

Public Law 107-276
107th Congress
An Act

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local party committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

Nov. 2, 2002
[H.R. 5596]

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

SECTION 1. EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM NOTIFICATION REQUIREMENTS.

(a) EXEMPTION FROM NOTIFICATION REQUIREMENTS.—Paragraph (5) of section 527(i) of the Internal Revenue Code of 1986 (relating to organizations must notify Secretary that they are section 527 organizations) is amended by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by adding at the end the following:

26 USC 527.

“(C) which is a political committee of a State or local candidate or which is a State or local committee of a political party.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the amendments made by Public Law 106-230.

26 USC 527 note.

SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM REPORTING REQUIREMENTS.

(a) IN GENERAL.—Section 527(j)(5) of the Internal Revenue Code of 1986 (relating to coordination with other requirements) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

“(C) to any organization which is a qualified State or local political organization.”.

(b) QUALIFIED STATE OR LOCAL POLITICAL ORGANIZATION.—Subsection (e) of section 527 of the Internal Revenue Code of 1986 (relating to other definitions) is amended by adding at the end the following new paragraph:

“(5) QUALIFIED STATE OR LOCAL POLITICAL ORGANIZATION.—

“(A) IN GENERAL.—The term ‘qualified State or local political organization’ means a political organization—

“(i) all the exempt functions of which are solely for the purposes of influencing or attempting to influence the selection, nomination, election, or appointment

of any individual to any State or local public office or office in a State or local political organization,

“(ii) which is subject to State law that requires the organization to report (and it so reports)—

“(I) information regarding each separate expenditure from and contribution to such organization, and

“(II) information regarding the person who makes such contribution or receives such expenditure,

which would otherwise be required to be reported under this section, and

“(iii) with respect to which the reports referred to in clause (ii) are (I) made public by the agency with which such reports are filed, and (II) made publicly available for inspection by the organization in the manner described in section 6104(d).

“(B) CERTAIN STATE LAW DIFFERENCES DISREGARDED.—An organization shall not be treated as failing to meet the requirements of subparagraph (A)(ii) solely by reason of 1 or more of the following:

“(i) The minimum amount of any expenditure or contribution required to be reported under State law is not more than \$300 greater than the minimum amount required to be reported under subsection (j).

“(ii) The State law does not require the organization to identify 1 or more of the following:

“(I) The employer of any person who makes contributions to the organization.

“(II) The occupation of any person who makes contributions to the organization.

“(III) The employer of any person who receives expenditures from the organization.

“(IV) The occupation of any person who receives expenditures from the organization.

“(V) The purpose of any expenditure of the organization.

“(VI) The date any contribution was made to the organization.

“(VII) The date of any expenditure of the organization.

“(C) DE MINIMIS ERRORS.—An organization shall not fail to be treated as a qualified State or local political organization solely because such organization makes de minimis errors in complying with the State reporting requirements and the public inspection requirements described in subparagraph (A) as long as the organization corrects such errors within a reasonable period after the organization becomes aware of such errors.

“(D) PARTICIPATION OF FEDERAL CANDIDATE OR OFFICE HOLDER.—The term ‘qualified State or local political organization’ shall not include any organization otherwise described in subparagraph (A) if a candidate for nomination or election to Federal elective public office or an individual who holds such office—

“(i) controls or materially participates in the direction of the organization,

“(ii) solicits contributions to the organization (unless the Secretary determines that such solicitations resulted in de minimis contributions and were made without the prior knowledge and consent, whether explicit or implicit, of the organization or its officers, directors, agents, or employees), or

“(iii) directs, in whole or in part, disbursements by the organization.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106-230.

26 USC 527 note.

SEC. 3. EXEMPTION FROM ANNUAL RETURN REQUIREMENTS.

(a) INCOME TAX RETURNS REQUIRED ONLY FOR POLITICAL ORGANIZATION TAXABLE INCOME.—Paragraph (6) of section 6012(a) of the Internal Revenue Code of 1986 (relating to persons required to make returns of income) is amended by striking “or which has” and all that follows through “section”.

26 USC 6012.

(b) INCOME TAX RETURNS NOT SUBJECT TO DISCLOSURE.—

(1) DISCLOSURE BY THE SECRETARY.—Subsection (b) of section 6104 of such Code (relating to disclosure by the Secretary of annual information returns) is amended by striking “6012(a)(6)”,.

