

103D CONGRESS  
2D SESSION

# H. R. 3951

To amend the Internal Revenue Code of 1986 to prevent the reclassification of certain dues paid to tax-exempt agricultural or horticultural organizations.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 1994

Mr. CAMP (for himself, Mr. BREWSTER, Mr. ARCHER, Mr. GRANDY, Mr. HOAGLAND, Mr. SUNDQUIST, Mr. PAYNE of Virginia, Mr. DOOLITTLE, Mr. BOEHNER, Mr. QUILLEN, Mr. HANSEN, Mr. CANADY, Mr. BARLOW, Mr. BARCIA of Michigan, Mr. BUNNING, Mr. HANCOCK, Mr. SLATTERY, Mr. MCCRERY, Mr. THOMAS of California, Mr. HOUGHTON, Mr. EDWARDS of Texas, Mr. SHAW, Mr. HERGER, Mr. PETE GEREN of Texas, Mr. LEWIS of Florida, Mr. BONILLA, Mr. LIGHTFOOT, Mr. GORDON, and Mr. FIELDS of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to prevent the reclassification of certain dues paid to tax-exempt agricultural or horticultural organizations.

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 “Tax Fairness for Agri-  
5 culture Act of 1994”.

1 **SEC. 2. TREATMENT OF DUES PAID TO AGRICULTURAL OR**  
2 **HORTICULTURAL ORGANIZATIONS.**

3 (a) GENERAL RULE.—Section 512 of the Internal  
4 Revenue Code of 1986 (defining unrelated business tax-  
5 able income) is amended by adding at the end thereof the  
6 following new subsection:

7 “(d) TREATMENT OF DUES OF AGRICULTURAL OR  
8 HORTICULTURAL ORGANIZATIONS.—

9 “(1) IN GENERAL.—If—

10 “(A) an agricultural or horticultural orga-  
11 nization described in section 501(c)(5) requires  
12 annual dues to be paid in order to be a member  
13 of such organization, and

14 “(B) the amount of such required annual  
15 dues does not exceed \$75,

16 in no event shall any portion of such dues be treated  
17 as derived by such organization from an unrelated  
18 trade or business by reason of any benefits or privi-  
19 leges to which members of such organization are en-  
20 titled.

21 “(2) INDEXATION OF \$75 AMOUNT.—In the case  
22 of any taxable year beginning in a calendar year  
23 after 1994, the \$75 amount in paragraph (1) shall  
24 be increased by an amount equal to—

25 “(A) \$75, multiplied by

1           “(B) the cost-of-living adjustment deter-  
2           mined under section 1(f)(3) for the calendar  
3           year in which the taxable year begins, by sub-  
4           stituting ‘calendar year 1993’ for ‘calendar year  
5           1992’ in subparagraph (B) thereof.”

6           (b) EFFECTIVE DATES.—

7           (1) IN GENERAL.—The amendment made by  
8           subsection (a) shall apply to taxable years beginning  
9           after December 31, 1993.

10          (2) TRANSITIONAL RULE.—If—

11           (A) for purposes of applying part III of  
12           subchapter F of chapter 1 of the Internal Reve-  
13           nue Code of 1986 to any taxable year beginning  
14           before January 1, 1994, an agricultural or hor-  
15           ticultural organization did not treat any portion  
16           of membership dues received by it as income de-  
17           rived in an unrelated trade or business, and

18           (B) such organization had a reasonable  
19           basis for not treating such dues as income de-  
20           rived in an unrelated trade or business,

21           then, for purposes of applying such part III to any  
22           such taxable year, in no event shall any portion of  
23           such dues be treated as derived in an unrelated  
24           trade or business.

1           (3) REASONABLE BASIS.—For purposes of  
2 paragraph (2), an organization shall be treated as  
3 having a reasonable basis for not treating member-  
4 ship dues as income derived in an unrelated trade or  
5 business if the taxpayer’s treatment of such dues  
6 was in reasonable reliance on any of the following:

7           (A) Judicial precedent, published rulings,  
8 technical advice with respect to the organiza-  
9 tion, or a letter ruling to the organization.

10           (B) A past Internal Revenue Service audit  
11 of the organization in which there was no as-  
12 sessment attributable to the reclassification of  
13 membership dues for purposes of the tax on un-  
14 related business income.

15           (C) Long-standing recognized practice of  
16 agricultural or horticultural organizations.

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