

- Part II. Private foundations.
- III. Taxation of business income of certain exempt organizations.
- IV. Farmers' cooperatives.
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- VI. Political organizations.
- VII. Certain homeowners associations.
- VIII. Higher education savings entities.

AMENDMENTS

- 1997—Pub. L. 105-34, title II, §211(e)(1)(B), Aug. 5, 1997, 111 Stat. 812, substituted "Higher education savings entities" for "Qualified State tuition programs" in part VIII heading.
- 1996—Pub. L. 104-188, title I, §1806(b)(2), Aug. 20, 1996, 110 Stat. 1898, added part VIII heading.
- 1976—Pub. L. 94-455, title XXI, §2101(d), Oct. 4, 1976, 90 Stat. 1899, added part VII heading.
- 1975—Pub. L. 93-625, §10(d), Jan. 3, 1975, 88 Stat. 2119, added part VI heading.
- 1969—Pub. L. 91-172, title I, §101(j)(58), Dec. 30, 1969, 83 Stat. 532, added part II heading, and redesignated former parts II, III and IV as parts III, IV and V, respectively.

PART I—GENERAL RULE

- Sec. 501. Exemption from tax on corporations, certain trusts, etc.
- 502. Feeder organizations.
- 503. Requirements for exemption.
- 504. Status after organization ceases to qualify for exemption under section 501(c)(3) because of substantial lobbying or because of political activities.
- 505. Additional requirements for organizations described in paragraph (9), (17), or (20) of section 501(c).

AMENDMENTS

- 1987—Pub. L. 100-203, title X, §10711(b)(2)(B), Dec. 22, 1987, 101 Stat. 1330-464, substituted "substantial lobbying or because of political activities" for "substantial lobbying" in item 504.
- 1984—Pub. L. 98-369, div. A, title V, §513(b), July 18, 1984, 98 Stat. 865, added item 505.
- 1976—Pub. L. 94-455, title XIII, §1307(d)(3)(B), Oct. 4, 1976, 90 Stat. 1728, added item 504.
- 1969—Pub. L. 91-172, title I, §101(j)(61), Dec. 30, 1969, 83 Stat. 532, struck out item 504 "Denial of exemption".

§ 501. Exemption from tax on corporations, certain trusts, etc.

(a) Exemption from taxation

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

(b) Tax on unrelated business income and certain other activities

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(c) List of exempt organizations

The following organizations are referred to in subsection (a):

- (1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation—

- (A) is exempt from Federal income taxes—
 - (i) under such Act as amended and supplemented before July 18, 1984, or
 - (ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

(B) is described in subsection (l).

(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

(4)(A) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

(B) Subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.

(5) Labor, agricultural, or horticultural organizations.

(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

(8) Fraternal beneficiary societies, orders, or associations—

- (A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

(B) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

(9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual. For purposes of providing for the payment of sick and accident benefits to members of such an association and their dependents, the term "dependent" shall include any individual who is a child (as defined in section 152(f)(1)) of a member who as of the end of the calendar year has not attained age 27.

(10) Domestic fraternal societies, orders, or associations, operating under the lodge system—

(A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

(B) which do not provide for the payment of life, sick, accident, or other benefits.

(11) Teachers' retirement fund associations of a purely local character, if—

(A) no part of their net earnings inures (other than through payment of retirement benefits) to the benefit of any private shareholder or individual, and

(B) the income consists solely of amounts received from public taxation, amounts received from assessments on the teaching salaries of members, and income in respect of investments.

(12)(A) Benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

(B) In the case of a mutual or cooperative telephone company, subparagraph (A) shall be applied without taking into account any income received or accrued—

(i) from a nonmember telephone company for the performance of communication services which involve members of the mutual or cooperative telephone company,

(ii) from qualified pole rentals,

(iii) from the sale of display listings in a directory furnished to the members of the mutual or cooperative telephone company, or

(iv) from the prepayment of a loan under section 306A, 306B, or 311¹ of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

(C) In the case of a mutual or cooperative electric company, subparagraph (A) shall be applied without taking into account any income received or accrued—

(i) from qualified pole rentals, or

(ii) from any provision or sale of electric energy transmission services or ancillary services if such services are provided on a nondiscriminatory open access basis under an open access transmission tariff approved or accepted by FERC or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member),

(iii) from the provision or sale of electric energy distribution services or ancillary services if such services are provided on a nondiscriminatory open access basis to distribute electric energy not owned by the mutual or electric cooperative company—

(I) to end-users who are served by distribution facilities not owned by such company or any of its members (other than income received or accrued directly or indirectly from a member), or

(II) generated by a generation facility not owned or leased by such company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member),

(iv) from any nuclear decommissioning transaction, or

(v) from any asset exchange or conversion transaction.

(D) For purposes of this paragraph, the term "qualified pole rental" means any rental of a pole (or other structure used to support wires) if such pole (or other structure)—

(i) is used by the telephone or electric company to support one or more wires which are used by such company in providing telephone or electric services to its members, and

(ii) is used pursuant to the rental to support one or more wires (in addition to the wires described in clause (i)) for use in connection with the transmission by wire of electricity or of telephone or other communications.

For purposes of the preceding sentence, the term "rental" includes any sale of the right to use the pole (or other structure).

(E) For purposes of subparagraph (C)(ii), the term "FERC" means the Federal Energy Regulatory Commission and references to such term shall be treated as including the Public Utility Commission of Texas with respect to any ERCOT utility (as defined in section 212(k)(2)(B) of the Federal Power Act (16 U.S.C. 824k(k)(2)(B))).

(F) For purposes of subparagraph (C)(iv), the term "nuclear decommissioning transaction" means—

(i) any transfer into a trust, fund, or instrument established to pay any nuclear decommissioning costs if the transfer is in connection with the transfer of the mutual or cooperative electric company's interest in a nuclear power plant or nuclear power plant unit,

¹ See References in Text note below.

(ii) any distribution from any trust, fund, or instrument established to pay any nuclear decommissioning costs, or

(iii) any earnings from any trust, fund, or instrument established to pay any nuclear decommissioning costs.

(G) For purposes of subparagraph (C)(v), the term “asset exchange or conversion transaction” means any voluntary exchange or involuntary conversion of any property related to generating, transmitting, distributing, or selling electric energy by a mutual or cooperative electric company, the gain from which qualifies for deferred recognition under section 1031 or 1033, but only if the replacement property acquired by such company pursuant to such section constitutes property which is used, or to be used, for—

(i) generating, transmitting, distributing, or selling electric energy, or

(ii) producing, transmitting, distributing, or selling natural gas.

(H)(i) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2)(C), income received or accrued from a load loss transaction shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.

(ii) For purposes of clause (i), the term “load loss transaction” means any wholesale or retail sale of electric energy (other than to members) to the extent that the aggregate sales during the recovery period do not exceed the load loss mitigation sales limit for such period.