26 USC 6104.

(2) PUBLIC INSPECTION.—Subsection (d) of section 6104 of such Code (relating to public inspection of certain annual returns) is amended—

(A) in paragraph (1)(A)(i) by striking “or section 6012(a)(6) (relating to returns by political organizations)”, and

(B) in subparagraph (2) by striking “or section 6012(a)(6)”,.

(c) INFORMATION RETURNS.—Subsection (g) of section 6033 of such Code (relating to returns required by political organizations) is amended to read as follows:

26 USC 6033.

“(g) RETURNS REQUIRED BY POLITICAL ORGANIZATIONS.—

Applicability.

“(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 political 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.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106-230.

SEC. 4. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

(1) the effect of the amendments made by this Act, and
 (2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971.

SEC. 5. WAIVER OF FILING AMOUNTS.

26 USC 527. (a) WAIVER OF FILING AMOUNTS.—Section 527 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

“(k) AUTHORITY TO WAIVE.—The Secretary may waive all or any portion of the—

“(1) tax assessed on an organization by reason of the failure of the organization to comply with the requirements of subsection (i), or

“(2) amount imposed under subsection (j) for a failure to comply with the requirements thereof, on a showing that such failure was due to reasonable cause and not due to willful neglect.”.

26 USC 527 note. (b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any tax assessed or amount imposed after June 30, 2000.

26 USC 6012 note.

Public information.
26 USC 527 note.

26 USC 527.

26 USC 527 note.

SEC. 6. MODIFICATIONS TO SECTION 527 ORGANIZATION DISCLOSURE PROVISIONS.

(a) **UNSEGREGATED FUNDS NOT TO AVOID TAX.**—Paragraph (4) of section 527(i) of the Internal Revenue Code of 1986 (relating to failure to notify) is amended by adding at the end the following new sentence: “For purposes of the preceding sentence, the term ‘exempt function income’ means any amount described in a subparagraph of subsection (c)(3), whether or not segregated for use for an exempt function.”.

26 USC 527.

(b) **PROCEDURES FOR ASSESSMENT AND COLLECTION OF AMOUNTS.**—Paragraph (1) of section 527(j) of the Internal Revenue Code of 1986 (relating to required disclosure of expenditures and contributions) is amended by adding at the end the following new sentence: “For purposes of subtitle F, the amount imposed by this paragraph shall be assessed and collected in the same manner as penalties imposed by section 6652(c).”.

(c) **DUPLICATE WRITTEN FILINGS NOT REQUIRED.**—Subparagraph (A) of section 527(i)(1) of the Internal Revenue Code of 1986 is amended by striking “, electronically and in writing,” and inserting “electronically”.

(d) **APPLICATION OF FRAUD PENALTY.**—Section 7207 of the Internal Revenue Code of 1986 (relating to fraudulent returns, statements, and other documents) is amended by striking “pursuant to subsection (b) of section 6047 or pursuant to subsection (d) of section 6104” and inserting “pursuant to section 6047(b), section 6104(d), or subsection (i) or (j) of section 527”.

26 USC 7207.

(e) **CONTENTS AND FILING OF REPORT.**—

(1) **CONTENTS.**—Section 527(j)(3) of the Internal Revenue Code of 1986 (relating to contents of report) is amended—
 (A) by inserting “, date, and purpose” after “The amount” in subparagraph (A), and
 (B) by inserting “and date” after “the amount” in subparagraph (B).

(2) **ELECTRONIC FILING.**—Section 527(j) of such Code is amended by adding at the end the following new paragraph:

“(7) **ELECTRONIC FILING.**—Any report required under paragraph (2) with respect to any calendar year shall be filed in electronic form if the organization has, or has reason to expect to have, contributions exceeding \$50,000 or expenditures exceeding \$50,000 in such calendar year.”.

(3) **ELECTRONIC FILING AND ACCESS OF REQUIRED DISCLOSURES.**—Section 527 of such Code, as amended by section 5(a), is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) **PUBLIC AVAILABILITY OF NOTICES AND REPORTS.**—

“(1) **IN GENERAL.**—The Secretary shall make any notice described in subsection (i)(1) or report described in subsection (j)(7) available for public inspection on the Internet not later than 48 hours after such notice or report has been filed (in addition to such public availability as may be made under section 6104(d)(7)).

