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119TH CONGRESS
2D SESSION

H. R. 10258

To amend the Internal Revenue Code of 1986 to clarify due process rights in the case of an action to terminate tax exempt status.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 3, 2026

Mr. DOGGETT (for himself and Ms. SEWELL) 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 clarify due process rights in the case of an action to terminate tax exempt status.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Protecting the Rights of Organizations Fairly Act of 2026’’ or the ‘‘PROOF Act’’.

SEC. 2. PROCESS FOR EXAMINATION OF CERTAIN TAX EXEMPT ENTITIES.

(a) IN GENERAL.—Subchapter A of chapter 78 is amended by inserting after section 7611 the following new section:

"SEC. 7611A. PROCESS FOR EXAMINATION OF CERTAIN TAX EXEMPT ENTITIES.

"(a) IN GENERAL.—

"(1) EXAMINATION.—In the case of an organization exempt from tax under section 501(a) (other than a church) the Secretary may begin a tax exempt examination only if the notice requirements of subsection (b) are met.

"(2) REVOCATION OF STATUS.—The Secretary may make an adverse determination with respect to an organization's status as exempt from tax under section 501(a) only if—

"(A) an examination begun pursuant to paragraph (1), or in the case of a church, section 7611(b), sufficiently supports such determination, and

"(B) the due process requirements of subsection (c) are met.

"(b) NOTICE REQUIREMENTS.—

"(1) IN GENERAL.—The notice requirements of this subsection shall be treated as met with respect to an examination if the Secretary provides written notice to the organization of the examination that includes in clear and sufficient detail the following:

“(A) A statement that the organization has been selected for examination of whether the organization is exempt from tax under section 501(a).

“(B) A statement that identifies the general subject matter and issue areas that are the basis for the examination and the provisions of this title, and any related Treasury Regulations, which authorize such examination or which may be otherwise involved in such examination.

“(C) Identification of the tax periods subject to examination.

“(D) The name and contact information of the individual assigned to the examination and the individual’s supervisor.

“(E) An explanation of the organization’s rights during the examination, including the right to representation by legal counsel or an authorized representative and the right to request a supervisory conference pursuant to subsection (c)(4).

"(F) An offer to consider a response or have an opening conference between the organization and the Secretary to seek to resolve concerns relating to such examination.

"(2) EXPANDED SCOPE OF EXAMINATION.—In the case of any issue not identified in the notice prescribed by paragraph (1), the notice requirements of this subsection shall not be treated as met with respect to any examination of such issue unless the Secretary provides a subsequent written notice to the organization that meets the requirements of paragraph (1) with respect to the issue.

"(c) DUE PROCESS REQUIREMENTS.—

"(1) IN GENERAL.—The due process requirements of this subsection shall be treated as met with respect to an examination if the Secretary—

"(A) generates and maintains a record of the examination that meets the requirements of paragraph (2) and that constitutes prima facie evidence for the conclusion reached,

"(B) makes requests for information and documentation only as provided in paragraph (3), "(C) affords the organization the opportunity for conferences as provided in paragraphs (4) and (5), and

"(D) notifies the organization of any adverse decision made, and any rights to protest or appeal such decision, as provided in paragraph (6).

"(2) RECORD.—

"(A) IN GENERAL.—The requirements of this paragraph shall be treated as met with respect to a record of the examination if such record includes—

"(i) documentation of—

"(I) the basis for the examination,

"(II) each information or document request made to the organization,

"(III) the organization's responses to any notices, inquiries, requests, or other communications,

"(IV) the examiner's analysis of the applicable facts and law, and

"(V) the basis for any proposed determination, and "(ii) a date-specific case chronology reflecting all significant contacts, decisions, and actions taken during the examination,

"(B) REQUIRED DISCLOSURE.—

"(i) IN GENERAL.—After completion of the record of the examination, or after submission of a protest or appeal by the organization of the proposed adverse determination under paragraph (6), whichever is earlier, on written request from the organization, the Secretary shall not later than 30 days after such request disclose to the organization the contents of the record described in subparagraph (A).

"(ii) EXCEPTION FOR PRIVILEGED COMMUNICATIONS.—Clause (i) shall not apply to any privileged communications, except that if any contents of the record described in subparagraph (A) are otherwise contained solely within a privileged communication, the disclosure under clause (i) shall include a summary of such contents in sufficient detail to apprise the organization of such contents as so described.

"(3) INFORMATION DOCUMENT REQUESTS.—

"(A) IN GENERAL.—All requests by the Secretary seeking information or documentation from the organization shall include the following:

"(i) A description of the documents or other information sought sufficient in detail to allow the organization to identify and produce responsive materials.

"(ii) An explanation of the connection between the request and the subject matter of the examination.

"(B) PERIOD FOR RESPONSE.—The deadline for response by an organization to any such request shall not be less than 30 days from the date of such request.