(iii) For purposes of clause (ii), the load loss mitigation sales limit for the recovery period is the sum of the annual load losses for each year of such period.

(iv) For purposes of clause (iii), a mutual or cooperative electric company’s annual load loss for each year of the recovery period is the amount (if any) by which—

(I) the megawatt hours of electric energy sold during such year to members of such electric company are less than

(II) the megawatt hours of electric energy sold during the base year to such members.

(v) For purposes of clause (iv)(II), the term “base year” means—

(I) the calendar year preceding the start-up year, or

(II) at the election of the mutual or cooperative electric company, the second or third calendar years preceding the start-up year.

(vi) For purposes of this subparagraph, the recovery period is the 7-year period beginning with the start-up year.

(vii) For purposes of this subparagraph, the start-up year is the first year that the mutual or cooperative electric company offers non-discriminatory open access or the calendar year which includes the date of the enactment of this subparagraph, if later, at the election of such company.

(viii) A company shall not fail to be treated as a mutual or cooperative electric company

for purposes of this paragraph or as a corporation operating on a cooperative basis for purposes of section 1381(a)(2)(C) by reason of the treatment under clause (i).

(ix) For purposes of subparagraph (A), in the case of a mutual or cooperative electric company, income received, or accrued, indirectly from a member shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.

(13) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for the purpose of the disposal of bodies by burial or cremation which is not permitted by its charter to engage in any business not necessarily incident to that purpose and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(14)(A) Credit unions without capital stock organized and operated for mutual purposes and without profit.

(B) Corporations or associations without capital stock organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of shares or deposits in—

(i) domestic building and loan associations,

(ii) cooperative banks without capital stock organized and operated for mutual purposes and without profit,

(iii) mutual savings banks not having capital stock represented by shares, or

(iv) mutual savings banks described in section 591(b)²

(C) Corporations or associations organized before September 1, 1957, and operated for mutual purposes and without profit for the purpose of providing reserve funds for associations or banks described in clause (i), (ii), or (iii) of subparagraph (B); but only if 85 percent or more of the income is attributable to providing such reserve funds and to investments. This subparagraph shall not apply to any corporation or association entitled to exemption under subparagraph (B).

(15)(A) Insurance companies (as defined in section 816(a)) other than life (including inter-insurers and reciprocal underwriters) if—

(i)(I) the gross receipts for the taxable year do not exceed \$600,000, and

(II) more than 50 percent of such gross receipts consist of premiums, or

(ii) in the case of a mutual insurance company—

(I) the gross receipts of which for the taxable year do not exceed \$150,000, and

(II) more than 35 percent of such gross receipts consist of premiums.

Clause (ii) shall not apply to a company if any employee of the company, or a member of the employee’s family (as defined in section 2032A(e)(2)), is an employee of another company exempt from taxation by reason of this paragraph (or would be so exempt but for this sentence).

² So in original. Probably should be followed by a period.

(B) For purposes of subparagraph (A), in determining whether any company or association is described in subparagraph (A), such company or association shall be treated as receiving during the taxable year amounts described in subparagraph (A) which are received during such year by all other companies or associations which are members of the same controlled group as the insurance company or association for which the determination is being made.

(C) For purposes of subparagraph (B), the term "controlled group" has the meaning given such term by section 831(b)(2)(B)(ii), except that in applying section 831(b)(2)(B)(ii) for purposes of this subparagraph, subparagraphs (B) and (C) of section 1563(b)(2) shall be disregarded.

(16) Corporations organized by an association subject to part IV of this subchapter or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, on dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof; nor shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose.

(17)(A) A trust or trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits, if—

(i) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities, with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of supplemental unemployment compensation benefits,

(ii) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section 414(q)), and

(iii) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section 414(q)). A plan shall not be considered discriminatory within the meaning of this clause merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

(B) In determining whether a plan meets the requirements of subparagraph (A), any bene-

fits provided under any other plan shall not be taken into consideration, except that a plan shall not be considered discriminatory—

(i) merely because the benefits under the plan which are first determined in a nondiscriminatory manner within the meaning of subparagraph (A) are then reduced by any sick, accident, or unemployment compensation benefits received under State or Federal law (or reduced by a portion of such benefits if determined in a nondiscriminatory manner), or

(ii) merely because the plan provides only for employees who are not eligible to receive sick, accident, or unemployment compensation benefits under State or Federal law the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such laws if such employees were eligible for such benefits, or

(iii) merely because the plan provides only for employees who are not eligible under another plan (which meets the requirements of subparagraph (A)) of supplemental unemployment compensation benefits provided wholly by the employer the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such other plan if such employees were eligible under such other plan, but only if the employees eligible under both plans would make a classification which would be nondiscriminatory within the meaning of subparagraph (A).

(C) A plan shall be considered to meet the requirements of subparagraph (A) during the whole of any year of the plan if on one day in each quarter it satisfies such requirements.

(D) The term "supplemental unemployment compensation benefits" means only—

(i) benefits which are paid to an employee because of his involuntary separation from the employment of the employer (whether or not such separation is temporary) resulting directly from a reduction in force, the discontinuance of a plant or operation, or other similar conditions, and

(ii) sick and accident benefits subordinate to the benefits described in clause (i).

(E) Exemption shall not be denied under subsection (a) to any organization entitled to such exemption as an association described in paragraph (9) of this subsection merely because such organization provides for the payment of supplemental unemployment benefits (as defined in subparagraph (D)(i)).

(18) A trust or trusts created before June 25, 1959, forming part of a plan providing for the payment of benefits under a pension plan funded only by contributions of employees, if—

(A) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of benefits under the plan,

(B) such benefits are payable to employees under a classification which is set forth in

the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated employees (within the meaning of section 414(q)),

(C) such benefits do not discriminate in favor of employees who are highly compensated employees (within the meaning of section 414(q)). A plan shall not be considered discriminatory within the meaning of this subparagraph merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan, and

(D) in the case of a plan under which an employee may designate certain contributions as deductible—

(i) such contributions do not exceed the amount with respect to which a deduction is allowable under section 219(b)(3),

(ii) requirements similar to the requirements of section 401(k)(3)(A)(ii) are met with respect to such elective contributions,

(iii) such contributions are treated as elective deferrals for purposes of section 402(g), and

(iv) the requirements of section 401(a)(30) are met.

For purposes of subparagraph (D)(ii), rules similar to the rules of section 401(k)(8) shall apply. For purposes of section 4979, any excess contribution under clause (ii) shall be treated as an excess contribution under a cash or deferred arrangement.

