

109TH CONGRESS
1ST SESSION

H. R. 2204

To amend the Internal Revenue Code of 1986 to impose penalties for the failure of 527 organizations to comply with disclosure requirements.

IN THE HOUSE OF REPRESENTATIVES

MAY 5, 2005

Mr. SHAW (for himself, Mr. SAM JOHNSON of Texas, Mr. ENGLISH of Pennsylvania, and Mr. FOLEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on House Administration, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to impose penalties for the failure of 527 organizations to comply with disclosure requirements.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “527 Transparency Act
5 of 2005”.

1 **SEC. 2. MANDATORY MONTHLY REPORTING.**

2 (a) IN GENERAL.—Section 527(j)(2) of the Internal
3 Revenue Code of 1986 (relating to required disclosure) is
4 amended to read as follows:

5 “(2) REQUIRED DISCLOSURE.—A political orga-
6 nization which accepts a contribution, or makes an
7 expenditure, for an exempt function during any cal-
8 endar year shall file with the Secretary monthly re-
9 ports for each such year which shall be filed not
10 later than the 20th day after the last day of the
11 month and shall be complete as of the last day of
12 the month, except that, in lieu of filing the reports
13 otherwise due in November and December of any
14 year in which a regularly scheduled general election
15 is held, the organization shall file—

16 “(A) a pre-election report, which shall be
17 filed no later than the 12th day before (or post-
18 ed by registered or certified mail no later than
19 the 15th day before) any election with respect
20 to which the organization accepts a contribution
21 or makes an expenditure, and which shall be
22 complete as of the 20th day before the election;

23 “(B) a post-general election report, which
24 shall be filed no later than the 30th day after
25 the general election and which shall be complete

1 as of the 20th day after such general election;
2 and

3 “(C) a year-end report which shall be filed
4 no later than January 31 of the following cal-
5 endar year.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to taxable years beginning after
8 December 31, 2005.

9 **SEC. 3. FAILURE OF 527 ORGANIZATION TO COMPLY WITH**
10 **DISCLOSURE REQUIREMENTS.**

11 (a) EXCISE TAX ON MANAGERS.—

12 (1) IN GENERAL.—Subchapter C of chapter 42
13 of the Internal Revenue Code of 1986 is amended by
14 adding at the end the following new section:

15 **“SEC. 4956. TAX ON FAILURE OF POLITICAL ORGANIZA-**
16 **TIONS TO MEET DISCLOSURE REQUIRE-**
17 **MENTS.**

18 “(a) TAX IMPOSED.—In the case of a failure of a po-
19 litical organization to meet the disclosure requirements of
20 section 527(j) with respect to any contribution to or ex-
21 penditure from the political organization, there is hereby
22 imposed on the political organization, in addition to any
23 other tax or penalty provided in this title, a tax for each
24 such failure.

1 “(b) AMOUNT OF TAX.—The tax imposed by sub-
 2 section (a) shall be 30 percent of the total amount of the
 3 contribution or expenditure with respect to which such
 4 failure occurred.

5 “(c) LIABILITY FOR TAX.—

6 “(1) IN GENERAL.—Except as provided by
 7 paragraph (2), the tax imposed by subsection (a)
 8 shall be paid by the political organization.

9 “(2) JOINT AND SEVERAL LIABILITY OF ORGA-
 10 NIZATION MANAGERS.—Each organization manager
 11 of the political organization shall be jointly and sev-
 12 erally liable for any tax imposed under subsection
 13 (a).

14 “(d) ORGANIZATION MANAGER.—For purposes of
 15 this section, the term ‘organization manager’ means any
 16 officer, director, or trustee of the political organization (or
 17 individual having powers or responsibilities similar to
 18 those of an officer, director, or trustee).

19 “(e) POLITICAL ORGANIZATION.—The term ‘political
 20 organization’ shall have the meaning given such term by
 21 section 527(e)(1).”.

