

107TH CONGRESS
2^D SESSION

H. R. 5603

To amend the Internal Revenue Code of 1986 to suspend the tax-exempt status of designated terrorist organizations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 10, 2002

Mr. THUNE (for himself, Mr. RAMSTAD, and Mrs. JOHNSON of Connecticut) 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 suspend the tax-exempt status of designated terrorist organizations, 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. SUSPENSION OF TAX-EXEMPT STATUS OF DES-**
4 **IGNATED TERRORIST ORGANIZATIONS.**

5 (a) IN GENERAL.—Section 501 of the Internal Rev-
6 enue Code of 1986 (relating to exemption from tax on cor-
7 porations, certain trusts, etc.) is amended by redesi-
8 gnating subsection (p) as subsection (q) and by inserting
9 after subsection (o) the following new subsection:

1 “(p) SUSPENSION OF TAX-EXEMPT STATUS OF DES-
2 IGNATED TERRORIST ORGANIZATIONS.—

3 “(1) IN GENERAL.—The exemption from tax
4 under subsection (a) with respect to any organiza-
5 tion shall be suspended during any period in which
6 the organization is a designated terrorist organiza-
7 tion.

8 “(2) DESIGNATED TERRORIST ORGANIZA-
9 TION.—For purposes of this subsection, the term
10 ‘designated terrorist organization’ means an organi-
11 zation which—

12 “(A) is designated as a terrorist organiza-
13 tion by an Executive order under the authority
14 of—

15 “(i) section 212(a)(3) or 219 of the
16 Immigration and Nationality Act,

17 “(ii) the International Emergency
18 Economic Powers Act, or

19 “(iii) section 5 of the United Nations
20 Participation Act, or

21 “(B) is a person listed in or designated by
22 an Executive order as supporting terrorist ac-
23 tivity (as defined in section 212(a)(3)(B) of the
24 Immigration and Nationality Act) or terrorism
25 (as defined in section 140(d)(2) of the Foreign

1 Relations Authorization Act, Fiscal Years 1988
2 and 1989).

3 “(3) DENIAL OF DEDUCTION.—No deduction
4 shall be allowed under section 170, 545(b)(2),
5 556(b)(2), 642(e), 2055, 2106(a)(2), or 2522 for
6 any contribution to an organization during the pe-
7 riod such organization is a designated terrorist orga-
8 nization.

9 “(4) DENIAL OF ADMINISTRATIVE OR JUDICIAL
10 CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-
11 TION.—Notwithstanding section 7428 or any other
12 provision of law, no organization or other person
13 may challenge a suspension under paragraph (1), a
14 determination or listing under paragraph (2), or a
15 denial of a deduction under paragraph (3) in any
16 administrative or judicial proceeding relating to the
17 Federal tax liability of such organization or other
18 person.

19 “(5) ERRONEOUS DESIGNATION.—

20 “(A) IN GENERAL.—If a designation of an
21 organization pursuant to 1 or more of the pro-
22 visions of law described in paragraph (2) is de-
23 termined to be erroneous pursuant to such law,
24 such designation (and any suspension under
25 paragraph (1) occurring pursuant thereto) shall

1 be treated as having not been made for pur-
2 poses of this title.

3 “(B) WAIVER OF LIMITATIONS.—If credit
4 or refund of any overpayment of tax which oc-
5 curs by operation of subparagraph (A) is pre-
6 vented at any time before the close of the 1-
7 year period beginning on the date of the deter-
8 mination of such credit or refund by the oper-
9 ation of any law or rule of law (including res
10 judicata), such refund or credit may neverthe-
11 less be made or allowed if claim therefor is filed
12 before the close of such period.”.

13 (b) NOTICE OF SUSPENSIONS.—If the tax exemption
14 of any organization is suspended under section 501(p) of
15 the Internal Revenue Code of 1986 (as added by sub-
16 section (a)), the Internal Revenue Service shall update the
17 listings of tax-exempt organizations and shall publish ap-
18 propriate notice to taxpayers of such suspension and of
19 the fact that contributions to such organization are not
20 deductible during the period of such suspension.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall take effect on the date of the enactment
23 of this Act.

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