(19) A post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization—

(A) organized in the United States or any of its possessions,

(B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows,³ widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(20) an⁴ organization or trust created or organized in the United States, the exclusive function of which is to form part of a qualified group legal services plan or plans, within the meaning of section 120. An organization or trust which receives contributions because of section 120(c)(5)(C) shall not be prevented from qualifying as an organization described in this paragraph merely because it provides legal services or indemnification against the cost of legal services unassociated with a qualified group legal services plan.

(21)(A) A trust or trusts established in writing, created or organized in the United States,

and contributed to by any person (except an insurance company) if—

(i) the purpose of such trust or trusts is exclusively—

(I) to satisfy, in whole or in part, the liability of such person for, or with respect to, claims for compensation for disability or death due to pneumoconiosis under Black Lung Acts,

(II) to pay premiums for insurance exclusively covering such liability,

(III) to pay administrative and other incidental expenses of such trust in connection with the operation of the trust and the processing of claims against such person under Black Lung Acts, and

(IV) to pay accident or health benefits for retired miners and their spouses and dependents (including administrative and other incidental expenses of such trust in connection therewith) or premiums for insurance exclusively covering such benefits; and

(ii) no part of the assets of the trust may be used for, or diverted to, any purpose other than—

(I) the purposes described in clause (i),

(II) investment (but only to the extent that the trustee determines that a portion of the assets is not currently needed for the purposes described in clause (i)) in qualified investments, or

(III) payment into the Black Lung Disability Trust Fund established under section 9501, or into the general fund of the United States Treasury (other than in satisfaction of any tax or other civil or criminal liability of the person who established or contributed to the trust).

(B) No deduction shall be allowed under this chapter for any payment described in subparagraph (A)(i)(IV) from such trust.

(C) Payments described in subparagraph (A)(i)(IV) may be made from such trust during a taxable year only to the extent that the aggregate amount of such payments during such taxable year does not exceed the excess (if any), as of the close of the preceding taxable year, of—

(i) the fair market value of the assets of the trust, over

(ii) 110 percent of the present value of the liability described in subparagraph (A)(i)(I) of such person.

The determinations under the preceding sentence shall be made by an independent actuary using actuarial methods and assumptions (not inconsistent with the regulations prescribed under section 192(c)(1)(A)) each of which is reasonable and which are reasonable in the aggregate.

(D) For purposes of this paragraph:

(i) The term “Black Lung Acts” means part C of title IV of the Federal Mine Safety and Health Act of 1977, and any State law providing compensation for disability or death due to that pneumoconiosis.

(ii) The term “qualified investments” means—

(I) public debt securities of the United States,

³So in original.

⁴So in original. Probably should be capitalized.

(II) obligations of a State or local government which are not in default as to principal or interest, and

(III) time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(7) of the Federal Credit Union Act, 12 U.S.C. 1752(7)) located in the United States.

(iii) The term “miner” has the same meaning as such term has when used in section 402(d) of the Black Lung Benefits Act (30 U.S.C. 902(d)).

(iv) The term “incidental expenses” includes legal, accounting, actuarial, and trustee expenses.

(22) A trust created or organized in the United States and established in writing by the plan sponsors of multiemployer plans if—

(A) the purpose of such trust is exclusively—

(i) to pay any amount described in section 4223(c) or (h) of the Employee Retirement Income Security Act of 1974, and

(ii) to pay reasonable and necessary administrative expenses in connection with the establishment and operation of the trust and the processing of claims against the trust,

(B) no part of the assets of the trust may be used for, or diverted to, any purpose other than—

(i) the purposes described in subparagraph (A), or

(ii) the investment in securities, obligations, or time or demand deposits described in clause (ii) of paragraph (21)(D),

(C) such trust meets the requirements of paragraphs (2), (3), and (4) of section 4223(b), 4223(h), or, if applicable, section 4223(c) of the Employee Retirement Income Security Act of 1974, and

(D) the trust instrument provides that, on dissolution of the trust, assets of the trust may not be paid other than to plans which have participated in the plan or, in the case of a trust established under section 4223(h) of such Act, to plans with respect to which employers have participated in the fund.

(23) Any association organized before 1880 more than 75 percent of the members of which are present or past members of the Armed Forces and a principal purpose of which is to provide insurance and other benefits to veterans or their dependents.

(24) A trust described in section 4049 of the Employee Retirement Income Security Act of 1974 (as in effect on the date of the enactment of the Single-Employer Pension Plan Amendments Act of 1986).

(25)(A) Any corporation or trust which—

(i) has no more than 35 shareholders or beneficiaries,

(ii) has only 1 class of stock or beneficial interest, and

(iii) is organized for the exclusive purposes of—

(I) acquiring real property and holding title to, and collecting income from, such property, and

(II) remitting the entire amount of income from such property (less expenses) to 1 or more organizations described in subparagraph (C) which are shareholders of such corporation or beneficiaries of such trust.

For purposes of clause (iii), the term “real property” shall not include any interest as a tenant in common (or similar interest) and shall not include any indirect interest.

(B) A corporation or trust shall be described in subparagraph (A) without regard to whether the corporation or trust is organized by 1 or more organizations described in subparagraph (C).

(C) An organization is described in this subparagraph if such organization is—

(i) a qualified pension, profit sharing, or stock bonus plan that meets the requirements of section 401(a),

(ii) a governmental plan (within the meaning of section 414(d)),

(iii) the United States, any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, or

(iv) any organization described in paragraph (3).

(D) A corporation or trust shall in no event be treated as described in subparagraph (A) unless such corporation or trust permits its shareholders or beneficiaries—

(i) to dismiss the corporation’s or trust’s investment adviser, following reasonable notice, upon a vote of the shareholders or beneficiaries holding a majority of interest in the corporation or trust, and

(ii) to terminate their interest in the corporation or trust by either, or both, of the following alternatives, as determined by the corporation or trust:

(I) by selling or exchanging their stock in the corporation or interest in the trust (subject to any Federal or State securities law) to any organization described in subparagraph (C) so long as the sale or exchange does not increase the number of shareholders or beneficiaries in such corporation or trust above 35, or

(II) by having their stock or interest redeemed by the corporation or trust after the shareholder or beneficiary has provided 90 days notice to such corporation or trust.

(E)(i) For purposes of this title—

(I) a corporation which is a qualified subsidiary shall not be treated as a separate corporation, and

(II) all assets, liabilities, and items of income, deduction, and credit of a qualified subsidiary shall be treated as assets, liabilities, and such items (as the case may be) of the corporation or trust described in subparagraph (A).

(ii) For purposes of this subparagraph, the term “qualified subsidiary” means any corporation if, at all times during the period such corporation was in existence, 100 percent of the stock of such corporation is held by the corporation or trust described in subparagraph (A).

(iii) For purposes of this subtitle, if any corporation which was a qualified subsidiary ceases to meet the requirements of clause (ii), such corporation shall be treated as a new corporation acquiring all of its assets (and assuming all of its liabilities) immediately before such cessation from the corporation or trust described in subparagraph (A) in exchange for its stock.

