

## [H.R. 1295, the IRS Bureaucracy Reduction and Judicial Review Act](#)

### FLOOR SITUATION

On Wednesday, April 15, 2015, the House will consider [H.R. 1295](#), *the IRS Bureaucracy Reduction and Judicial Review Act*, under suspension of the rules. The bill was introduced on March 4, 2015 by Rep. George Holding (R-NC) and was referred to the Committee on Ways and Means, which ordered the bill reported, as amended, by voice vote on March 25, 2015.

### SUMMARY

H.R. 1295 streamlines the process by which certain social welfare organizations may obtain tax-exempt status as a 501(c)(4) organization under the Internal Revenue Code of 1986 and provides access to judicial review for adverse determinations of applications for such status from these organizations.

Specifically, the bill:

- (1) Requires each such organization to notify the Department of the Treasury of its formation and intent to operate as a 501(c)(4) organization not later than 60 days after the organization is established and in such a manner as the Secretary may prescribe. The notice must include: the name, address, and taxpayer identification number of the organization; the date on which and the State laws under which the organization was organized; and, a statement of purpose of the organization.
- (2) Requires the Treasury Department to acknowledge receipt of such notification within 60 days, which may be extended by the Secretary for reasonable cause.
- (3) Requires each such organization to remit a reasonable user fee with its notice in an amount established by the Secretary.
- (4) Establishes monetary penalties for organizations that do not provide timely notification to the Treasury Department. The penalty for such organizations that fail to file the required notice within the 60-day period is equal to \$20 per day during which the failure occurs, up to a maximum of \$5,000.
- (5) Extends a declaratory judgment procedure currently available to other non-profit organizations for adverse determinations of tax-exempt status to the initial determination or continuing classification of a 501(c)(4) social welfare organization.

### BACKGROUND

Section 501(c)(4) of the Internal Revenue Code of 1986 provides tax exemptions for certain non-profit organizations operated exclusively for the promotion of social welfare. An organization is operated exclusively for the promotion of social welfare if it is engaged primarily in promoting the common good and general welfare of the people of the community. The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns or on behalf of or in opposition to any candidate for public office. However, such organizations are permitted to engage in political activity as long as the organization's activities promote social welfare.<sup>1</sup>

## **COST**

[CBO and the Joint Committee on Taxation \(JCT\) estimate](#) that enacting H.R. 1295 would increase fee and penalty collections (which are recorded in the budget as revenues) by \$16 million over the 2016 to 2025 period. Because enacting the bill would affect revenues, pay-as-you-go procedures apply. Enacting the bill would not affect direct spending. In addition, CBO estimates that implementing H.R. 1295 would cost \$5 million over the 2016 to 2020 period, assuming appropriation of the necessary amounts.

## **STAFF CONTACT**

For questions or further information, contact the House Republican Policy Committee at 6-5539.

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<sup>1</sup> Joint Committee on Taxation, *Description of H.R. 1295, a Bill to Improve the Process for Making Determinations With Respect to Whether Organizations Are Exempt from Taxation Under Section 501(c)(4)* (JCX-61-15), March 24, 2015 at 2.