

113TH CONGRESS  
1ST SESSION

# H. R. 3520

To amend the Internal Revenue Code of 1986 to reform rules relating to 501(c)(4) organizations and provide certain taxpayer protections, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2013

Mr. BOUSTANY 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 reform rules relating to 501(c)(4) organizations and provide certain taxpayer protections, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Exempt Organization  
5 Simplification and Taxpayer Protection Act of 2013”.

1 **SEC. 2. ORGANIZATIONS REQUIRED TO NOTIFY SECRETARY**  
2 **OF INTENT TO OPERATE AS 501(c)(4).**

3 (a) IN GENERAL.—Part I of subchapter F of chapter  
4 1 of the Internal Revenue Code of 1986 is amended by  
5 adding at the end the following new section:

6 **“SEC. 506. ORGANIZATIONS REQUIRED TO NOTIFY SEC-**  
7 **RETARY OF INTENT TO OPERATE AS 501(c)(4).**

8 “(a) IN GENERAL.—An organization described in  
9 section 501(c)(4) shall, not later than 60 days after the  
10 organization is established, notify the Secretary (in such  
11 manner as the Secretary shall by regulation prescribe)  
12 that it is operating as such.

13 “(b) CONTENTS OF NOTICE.—The notice required  
14 under subsection (a) shall include the following informa-  
15 tion:

16 “(1) The name, address, and taxpayer identi-  
17 fication number of the organization.

18 “(2) The date on which, and the State under  
19 the laws of which, the organization was organized.

20 “(3) A statement of the purpose of the organi-  
21 zation.

22 “(c) ACKNOWLEDGMENT OF RECEIPT.—Not later  
23 than 60 days after receipt of such a notice, the Secretary  
24 shall send to the organization an acknowledgment of such  
25 receipt.

1       “(d) EXTENSION FOR REASONABLE CAUSE.—The  
2 Secretary may, for reasonable cause, extend the 60-day  
3 period described in subsection (a).

4       “(e) USER FEE.—The Secretary shall impose a rea-  
5 sonable user fee for submission of the notice under sub-  
6 section (a).

7       “(f) REQUEST FOR DETERMINATION.—Upon request  
8 by an organization to be treated as an organization de-  
9 scribed in section 501(c)(4), the Secretary may issue a de-  
10 termination with respect to such treatment. Such request  
11 shall be treated for purposes of section 6104 as an applica-  
12 tion for exemption from taxation under section 501(a).”.

13       (b) SUPPORTING INFORMATION WITH FIRST RE-  
14 TURN.—Paragraph (1) of section 6033(f) of such Code is  
15 amended—

16           (1) by striking the period at the end and insert-  
17 ing “, and”,

18           (2) by striking “include on the return required  
19 under subsection (a) the information” and inserting  
20 the following: “include on the return required under  
21 subsection (a)—

22           “(1) the information”, and

23           (3) by adding at the end the following new  
24 paragraph:

1           “(2) in the case of the first such return filed by  
2           such an organization after submitting a notice to the  
3           Secretary under section 506(a), such information as  
4           the Secretary shall by regulation require in support  
5           of the organization’s treatment as an organization  
6           described in section 501(c)(4).”.

7           (c) FAILURE TO FILE INITIAL NOTIFICATION.—Sub-  
8           section (c) of section 6652 of such Code is amended by  
9           redesignating paragraphs (4) and (5) as paragraphs (5)  
10          and (6), respectively, and by inserting after paragraph (3)  
11          the following new paragraph:

12           “(4) NOTICES UNDER SECTION 506.—

13           “(A) PENALTY ON ORGANIZATION.—In the  
14           case of a failure to submit a notice required  
15           under section 506(a) (relating to organizations  
16           required to notify Secretary of intent to operate  
17           as 501(c)(4)) on the date and in the manner  
18           prescribed therefor, there shall be paid by the  
19           organization failing to so submit \$20 for each  
20           day during which such failure continues, but  
21           the total amount imposed under this subpara-  
22           graph on any organization for failure to submit  
23           any one notice shall not exceed \$5,000.