(F) For purposes of subparagraph (A), the term “real property” includes any personal property which is leased under, or in connection with, a lease of real property, but only if the rent attributable to such personal property (determined under the rules of section 856(d)(1)) for the taxable year does not exceed 15 percent of the total rent for the taxable year attributable to both the real and personal property leased under, or in connection with, such lease.

(G)(i) An organization shall not be treated as failing to be described in this paragraph merely by reason of the receipt of any otherwise disqualifying income which is incidentally derived from the holding of real property.

(ii) Clause (i) shall not apply if the amount of gross income described in such clause exceeds 10 percent of the organization’s gross income for the taxable year unless the organization establishes to the satisfaction of the Secretary that the receipt of gross income described in clause (i) in excess of such limitation was inadvertent and reasonable steps are being taken to correct the circumstances giving rise to such income.

(26) Any membership organization if—

(A) such organization is established by a State exclusively to provide coverage for medical care (as defined in section 213(d)) on a not-for-profit basis to individuals described in subparagraph (B) through—

- (i) insurance issued by the organization,
- or
- (ii) a health maintenance organization under an arrangement with the organization,

(B) the only individuals receiving such coverage through the organization are individuals—

- (i) who are residents of such State, and
- (ii) who, by reason of the existence or history of a medical condition—

(I) are unable to acquire medical care coverage for such condition through insurance or from a health maintenance organization, or

(II) are able to acquire such coverage only at a rate which is substantially in excess of the rate for such coverage through the membership organization,

(C) the composition of the membership in such organization is specified by such State, and

(D) no part of the net earnings of the organization inures to the benefit of any private shareholder or individual.

A spouse and any qualifying child (as defined in section 24(c)) of an individual described in subparagraph (B) (without regard to this sentence) shall be treated as described in subparagraph (B).

(27)(A) Any membership organization if—

(i) such organization is established before June 1, 1996, by a State exclusively to reimburse its members for losses arising under workmen’s compensation acts,

(ii) such State requires that the membership of such organization consist of—

(I) all persons who issue insurance covering workmen’s compensation losses in such State, and

(II) all persons and governmental entities who self-insure against such losses, and

(iii) such organization operates as a non-profit organization by—

(I) returning surplus income to its members or workmen’s compensation policyholders on a periodic basis, and

(II) reducing initial premiums in anticipation of investment income.

(B) Any organization (including a mutual insurance company) if—

(i) such organization is created by State law and is organized and operated under State law exclusively to—

(I) provide workmen’s compensation insurance which is required by State law or with respect to which State law provides significant disincentives if such insurance is not purchased by an employer, and

(II) provide related coverage which is incidental to workmen’s compensation insurance,

(ii) such organization must provide workmen’s compensation insurance to any employer in the State (for employees in the State or temporarily assigned out-of-State) which seeks such insurance and meets other reasonable requirements relating thereto,

(iii)(I) the State makes a financial commitment with respect to such organization either by extending the full faith and credit of the State to the initial debt of such organization or by providing the initial operating capital of such organization, and (II) in the case of periods after the date of enactment of this subparagraph, the assets of such organization revert to the State upon dissolution or State law does not permit the dissolution of such organization, and

(iv) the majority of the board of directors or oversight body of such organization are appointed by the chief executive officer or other executive branch official of the State, by the State legislature, or by both.

(28) The National Railroad Retirement Investment Trust established under section 15(j) of the Railroad Retirement Act of 1974.

(29) CO-OP HEALTH INSURANCE ISSUERS.—

(A) IN GENERAL.—A qualified nonprofit health insurance issuer (within the meaning of section 1322 of the Patient Protection and Affordable Care Act) which has received a loan or grant under the CO-OP program under such section, but only with respect to periods for which the issuer is in compliance with the requirements of such section and any agreement with respect to the loan or grant.

(B) **CONDITIONS FOR EXEMPTION.**—Subparagraph (A) shall apply to an organization only if—

(i) the organization has given notice to the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition of its status under this paragraph,

(ii) except as provided in section 1322(c)(4) of the Patient Protection and Affordable Care Act, no part of the net earnings of which inures to the benefit of any private shareholder or individual,

(iii) no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and

(iv) the organization does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

(d) Religious and apostolic organizations

The following organizations are referred to in subsection (a): Religious or apostolic associations or corporations, if such associations or corporations have a common treasury or community treasury, even if such associations or corporations engage in business for the common benefit of the members, but only if the members thereof include (at the time of filing their returns) in their gross income their entire pro rata shares, whether distributed or not, of the taxable income of the association or corporation for such year. Any amount so included in the gross income of a member shall be treated as a dividend received.

(e) Cooperative hospital service organizations

For purposes of this title, an organization shall be treated as an organization organized and operated exclusively for charitable purposes, if—

(1) such organization is organized and operated solely—

(A) to perform, on a centralized basis, one or more of the following services which, if performed on its own behalf by a hospital which is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), would constitute activities in exercising or performing the purpose or function constituting the basis for its exemption: data processing, purchasing (including the purchasing of insurance on a group basis), warehousing, billing and collection (including the purchase of patron accounts receivable on a recourse basis), food, clinical, industrial engineering, laboratory, printing, communications, record center, and personnel (including selection, testing, training, and education of personnel) services; and

(B) to perform such services solely for two or more hospitals each of which is—

(i) an organization described in subsection (c)(3) which is exempt from taxation under subsection (a),

(ii) a constituent part of an organization described in subsection (c)(3) which is exempt from taxation under subsection (a)

and which, if organized and operated as a separate entity, would constitute an organization described in subsection (c)(3), or

(iii) owned and operated by the United States, a State, the District of Columbia, or a possession of the United States, or a political subdivision or an agency or instrumentality of any of the foregoing;

(2) such organization is organized and operated on a cooperative basis and allocates or pays, within 8½ months after the close of its taxable year, all net earnings to patrons on the basis of services performed for them; and

(3) if such organization has capital stock, all of such stock outstanding is owned by its patrons.

For purposes of this title, any organization which, by reason of the preceding sentence, is an organization described in subsection (c)(3) and exempt from taxation under subsection (a), shall be treated as a hospital and as an organization referred to in section 170(b)(1)(A)(iii).

(f) Cooperative service organizations of operating educational organizations

For purposes of this title, if an organization is—

(1) organized and operated solely to hold, commingle, and collectively invest and reinvest (including arranging for and supervising the performance by independent contractors of investment services related thereto) in stocks and securities, the moneys contributed thereto by each of the members of such organization, and to collect income therefrom and turn over the entire amount thereof, less expenses, to such members,

(2) organized and controlled by one or more such members, and

(3) comprised solely of members that are organizations described in clause (ii) or (iv) of section 170(b)(1)(A)—

(A) which are exempt from taxation under subsection (a), or

(B) the income of which is excluded from taxation under section 115(a),

then such organization shall be treated as an organization organized and operated exclusively for charitable purposes.