22 (2) CONFORMING AMENDMENTS.—

23 (A) The heading for subchapter C of chap-
 24 ter 42 of such Code is amended by adding at
 25 the end the following: “; **Failure of Polit-**

1 **ical Organizations to Meet Reporting**
 2 **Requirements”.**

3 (B) The table of sections for such sub-
 4 chapter C is amended by adding at the end the
 5 following:

“Sec. 4956. Tax on failure of political organizations to meet disclosure require-
 ments.”.

6 (C) The item in the table of subchapters of
 7 such chapter 42 relating to subchapter C is
 8 amended to read as follows:

“SUBCHAPTER C. POLITICAL EXPENDITURES OF SECTION 501(C)(3) ORGANIZA-
 TIONS; FAILURE OF POLITICAL ORGANIZATIONS TO MEET REPORTING RE-
 QUIREMENTS”.

9 (3) EFFECTIVE DATE.—The amendments made
 10 by this subsection shall apply to taxable years begin-
 11 ning after December 31, 2005.

12 (b) DENIAL OF GIFT TAX EXCLUSION.—

13 (1) IN GENERAL.—Paragraph (4) of section
 14 2501(a) of the Internal Revenue Code of 1986 (re-
 15 lating to taxable transfers) is amended to read as
 16 follows:

17 “(4) TRANSFERS TO POLITICAL ORGANIZA-
 18 TIONS.—

19 “(A) IN GENERAL.—Paragraph (1) shall
 20 not apply to the transfer of money or other
 21 property to a political organization (within the

1 meaning of section 527(e)(1)) for the use of
2 such organization.

3 “(B) EXCEPTION FOR FAILURE OF ORGA-
4 NIZATION TO MEET DISCLOSURE REQUIRE-
5 MENTS.—Subparagraph (A) shall not apply to
6 any transfer in a calendar year for which the
7 political organization fails to make the disclo-
8 sures required by section 527(j).”.

9 (2) NOTICE TO CONTRIBUTORS OF DENIAL OF
10 GIFT TAX EXCEPTION FOR FAILURE TO DISCLOSE.—
11 Section 527(j) of such Code is amended by adding
12 at the end the following new paragraph:

13 “(8) NOTICE TO CONTRIBUTORS OF DENIAL OF
14 GIFT TAX EXCEPTION FOR FAILURE TO DISCLOSE.—
15 In the case of a final determination by the Secretary
16 that a failure described in paragraph (1)(A) with re-
17 spect to an organization occurred, the organization
18 shall, not later than 90 days after the date of such
19 determination, provide written notice of such failure
20 to each contributor to the organization for the cal-
21 endar year in which such failure occurred. Such no-
22 tice shall include a statement that the exception
23 under section 2501(a)(4)(A) does not apply to any
24 contribution to the organization in such calendar
25 year.”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to transfers made
3 after December 31, 2005.

4 **SEC. 4. SIMULTANEOUS TRANSMISSION OF REPORTS TO**
5 **FEDERAL ELECTION COMMISSION.**

6 (a) IN GENERAL.—Section 304 of the Federal Elec-
7 tion Campaign Act of 1971 (2 U.S.C. 434) is amended
8 by adding at the end the following new subsection:

9 “(i) REPORTS OF POLITICAL ORGANIZATIONS
10 UNDER INTERNAL REVENUE CODE OF 1986.—

11 “(1) SIMULTANEOUS FILING OF TREASURY RE-
12 PORTS WITH COMMISSION.—At the time a political
13 organization described in section 527 of the Internal
14 Revenue Code of 1986 files a report with the Sec-
15 retary of the Treasury under section 527(j) of such
16 Code, the organization shall file a copy of the report
17 with the Commission.

18 “(2) TREATMENT AS REPORT FILED WITH COM-
19 MISSION.—For purposes of this Act, the copy filed
20 under this subsection of a report filed with the Sec-
21 retary of the Treasury shall be treated as a report
22 or statement filed with the Commission under this
23 section.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect January 1, 2006.

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