Deadline.

“(2) **ACCESS.**—The Secretary shall make the entire database of notices and reports which are made available to the public under paragraph (1) searchable by the following items (to the extent the items are required to be included in the notices and reports):

26 USC 527.

Deadline.

Applicability.
26 USC 527 note.

26 USC 527 note.

26 USC 7207
note.

26 USC 527 note.

26 USC 527 note.

- “(A) Names, States, zip codes, custodians of records, directors, and general purposes of the organizations.
- “(B) Entities related to the organizations.
- “(C) Contributors to the organizations.
- “(D) Employers of such contributors.
- “(E) Recipients of expenditures by the organizations.
- “(F) Ranges of contributions and expenditures.
- “(G) Time periods of the notices and reports.

Such database shall be downloadable.”.

(f) CONTENTS OF NOTICE.—Section 527(i)(3) of the Internal Revenue Code of 1986 (relating to contents of notice) is amended by striking “and” at the end of subparagraph (D), by redesignating subparagraph (E) as subparagraph (F), and by inserting after subparagraph (D) the following new subparagraph:

- “(E) whether the organization intends to claim an exemption from the requirements of subsection (j) or section 6033, and”.

(g) TIMING OF NOTICE IN CASE OF MATERIAL CHANGE.—

(1) IN GENERAL.—Subparagraph (B) of section 527(i)(1) of the Internal Revenue Code of 1986 (relating to general notification requirement) is amended by inserting “or, in the case of any material change in the information required under paragraph (3), for the period beginning on the date on which the material change occurs and ending on the date on which such notice is given” after “given”.

(2) TIME TO GIVE NOTICE.—Section 527(i)(2) of the Internal Revenue Code of 1986 (relating to time to give notice) is amended by inserting “or, in the case of any material change in the information required under paragraph (3), not later than 30 days after such material change” after “established”.

(3) EFFECT OF FAILURE.—Paragraph (4) of section 527(i) of the Internal Revenue Code of 1986 (relating to effect of failure) is amended by inserting before the period at the end the following: “or, in the case of a failure relating to a material change, by taking into account such income and deductions only during the period beginning on the date on which the material change occurs and ending on the date on which notice is given under this subsection”.

(h) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to failures occurring on or after the date of the enactment of this Act.

(2) SUBSECTION (c).—The amendments made by subsection (c) shall take effect as if included in the amendments made by Public Law 106-230.

(3) SUBSECTION (d).—The amendment made by subsection (d) shall apply to reports and notices required to be filed on or after the date of the enactment of this Act.

(4) SUBSECTIONS (e)(1) AND (f).—The amendments made by subsections (e)(1) and (f) shall apply to reports and notices required to be filed more than 30 days after the date of the enactment of this Act.

(5) SUBSECTIONS (e)(2) AND (e)(3).—The amendments made by subsections (e)(2) and (e)(3) shall apply to reports required to be filed on or after June 30, 2003.

- (6) SUBSECTION (g).—

(A) IN GENERAL.—The amendments made by subsection (g) shall apply to material changes on or after the date of the enactment of this Act.

(B) TRANSITION RULE.—In the case of a material change occurring during the 30-day period beginning on the date of the enactment of this Act, a notice under section 527(i) of the Internal Revenue Code of 1986 (as amended by this Act) shall not be required to be filed under such section before the later of—

- (i) 30 days after the date of such material change,
or
- (ii) 45 days after the date of the enactment of this Act.

SEC. 7. EFFECT OF AMENDMENTS ON EXISTING DISCLOSURES.

26 USC 6104
note.

Notices, reports, or returns that were required to be filed with the Secretary of the Treasury before the date of the enactment of the amendments made by this Act and that were disclosed by the Secretary of the Treasury consistent with the law in effect at the time of disclosure shall remain subject on and after such date to the disclosure provisions of section 6104 of the Internal Revenue Code of 1986.

Approved November 2, 2002.

LEGISLATIVE HISTORY—H.R. 5596:

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Oct. 16, considered and passed House.
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