(g) Definition of agricultural

For purposes of subsection (c)(5), the term “agricultural” includes the art or science of cultivating land, harvesting crops or aquatic resources, or raising livestock.

(h) Expenditures by public charities to influence legislation

(1) General rule

In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally—

(A) makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year, or

(B) makes grass roots expenditures in excess of the grass roots ceiling amount for such organization for each taxable year.

(2) Definitions

For purposes of this subsection—

(A) Lobbying expenditures

The term “lobbying expenditures” means expenditures for the purpose of influencing legislation (as defined in section 4911(d)).

(B) Lobbying ceiling amount

The lobbying ceiling amount for any organization for any taxable year is 150 percent of the lobbying nontaxable amount for such organization for such taxable year, determined under section 4911.

(C) Grass roots expenditures

The term “grass roots expenditures” means expenditures for the purpose of influencing legislation (as defined in section 4911(d) without regard to paragraph (1)(B) thereof).

(D) Grass roots ceiling amount

The grass roots ceiling amount for any organization for any taxable year is 150 percent of the grass roots nontaxable amount for such organization for such taxable year, determined under section 4911.

(3) Organizations to which this subsection applies

This subsection shall apply to any organization which has elected (in such manner and at such time as the Secretary may prescribe) to have the provisions of this subsection apply to such organization and which, for the taxable year which includes the date the election is made, is described in subsection (c)(3) and—

(A) is described in paragraph (4), and

(B) is not a disqualified organization under paragraph (5).

(4) Organizations permitted to elect to have this subsection apply

An organization is described in this paragraph if it is described in—

(A) section 170(b)(1)(A)(ii) (relating to educational institutions),

(B) section 170(b)(1)(A)(iii) (relating to hospitals and medical research organizations),

(C) section 170(b)(1)(A)(iv) (relating to organizations supporting government schools),

(D) section 170(b)(1)(A)(vi) (relating to organizations publicly supported by charitable contributions),

(E) section 509(a)(2) (relating to organizations publicly supported by admissions, sales, etc.), or

(F) section 509(a)(3) (relating to organizations supporting certain types of public charities) except that for purposes of this subparagraph, section 509(a)(3) shall be applied without regard to the last sentence of section 509(a).

(5) Disqualified organizations

For purposes of paragraph (3) an organization is a disqualified organization if it is—

(A) described in section 170(b)(1)(A)(i) (relating to churches),

(B) an integrated auxiliary of a church or of a convention or association of churches, or

(C) a member of an affiliated group of organizations (within the meaning of section 4911(f)(2)) if one or more members of such group is described in subparagraph (A) or (B).

(6) Years for which election is effective

An election by an organization under this subsection shall be effective for all taxable years of such organization which—

(A) end after the date the election is made, and

(B) begin before the date the election is revoked by such organization (under regulations prescribed by the Secretary).

(7) No effect on certain organizations

With respect to any organization for a taxable year for which—

(A) such organization is a disqualified organization (within the meaning of paragraph (5)), or

(B) an election under this subsection is not in effect for such organization,

nothing in this subsection or in section 4911 shall be construed to affect the interpretation of the phrase, “no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation,” under subsection (c)(3).

(8) Affiliated organizations

For rules regarding affiliated organizations, see section 4911(f).

(i) Prohibition of discrimination by certain social clubs

Notwithstanding subsection (a), an organization which is described in subsection (c)(7) shall not be exempt from taxation under subsection (a) for any taxable year if, at any time during such taxable year, the charter, bylaws, or other governing instrument, of such organization or any written policy statement of such organization contains a provision which provides for discrimination against any person on the basis of race, color, or religion. The preceding sentence to the extent it relates to discrimination on the basis of religion shall not apply to—

(1) an auxiliary of a fraternal beneficiary society if such society—

(A) is described in subsection (c)(8) and exempt from tax under subsection (a), and

(B) limits its membership to the members of a particular religion, or

(2) a club which in good faith limits its membership to the members of a particular religion in order to further the teachings or principles of that religion, and not to exclude individuals of a particular race or color.

(j) Special rules for certain amateur sports organizations**(1) In general**

In the case of a qualified amateur sports organization—

(A) the requirement of subsection (c)(3) that no part of its activities involve the provision of athletic facilities or equipment shall not apply, and

(B) such organization shall not fail to meet the requirements of subsection (c)(3)

merely because its membership is local or regional in nature.

(2) Qualified amateur sports organization defined

For purposes of this subsection, the term “qualified amateur sports organization” means any organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports.

(k) Treatment of certain organizations providing child care

For purposes of subsection (c)(3) of this section and sections 170(c)(2), 2055(a)(2), and 2522(a)(2), the term “educational purposes” includes the providing of care of children away from their homes if—

(1) substantially all of the care provided by the organization is for purposes of enabling individuals to be gainfully employed, and

(2) the services provided by the organization are available to the general public.

(l) Government corporations exempt under subsection (c)(1)

For purposes of subsection (c)(1), the following organizations are described in this subsection:

(1) The Central Liquidity Facility established under title III of the Federal Credit Union Act (12 U.S.C. 1795 et seq.).

(2) The Resolution Trust Corporation established under section 21A of the Federal Home Loan Bank Act.

(3) The Resolution Funding Corporation established under section 21B of the Federal Home Loan Bank Act.

(4) The Patient-Centered Outcomes Research Institute established under section 1181(b) of the Social Security Act.

(m) Certain organizations providing commercial-type insurance not exempt from tax

(1) Denial of tax exemption where providing commercial-type insurance is substantial part of activities

An organization described in paragraph (3) or (4) of subsection (c) shall be exempt from tax under subsection (a) only if no substantial part of its activities consists of providing commercial-type insurance.

(2) Other organizations taxed as insurance companies on insurance business

In the case of an organization described in paragraph (3) or (4) of subsection (c) which is exempt from tax under subsection (a) after the application of paragraph (1) of this subsection—

(A) the activity of providing commercial-type insurance shall be treated as an unrelated trade or business (as defined in section 513), and

(B) in lieu of the tax imposed by section 511 with respect to such activity, such organization shall be treated as an insurance company for purposes of applying subchapter L with respect to such activity.

(3) Commercial-type insurance

For purposes of this subsection, the term “commercial-type insurance” shall not include—

(A) insurance provided at substantially below cost to a class of charitable recipients,

(B) incidental health insurance provided by a health maintenance organization of a kind customarily provided by such organizations,

(C) property or casualty insurance provided (directly or through an organization described in section 414(e)(3)(B)(ii)) by a church or convention or association of churches for such church or convention or association of churches,

(D) providing retirement or welfare benefits (or both) by a church or a convention or association of churches (directly or through an organization described in section 414(e)(3)(A) or 414(e)(3)(B)(ii)) for the employees (including employees described in section 414(e)(3)(B)) of such church or convention or association of churches or the beneficiaries of such employees, and

(E) charitable gift annuities.