24           “(B) MANAGERS.—The Secretary may  
25           make written demand on an organization sub-

1           ject to penalty under subparagraph (A) speci-  
2           fying in such demand a reasonable future date  
3           by which the notice shall be submitted for pur-  
4           poses of this subparagraph. If such notice is not  
5           submitted on or before such date, there shall be  
6           paid by the person failing to so submit \$20 for  
7           each day after the expiration of the time speci-  
8           fied in the written demand during which such  
9           failure continues, but the total amount imposed  
10          under this subparagraph on all persons for fail-  
11          ure to submit any one notice shall not exceed  
12          \$5,000.”.

13          (d) CLERICAL AMENDMENT.—The table of sections  
14          for part I of subchapter F of chapter 1 of such Code is  
15          amended by adding at the end the following new item:

“Sec. 506. Organizations required to notify Secretary of intent to operate as  
501(c)(4).”.

16          (e) EFFECTIVE DATE.—

17               (1) IN GENERAL.—The amendments made by  
18               this section shall apply to organizations which are  
19               described in section 501(c)(4) of the Internal Rev-  
20               enue Code of 1986 and organized after December  
21               31, 2014.

22               (2) CERTAIN EXISTING ORGANIZATIONS.—In  
23               the case of any other organization described in sec-  
24               tion 501(c)(4) of such Code, the amendments made

1 by this section shall apply to such organization only  
2 if, on or before the date of the enactment of this  
3 Act—

4 (A) such organization has not applied for  
5 a written determination of recognition as an or-  
6 ganization described in section 501(c)(4) of  
7 such Code, and

8 (B) such organization has not filed at least  
9 one annual return or notice required under sub-  
10 section (a)(1) or (i) (as the case may be) of sec-  
11 tion 6033 of such Code.

12 In the case of any organization to which the amend-  
13 ments made by this section apply by reason of the  
14 preceding sentence, such organization shall submit  
15 the notice required by section 506(a) of such Code,  
16 as added by this Act, not later than 180 days after  
17 the date of the enactment of this Act.

18 **SEC. 3. DECLARATORY JUDGMENTS FOR 501(c)(4) ORGANI-**  
19 **ZATIONS.**

20 (a) IN GENERAL.—Paragraph (1) of section 7428(a)  
21 of the Internal Revenue Code of 1986 is amended by strik-  
22 ing “or” at the end of subparagraph (C) and by inserting  
23 after subparagraph (D) the following new subparagraph:

24 “(E) with respect to the initial classifica-  
25 tion or continuing classification of an organiza-

1           tion described in section 501(c)(4) which is ex-  
2           empt from tax under section 501(a), or”.

3           (b) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to pleadings filed after the date  
5 of the enactment of this Act.

6 **SEC. 4. RELEASE OF INFORMATION REGARDING THE STA-**  
7 **TUS OF CERTAIN INVESTIGATIONS.**

8           (a) **IN GENERAL.**—Subsection (e) of section 6103 of  
9 the Internal Revenue Code of 1986 is amended by adding  
10 at the end the following new paragraph:

11           “(11) **DISCLOSURE OF INFORMATION REGARD-**  
12 **ING STATUS OF INVESTIGATION OF VIOLATION OF**  
13 **THIS SECTION.**—In the case of a person who pro-  
14 vides to the Secretary information indicating a viola-  
15 tion of section 7213, 7213A, or 7214 with respect  
16 to any return or return information of such person,  
17 the Secretary may disclose to such person (or such  
18 person’s designee)—

19           “(A) whether an investigation based on the  
20 person’s provision of such information has been  
21 initiated and whether it is open or closed,

22           “(B) whether any such investigation sub-  
23 stantiated such a violation by any individual,  
24 and

1           “(C) whether any action has been taken  
2           with respect to such individual (including  
3           whether a referral has been made for prosecu-  
4           tion of such individual).”.

