

U.S. Rep. Gallagher, Sen. Hawley: Introduce bill to help define the Chinese Communist Party

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WASHINGTON, D.C.- As [first reported](#) by the Daily Caller, Rep. Mike Gallagher (R-WI) and Senator Josh Hawley (R-MO) today introduced the Dump Investments in Troublesome Communist Holdings Act (DITCH Act). This bill would force non-profits, university endowments, public pension plans, and any other tax-exempt entity to divest from Chinese companies or lose their tax-exempt status.

"Tax-exempt entities that invest in CCP-directed companies are not only profiting off of genocide, destroying the environment, and financing the PLA's ability to build weapons that can kill Americans, but are also making U.S. taxpayers unwittingly subsidize it. This has to stop," said Rep. Gallagher. "Any entity that receives preferential tax treatment must make a choice: are they committed to their professed values, or are they committed to financing a genocidal communist regime and its malign efforts around the world? If a tax-exempt entity chooses to continue to sell out its own country for a small slice of the Chinese market, then they must lose their tax-exempt status."

Senator Hawley said, *"Universities, foundations, and other entities are exempt from federal income tax for their work promoting the public good in the United States. Investing in China does the opposite: it advances the economic ambitions and military modernization efforts of the Chinese Communist Party while selling out American workers and values. These tax-exempt entities must stop investing in China or lose their tax-exempt status."*

Earlier this year, Rep. Gallagher [wrote an op-ed](#) outlining how American technology and capital can fund the CCP and its malign behavior. As he pointed out, this

doesn't just run contrary to Wall Street and some prestigious universities' proclaimed commitments to ESG, but it's problematic in three ways:

1. It undermines national security by aiding the People's Liberation Army,
2. It helps the CCP finance its techno-totalitarian state, including its ongoing crackdown against Chinese protestors, and
3. It creates interests in the US that are financially invested in the success of CCP-directed companies that want to harm the U.S. or gain a competition edge over their American rivals.

To combat these threats, the DITCH Act would:

- Define disqualified Chinese companies as any company:
- Incorporated or based in China,
- Has more than 10 percent of the stock (by vote or value) owned by some combination of Chinese entities, or
- Is directly or indirectly owned by a Chinese entity, including through a derivative instrument or other contractual arrangements.
- Allow the Treasury Secretary to grant a waiver to certain non-profit entities if their need to hold certain Chinese assets outweighs the national security risk.
- The Secretary would have to publicize the reasoning.
- Entities granted a waiver have to submit regular reports.
- Require the Treasury Secretary to publish a report within 360 days and then annually describing the patterns of outbound investment into China generally, including a sectoral breakdown.

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