(4) Insurance includes annuities

For purposes of this subsection, the issuance of annuity contracts shall be treated as providing insurance.

(5) Charitable gift annuity

For purposes of paragraph (3)(E), the term “charitable gift annuity” means an annuity if—

(A) a portion of the amount paid in connection with the issuance of the annuity is allowable as a deduction under section 170 or 2055, and

(B) the annuity is described in section 514(c)(5) (determined as if any amount paid in cash in connection with such issuance were property).

(n) Charitable risk pools

(1) In general

For purposes of this title—

(A) a qualified charitable risk pool shall be treated as an organization organized and operated exclusively for charitable purposes, and

(B) subsection (m) shall not apply to a qualified charitable risk pool.

(2) Qualified charitable risk pool

For purposes of this subsection, the term “qualified charitable risk pool” means any organization—

(A) which is organized and operated solely to pool insurable risks of its members (other than risks related to medical malpractice) and to provide information to its members with respect to loss control and risk management,

(B) which is comprised solely of members that are organizations described in subsection (c)(3) and exempt from tax under subsection (a), and

(C) which meets the organizational requirements of paragraph (3).

(3) Organizational requirements

An organization (hereinafter in this subsection referred to as the “risk pool”) meets

the organizational requirements of this paragraph if—

(A) such risk pool is organized as a non-profit organization under State law provisions authorizing risk pooling arrangements for charitable organizations,

(B) such risk pool is exempt from any income tax imposed by the State (or will be so exempt after such pool qualifies as an organization exempt from tax under this title),

(C) such risk pool has obtained at least \$1,000,000 in startup capital from nonmember charitable organizations,

(D) such risk pool is controlled by a board of directors elected by its members, and

(E) the organizational documents of such risk pool require that—

(i) each member of such pool shall at all times be an organization described in subsection (c)(3) and exempt from tax under subsection (a),

(ii) any member which receives a final determination that it no longer qualifies as an organization described in subsection (c)(3) shall immediately notify the pool of such determination and the effective date of such determination, and

(iii) each policy of insurance issued by the risk pool shall provide that such policy will not cover the insured with respect to events occurring after the date such final determination was issued to the insured.

An organization shall not cease to qualify as a qualified charitable risk pool solely by reason of the failure of any of its members to continue to be an organization described in subsection (c)(3) if, within a reasonable period of time after such pool is notified as required under subparagraph (E)(ii), such pool takes such action as may be reasonably necessary to remove such member from such pool.

(4) Other definitions

For purposes of this subsection—

(A) Startup capital

The term “startup capital” means any capital contributed to, and any program-related investments (within the meaning of section 4944(c)) made in, the risk pool before such pool commences operations.

(B) Nonmember charitable organization

The term “nonmember charitable organization” means any organization which is described in subsection (c)(3) and exempt from tax under subsection (a) and which is not a member of the risk pool and does not benefit (directly or indirectly) from the insurance coverage provided by the pool to its members.

(o) Treatment of hospitals participating in provider-sponsored organizations

An organization shall not fail to be treated as organized and operated exclusively for a charitable purpose for purposes of subsection (c)(3) solely because a hospital which is owned and operated by such organization participates in a provider-sponsored organization (as defined in section 1855(d) of the Social Security Act), whether or not the provider-sponsored organiza-

tion is exempt from tax. For purposes of subsection (c)(3), any person with a material financial interest in such a provider-sponsored organization shall be treated as a private shareholder or individual with respect to the hospital.

(p) Suspension of tax-exempt status of terrorist organizations

(1) In general

The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

(2) Terrorist organizations

An organization is described in this paragraph if such organization is designated or otherwise individually identified—

(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

(B) in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or

(C) in or pursuant to an Executive order issued under the authority of any Federal law if—

(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

(ii) such Executive order refers to this subsection.

(3) Period of suspension

With respect to any organization described in paragraph (2), the period of suspension—

(A) begins on the later of—

(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

(ii) the date of the enactment of this subsection, and

(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

(4) Denial of deduction

No deduction shall be allowed under any provision of this title, including sections 170, 545(b)(2), 556(b)(2),⁵ 642(c), 2055, 2106(a)(2), and 2522, with respect to any contribution to an or-

⁵ See References in Text note below.

ganization described in paragraph (2) during the period described in paragraph (3).

(5) Denial of administrative or judicial challenge of suspension or denial of deduction

Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

(6) Erroneous designation

(A) In general

If—

(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

credit or refund (with interest) with respect to such overpayment shall be made.

(B) Waiver of limitations

If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

(7) Notice of suspensions

If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.

(q) Special rules for credit counseling organizations

(1) In general

An organization with respect to which the provision of credit counseling services is a substantial purpose shall not be exempt from tax under subsection (a) unless such organization is described in paragraph (3) or (4) of subsection (c) and such organization is organized and operated in accordance with the following requirements:

(A) The organization—

(i) provides credit counseling services tailored to the specific needs and circumstances of consumers,

(ii) makes no loans to debtors (other than loans with no fees or interest) and does not negotiate the making of loans on behalf of debtors,

(iii) provides services for the purpose of improving a consumer's credit record, credit history, or credit rating only to the extent that such services are incidental to providing credit counseling services, and

(iv) does not charge any separately stated fee for services for the purpose of improving any consumer's credit record, credit history, or credit rating.

(B) The organization does not refuse to provide credit counseling services to a consumer due to the inability of the consumer to pay, the ineligibility of the consumer for debt management plan enrollment, or the unwillingness of the consumer to enroll in a debt management plan.

(C) The organization establishes and implements a fee policy which—

(i) requires that any fees charged to a consumer for services are reasonable,

(ii) allows for the waiver of fees if the consumer is unable to pay, and

(iii) except to the extent allowed by State law, prohibits charging any fee based in whole or in part on a percentage of the consumer's debt, the consumer's payments to be made pursuant to a debt management plan, or the projected or actual savings to the consumer resulting from enrolling in a debt management plan.

(D) At all times the organization has a board of directors or other governing body—

(i) which is controlled by persons who represent the broad interests of the public, such as public officials acting in their capacities as such, persons having special knowledge or expertise in credit or financial education, and community leaders,

(ii) not more than 20 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees or the repayment of consumer debt to creditors other than the credit counseling organization or its affiliates), and

(iii) not more than 49 percent of the voting power of which is vested in persons who are employed by the organization or who will benefit financially, directly or indirectly, from the organization's activities (other than through the receipt of reasonable directors' fees).

