

105TH CONGRESS
1ST SESSION

H. R. 1112

To amend the Internal Revenue Code of 1986 to provide that the preferential income tax treatment of political organizations shall apply only to principal campaign committees, to provide that a cancellation of a loan to such a committee shall be includible in such committee's taxable income, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1997

Mr. MORAN of Virginia (for himself and Mr. YATES) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that the preferential income tax treatment of political organizations shall apply only to principal campaign committees, to provide that a cancellation of a loan to such a committee shall be includible in such committee's taxable income, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. PREFERENTIAL INCOME TAX TREATMENT FOR**
2 **POLITICAL ORGANIZATIONS LIMITED TO**
3 **PRINCIPAL CAMPAIGN COMMITTEES.**

4 (a) IN GENERAL.—The text of section 527 of the In-
5 ternal Revenue Code of 1986 (relating to political organi-
6 zations) is amended by striking “political organization”
7 each place it appears and inserting “principal campaign
8 committee”.

9 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

10 (1) Subsection (b) of section 527 of such Code
11 is amended by striking “the highest rate” and in-
12 serting “the appropriate rates”.

13 (2) Section 527 of such Code is amended by
14 striking paragraph (1) of subsection (e), by moving
15 paragraph (2) of subsection (h) and inserting it be-
16 fore paragraph (2) of subsection (e) and by redesign-
17 ating such paragraph as paragraph (1), and by
18 striking the remainder of subsection (h).

19 (3) Section 527 of such Code is amended by
20 striking subsection (g) (relating to newsletter funds).

21 (4) Paragraph (1) of section 527(f) of such
22 Code is amended by adding at the end the following
23 flush sentence:

24 “In applying subsection (b) for purposes of this sub-
25 section, paragraph (1) of subsection (b) shall be ap-

1 plied by substituting ‘the highest rate’ for ‘the ap-
 2 propriate rates’.”

3 (5) The subsection heading for subsection (c) of
 4 section 527 of such Code is amended by striking
 5 “POLITICAL ORGANIZATION” and inserting “PRIN-
 6 CIPAL CAMPAIGN COMMITTEE”.

7 (6)(A) The section heading for section 527 of
 8 such Code is amended to read as follows:

9 **“SEC. 527. PRINCIPAL CAMPAIGN COMMITTEES.”**

10 (B) The table of sections for part VI of sub-
 11 chapter F of chapter 1 of such Code is amended by
 12 striking the item relating to section 527 and insert-
 13 ing the following:

 “Sec. 527. Principal campaign committees.”

14 (c) **EFFECTIVE DATE.**—The amendments made by
 15 this section shall apply to taxable years beginning after
 16 the date of the enactment of this Act.

17 **SEC. 2. CANCELLATION OF LOAN TO A PRINCIPAL CAM-**
 18 **PAIGN COMMITTEE INCLUDED IN SUCH COM-**
 19 **MITTEE’S TAXABLE INCOME.**

20 (a) **IN GENERAL.**—Subsection (c) of section 527 of
 21 the Internal Revenue Code of 1986 (defining principal
 22 campaign committee taxable income) is amended by add-
 23 ing at the end the following new paragraph:

24 “(4) **TREATMENT OF CANCELED LOANS.**—

1 “(A) IN GENERAL.—The term ‘exempt
2 function income’ shall not include—

3 “(i) a contribution in the form of the
4 cancellation of any loan made to the prin-
5 cipal campaign committee, or

6 “(ii) any other contribution made di-
7 rectly or indirectly from the lender of any
8 loan to the principal campaign committee
9 if such contribution is used directly or in-
10 directly to make payments on such loan.

11 “(B) EXCEPTIONS.—Subparagraph (A)
12 shall not apply with respect to—

13 “(i) any loan made by a bank (as de-
14 fined in section 581), or

15 “(ii) any loan made by a candidate for
16 Congress to the extent that the amount of
17 contributions referred to in subparagraph
18 (A) with respect to such loan does not ex-
19 ceed \$2,000.”

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxable years beginning after
22 the date of the enactment of this Act.

1 **SEC. 3. INCLUSION IN GROSS INCOME FOR CONTRIBU-**
2 **TIONS IN EXCESS OF \$100 TO POLITICAL OR-**
3 **GANIZATIONS.**

4 (a) IN GENERAL.—Part VI of subchapter F of chap-
5 ter 1 of the Internal Revenue Code of 1986 (relating to
6 political organizations) is amended by adding at the end
7 the following new section:

8 **“SEC. 528. INCLUSION IN GROSS INCOME FOR CONTRIBU-**
9 **TIONS IN EXCESS OF \$100 TO POLITICAL OR-**
10 **GANIZATIONS.**

11 “(a) IN GENERAL.—Notwithstanding any other pro-
12 vision of law—

13 “(1) the gross income of any political organiza-
14 tion shall include any amount contributed in cash to
15 such organization during a calendar year by any per-
16 son to the extent the amount contributed directly or
17 indirectly to such organization by such person dur-
18 ing such year exceeds \$100, and

19 “(2) the amount included in gross income under
20 paragraph (1) shall be subject to tax under this
21 chapter.

22 “(b) POLITICAL ORGANIZATION.—The term ‘political
23 organization’ means a party, committee, association, fund,
24 or other organization (whether or not incorporated) orga-
25 nized and operated primarily for the purpose of directly
26 or indirectly accepting contributions or making expendi-

1 tures, or both, for an exempt function (as defined in sec-
2 tion 527(e)).”

3 (b) CLERICAL AMENDMENT.—The table of sections
4 for such part VI is amended by adding at the end the
5 following new item:

“Sec. 528. Inclusion in gross income for contributions in excess
of \$100 to political organizations.”

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 the date of the enactment of this Act.

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