"(C) DEFICIENT REQUESTS.—Failure by the organization to respond to an examination request that does not meet the requirements of this paragraph shall not be treated as a basis for an adverse determination with respect to an organization's status as an organization exempt from tax under section 501(a).

"(4) RIGHT TO SUPERVISORY CONFERENCE DURING EXAMINATION.—In the case of a request by the organization during the examination for a conference with the examining agent's supervisor regarding any issue in dispute between the organization and the examining agent, the Secretary shall—

"(A) not later than 10 business days after such request is made, acknowledge such request,

"(B) not later than 30 days after such request is made, or such longer period as may be agreed upon, hold such requested conference, at which the organization may present its position on any issue in dispute,

"(C) not later than 15 business days after such conference, provide a written summary of the conference that includes a description of any decisions made with respect to an issue in dispute.

"(5) CLOSING CONFERENCE.—In the case of an examination from which an adverse decision is made with respect to the organization's tax exempt status under section 501(a), prior to issuing a proposed adverse determination letter with respect to such decision, the Secretary shall—

"(A) make available a conference, at which there shall be provided with respect to the adverse decision—

"(i) a summary of the examination findings,

"(ii) the legal and factual basis for the adverse decision, including the specific legal authority and conclusions from the record of the examination that support the decision, and

"(iii) an explanation of the organization's appeal rights and applicable deadlines, and

"(B) provide a written summary of such conference not later than 15 business days thereafter.

"(6) PROPOSED ADVERSE DETERMINATION LETTER.—

"(A) IN GENERAL.—The Secretary shall not issue a final adverse determination letter in the case of an adverse decision with respect to the organization's tax exempt status under section 501(a), unless, and in no case earlier than 30 days after, the Secretary provides a proposed adverse determination letter to the organization.

"(B) CONTENTS.—Such proposed adverse determination letter shall include the following:

"(i) A prominent statement of how the Secretary is proposing to revoke, modify, or adversely affect the organization's tax-exempt status under section 501(a).

"(ii) A summary of the examination findings and the legal and factual basis for the determination, including the specific legal authority and conclusions from the record of the examination that support the determination.

"(iii) A statement of the proposed effective date of the determination.

"(iv) An explanation of the organization's protest and appeal rights, including submitting to the Secretary a protest of the proposed adverse determination letter, administrative appeal and requesting a conference with the Internal Revenue Service Independent Office of Appeals for consideration of the proposed adverse determination, and initiating a judicial proceeding under section 7428.

"(v) An explanation of the applicable deadlines for such protests and appeals, and the legal consequences of exercising (or failing to exercise) such rights.

"(vi) A statement of the date on which the Secretary may issue a final adverse determination letter in the absence of a protest or appeal.

"(C) CROSS-REFERENCE.—For rights with respect appeal and requested conference with the Internal Revenue Service Independent Office of Appeals, see section 7803(e)(8).".

(b) COORDINATION WITH CURRENT RESTRICTIONS ON CHURCH TAX EXAMINATIONS.—

(1) CONTENTS OF NOTICE OF EXAMINATION.—Section 7611(b)(3)(A) of such Code is amended by redesignating clauses (iii) and (iv) as clauses (iv) and (v), respectively, and by inserting after clause (ii) the following new clause:

"(iii) an explanation of the church's rights during the examination, including the right to representation by legal counsel or an authorized representative and the right to request a supervisory conference pursuant to section 7611A(c)(4),''.

(2) CONSIDERATION OF RESPONSE TO NOTICE OF EXAMINATION.—Section 7211(b)(3)(A)(iv) of such Code, as redesignated by paragraph (1), is amended by inserting ''an offer to consider a response and'' before ''an offer to have a conference''.

(3) EXPANSION OF SCOPE.—Section 7611(b)(4) of such Code is amended by inserting before the period at the end the following: ''and the Secretary provides the church a supplementary written notice that includes a description of any such church records and activities which the Secretary seeks to examine''.

(c) INDEPENDENT OFFICE OF APPEALS.—Section 7803(e) of such Code is amended by adding at the end the following new paragraph:

''(8) APPEAL OF PROPOSED ADVERSE DETERMINATION LETTER WITH RESPECT TO ORGANIZATION'S TAX EXEMPT STATUS.—

''(A) IN GENERAL.—In the case of a proposed adverse determination letter with respect to an organization's tax exempt status under section 501(a), the resolution process described in paragraph (3) shall be available to the organization, and a conference shall be provided, with respect to such proposed adverse determination if requested by the organization not later than 30 days after the date of the proposed adverse determination letter.

"(B) DEADLINES.—In the case of such a timely request by the organization, the Internal Revenue Service Independent Office of Appeals shall—

"(i) not later than 10 business days after receipt of such request, acknowledge such request, and

"(ii) in the case of a request for a conference, not later than 90 days after receipt of such request, schedule and hold such conference.".

(d) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 78 of such Code is amended by inserting after the item relating to section 7611 the following new item:

"Sec. 7611A. Process for examination of certain tax exempt entities.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to examinations begun after December 31, 2024.

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