(E) The organization does not own more than 35 percent of—

(i) the total combined voting power of any corporation (other than a corporation which is an organization described in subsection (c)(3) and exempt from tax under subsection (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services,

(ii) the profits interest of any partnership (other than a partnership which is an organization described in subsection (c)(3) and exempt from tax under subsection (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services, and

(iii) the beneficial interest of any trust or estate (other than a trust which is an organization described in subsection (c)(3) and exempt from tax under subsection (a)) which is in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services.

(F) The organization receives no amount for providing referrals to others for debt management plan services, and pays no amount to others for obtaining referrals of consumers.

(2) Additional requirements for organizations described in subsection (c)(3)

(A) In general

In addition to the requirements under paragraph (1), an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (3) of subsection (c) shall not be exempt from tax under subsection (a) unless such organization is organized and operated in accordance with the following requirements:

(i) The organization does not solicit contributions from consumers during the initial counseling process or while the consumer is receiving services from the organization.

(ii) The aggregate revenues of the organization which are from payments of creditors of consumers of the organization and which are attributable to debt management plan services do not exceed the applicable percentage of the total revenues of the organization.

(B) Applicable percentage

(i) In general

For purposes of subparagraph (A)(ii), the applicable percentage is 50 percent.

(ii) Transition rule

Notwithstanding clause (i), in the case of an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (3) of subsection (c) and exempt from tax under subsection (a) on the date of the enactment of this subsection, the applicable percentage is—

(I) 80 percent for the first taxable year of such organization beginning after the date which is 1 year after the date of the enactment of this subsection, and

(II) 70 percent for the second such taxable year beginning after such date, and

(III) 60 percent for the third such taxable year beginning after such date.

(3) Additional requirement for organizations described in subsection (c)(4)

In addition to the requirements under paragraph (1), an organization with respect to which the provision of credit counseling services is a substantial purpose and which is described in paragraph (4) of subsection (c) shall not be exempt from tax under subsection (a) unless such organization notifies the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition as a credit counseling organization.

(4) Credit counseling services; debt management plan services

For purposes of this subsection—

(A) Credit counseling services

The term “credit counseling services” means—

(i) the providing of educational information to the general public on budgeting, personal finance, financial literacy, saving and spending practices, and the sound use of consumer credit,

(ii) the assisting of individuals and families with financial problems by providing them with counseling, or

(iii) a combination of the activities described in clauses (i) and (ii).

(B) Debt management plan services

The term “debt management plan services” means services related to the repayment, consolidation, or restructuring of a consumer’s debt, and includes the negotiation with creditors of lower interest rates, the waiver or reduction of fees, and the marketing and processing of debt management plans.

(r) Additional requirements for certain hospitals

(1) In general

A hospital organization to which this subsection applies shall not be treated as described in subsection (c)(3) unless the organization—

(A) meets the community health needs assessment requirements described in paragraph (3),

(B) meets the financial assistance policy requirements described in paragraph (4),

(C) meets the requirements on charges described in paragraph (5), and

(D) meets the billing and collection requirement described in paragraph (6).

(2) Hospital organizations to which subsection applies

(A) In general

This subsection shall apply to—

(i) an organization which operates a facility which is required by a State to be licensed, registered, or similarly recognized as a hospital, and

(ii) any other organization which the Secretary determines has the provision of hospital care as its principal function or purpose constituting the basis for its exemption under subsection (c)(3) (determined without regard to this subsection).

(B) Organizations with more than 1 hospital facility

If a hospital organization operates more than 1 hospital facility—

- (i) the organization shall meet the requirements of this subsection separately with respect to each such facility, and
- (ii) the organization shall not be treated as described in subsection (c)(3) with respect to any such facility for which such requirements are not separately met.

(3) Community health needs assessments**(A) In general**

An organization meets the requirements of this paragraph with respect to any taxable year only if the organization—

- (i) has conducted a community health needs assessment which meets the requirements of subparagraph (B) in such taxable year or in either of the 2 taxable years immediately preceding such taxable year, and
- (ii) has adopted an implementation strategy to meet the community health needs identified through such assessment.

(B) Community health needs assessment

A community health needs assessment meets the requirements of this paragraph if such community health needs assessment—

- (i) takes into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health, and
- (ii) is made widely available to the public.

(4) Financial assistance policy

An organization meets the requirements of this paragraph if the organization establishes the following policies:

(A) Financial assistance policy

A written financial assistance policy which includes—

- (i) eligibility criteria for financial assistance, and whether such assistance includes free or discounted care,
- (ii) the basis for calculating amounts charged to patients,
- (iii) the method for applying for financial assistance,
- (iv) in the case of an organization which does not have a separate billing and collections policy, the actions the organization may take in the event of non-payment, including collections action and reporting to credit agencies, and
- (v) measures to widely publicize the policy within the community to be served by the organization.

(B) Policy relating to emergency medical care

A written policy requiring the organization to provide, without discrimination, care for emergency medical conditions (within the meaning of section 1867 of the Social Security Act (42 U.S.C. 1395dd)) to individuals regardless of their eligibility under the fi-

ancial assistance policy described in subparagraph (A).

(5) Limitation on charges

An organization meets the requirements of this paragraph if the organization—

- (A) limits amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under the financial assistance policy described in paragraph (4)(A) to not more than the amounts generally billed to individuals who have insurance covering such care, and
- (B) prohibits the use of gross charges.

(6) Billing and collection requirements

An organization meets the requirement of this paragraph only if the organization does not engage in extraordinary collection actions before the organization has made reasonable efforts to determine whether the individual is eligible for assistance under the financial assistance policy described in paragraph (4)(A).

(7) Regulatory authority

The Secretary shall issue such regulations and guidance as may be necessary to carry out the provisions of this subsection, including guidance relating to what constitutes reasonable efforts to determine the eligibility of a patient under a financial assistance policy for purposes of paragraph (6).

(s) Cross reference

For nonexemption of Communist-controlled organizations, see section 11(b) of the Internal Security Act of 1950 (64 Stat. 997; 50 U.S.C. 790(b)).