5           (b) EFFECTIVE DATE.—The amendment made by  
6 this section shall take effect on the date of the enactment  
7 of this Act.

8 **SEC. 5. REVIEW OF INTERNAL REVENUE SERVICE EXAM-**  
9 **INATION SELECTION PROCEDURES.**

10          (a) IN GENERAL.—The Comptroller General of the  
11 United States shall conduct a study of each Internal Rev-  
12 enue Service operating division to assess the process used  
13 for determining how enforcement cases are selected and  
14 processed. Such study shall include a review of the fol-  
15 lowing:

16           (1) The standards each such operating division  
17 has established for enforcement case selection (in-  
18 cluding any automated or discretionary selection  
19 processes) and case work, and whether such stand-  
20 ards meet the objectives of impartiality, objectivity,  
21 compliance, and minimizing taxpayer burden.

22           (2) The extent to which any cases are initiated  
23 by referrals or complaints from inside or outside of  
24 the operating division (including from outside of the  
25 Internal Revenue Service).



1           (3) The Internal Revenue Service controls (in-  
2           cluding management reviews and regular updates)  
3           for assuring that its standards for enforcement cases  
4           (and handling of referrals and complaints) in each  
5           operating division are sufficient for achieving the ob-  
6           jectives described in paragraph (1).

7           (4) The Internal Revenue Service controls (in-  
8           cluding training, monitoring, and quality assess-  
9           ments) for assuring that its standards are adhered  
10          to by all division personnel and the effectiveness of  
11          such controls.

12          (5) Whether the existing standards and controls  
13          provide reasonable assurance that each division's en-  
14          forcement processes meet the Internal Revenue Serv-  
15          ice objectives of impartiality, objectivity, compliance,  
16          and minimizing taxpayer burden.

17          (b) INITIAL REPORT.—Not later than 1 year after  
18          the date of the enactment of this section, the Comptroller  
19          General shall submit to the Committee on Ways and  
20          Means of the House of Representatives, the Committee on  
21          Finance of the Senate, and the Secretary of the Treasury  
22          a report on the results of such study. Such report shall  
23          include such recommendations as the Comptroller General  
24          may deem advisable.

1           (c) FOLLOW-UP ON RECOMMENDATIONS.—Not later  
2 than 180 days after a report is submitted with respect  
3 to an operating division under subsection (b), the Comp-  
4 troller General shall conduct a follow-up study, and submit  
5 to the Committee on Ways and Means of the House of  
6 Representatives, the Committee on Finance of the Senate,  
7 and the Secretary of the Treasury a report, on whether  
8 any recommendations to improve case selection and case  
9 work processes have been implemented and are working  
10 as intended.

11           (d) CONTINUING CASE MANAGEMENT STUDIES AND  
12 REPORTS.—

13           (1) IN GENERAL.—After a report is submitted  
14 under subsection (b), the Comptroller General shall  
15 conduct follow-up studies and reports in the same  
16 manner as provided in subsections (a) and (b) with  
17 respect to each operating division of the Internal  
18 Revenue Service and shall include in such study and  
19 report a review of whether any previous rec-  
20 ommendations to improve case selection and case  
21 work processes have been implemented and are  
22 working as intended.

23           (2) FREQUENCY.—Each such report with re-  
24 spect to an operating division shall be submitted not  
25 later than 4 years after the date the most recent re-

1 port was submitted with respect to such operating  
2 division under subsection (b) or this subsection. The  
3 Comptroller General shall submit no fewer than 1  
4 such report each year.

5 **SEC. 6. IRS EMPLOYEES PROHIBITED FROM USING PER-**  
6 **SONAL EMAIL ACCOUNTS FOR OFFICIAL**  
7 **BUSINESS.**

8 No officer or employee of the Internal Revenue Serv-  
9 ice may use a personal email account to conduct any offi-  
10 cial business of the Government.

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