bills introduced to revoke the tax-exempt status of organizations that provide financial support and resources to terrorist groups, and we passed through the House with overwhelming bipartisan support.

We all agree that more must be done to combat rising antisemitism. Unfortunately, this bill is an insincere attempt by my colleagues in the Majority to take credit for reacting to a rising problem in higher education without giving those who actually enforce the law the tools they need.

BRADLEY SCOTT SCHNEIDER.