(Aug. 16, 1954, ch. 736, 68A Stat. 163; Mar. 13, 1956, ch. 83, §5(2), 70 Stat. 49; Pub. L. 86-428, §1, Apr. 22, 1960, 74 Stat. 54; Pub. L. 86-667, §1, July 14, 1960, 74 Stat. 534; Pub. L. 87-834, §8(d), Oct. 16, 1962, 76 Stat. 997; Pub. L. 89-352, §1, Feb. 2, 1966, 80 Stat. 4; Pub. L. 89-800, §6(a), Nov. 8, 1966, 80 Stat. 1515; Pub. L. 90-364, title I, §109(a), June 28, 1968, 82 Stat. 269; Pub. L. 91-172, title I, §§101(j)(3)-(6), 121(b)(5)(A), (6)(A), Dec. 30, 1969, 83 Stat. 526, 527, 541; Pub. L. 91-618, §1, Dec. 31, 1970, 84 Stat. 1855; Pub. L. 92-418, §1(a), Aug. 29, 1972, 86 Stat. 656; Pub. L. 93-310, §3(a), June 8, 1974, 88 Stat. 235; Pub. L. 93-625, §10(c), Jan. 3, 1975, 88 Stat. 2119; Pub. L. 94-455, title XIII, §§1307(a)(1), (d)(1)(A), 1312(a), 1313(a), title XIX, §1906(b)(13)(A), title XXI, §§2113(a), 2134(b), Oct. 4, 1976, 90 Stat. 1720, 1727, 1730, 1834, 1907, 1927; Pub. L. 94-568, §§1(a), 2(a), Oct. 20, 1976, 90 Stat. 2697; Pub. L. 95-227, §4(a), Feb. 10, 1978, 92 Stat. 15; Pub. L. 95-345, §1(a), Aug. 15, 1978, 92 Stat. 481; Pub. L. 95-600, title VII, §703(b)(2), (g)(2)(A), (B), Nov. 6, 1978, 92 Stat. 2939, 2940; Pub. L. 96-222, title I, §108(b)(2)(B), Apr. 1, 1980, 94 Stat. 226; Pub. L. 96-364, title II, §209(a), Sept. 26, 1980, 94 Stat. 1290; Pub. L. 96-601, §3(a), Dec. 24, 1980, 94 Stat. 3496; Pub. L. 96-605, title I, §106(a), Dec. 28, 1980, 94 Stat. 3523; Pub. L. 97-119, title I, §103(c)(1), Dec. 29, 1981, 95 Stat. 1638; Pub. L. 97-248, title II, §286(a), title III, §354(a), (b), Sept. 3, 1982, 96 Stat. 569, 640, 641; Pub. L. 97-448, title III, §306(b)(5), Jan. 12, 1983, 96 Stat. 2406; Pub. L. 98-369, div. A, title X, §§1032(a), 1079, div. B, title VIII, §2813(b), July 18, 1984, 98 Stat. 1033, 1056, 1206; Pub. L. 99-272, title XI, §11012(b), Apr. 7, 1986, 100 Stat. 260; Pub. L. 99-514, title X,

§§ 1012(a), 1024(b), title XI, §§ 1109(a), 1114(b)(14), title XVI, § 1603(a), title XVIII, §§ 1879(k)(1), 1899A(15), Oct. 22, 1986, 100 Stat. 2390, 2406, 2435, 2451, 2768, 2909, 2959; Pub. L. 100-203, title X, § 10711(a)(2), Dec. 22, 1987, 101 Stat. 1330-464; Pub. L. 100-647, title I, §§ 1010(b)(4), 1011(c)(7)(D), 1016(a)(1)(A), (2)-(4), 1018(u)(14), (15), (34), title II, § 2003(a)(1), (2), title VI, § 6202(a), Nov. 10, 1988, 102 Stat. 3451, 3458, 3573, 3574, 3590, 3592, 3597, 3598, 3730; Pub. L. 101-73, title XIV, § 1402(a), Aug. 9, 1989, 103 Stat. 550; Pub. L. 102-486, title XIX, § 1940(a), Oct. 24, 1992, 106 Stat. 3034; Pub. L. 103-66, title XIII, § 13146(a), (b), Aug. 10, 1993, 107 Stat. 443; Pub. L. 104-168, title XIII, § 1311(b)(1), July 30, 1996, 110 Stat. 1477; Pub. L. 104-188, title I, §§ 1114(a), 1704(j)(5), Aug. 20, 1996, 110 Stat. 1759, 1882; Pub. L. 104-191, title III, §§ 341(a), 342(a), Aug. 21, 1996, 110 Stat. 2070; Pub. L. 105-33, title IV, § 4041(a), Aug. 5, 1997, 111 Stat. 360; Pub. L. 105-34, title I, § 101(c), title IX, §§ 963(a), (b), 974(a), Aug. 5, 1997, 111 Stat. 799, 892, 898; Pub. L. 105-206, title VI, § 6023(6), (7), July 22, 1998, 112 Stat. 825; Pub. L. 107-16, title VI, § 611(d)(3)(C), June 7, 2001, 115 Stat. 98; Pub. L. 107-90, title II, § 202, Dec. 21, 2001, 115 Stat. 890; Pub. L. 108-121, title I, §§ 105(a), 108(a), Nov. 11, 2003, 117 Stat. 1338, 1339; Pub. L. 108-218, title II, § 206(a), (b), Apr. 10, 2004, 118 Stat. 610, 611; Pub. L. 108-357, title III, § 319(a), (b), Oct. 22, 2004, 118 Stat. 1470, 1471; Pub. L. 109-58, title XIII, § 1304(a), (b), Aug. 8, 2005, 119 Stat. 997; Pub. L. 109-135, title IV, § 412(bb), (cc), Dec. 21, 2005, 119 Stat. 2639; Pub. L. 109-280, title VIII, § 862(a), title XII, § 1220(a), Aug. 17, 2006, 120 Stat. 1021, 1086; Pub. L. 111-148, title I, § 1322(h)(1), title VI, § 6301(f), title IX, § 9007(a), title X, § 10903(a), Mar. 23, 2010, 124 Stat. 191, 747, 855, 1016; Pub. L. 111-152, title I, § 1004(d)(4), Mar. 30, 2010, 124 Stat. 1035.)

REFERENCES IN TEXT

Sections 306A and 306B of the Rural Electrification Act of 1936, referred to in subsec. (c)(12)(B)(iv), are classified to sections 936a and 936b, respectively, of Title 7, Agriculture. Section 311 of the Act was classified to section 940a of Title 7 prior to repeal by Pub. L. 104-127, title VII, § 780, Apr. 4, 1996, 110 Stat. 1151.

The date of the enactment of this subparagraph, referred to in subsec. (c)(12)(H)(vii), is the date of enactment of Pub. L. 108-357, which was approved Oct. 22, 2004.

The Federal Mine Safety and Health Act of 1977, referred to in subsec. (c)(21)(D)(i), is Pub. L. 95-164, Dec. 30, 1977, 91 Stat. 1290. Part C of title IV of the Act is classified generally to part C (§ 931 et seq.) of subchapter IV of chapter 22 of Title 30, Mineral Lands and Mining. For complete classification of this Act to the Code, see Short Title note set out under section 801 of Title 30 and Tables.

Section 4223 of the Employee Retirement Income Security Act of 1974, referred to in subsec. (c)(22)(A)(i), (C), (D), is classified to section 1403 of Title 29, Labor.

Section 4049 of the Employee Retirement Income Security Act of 1974, referred to in subsec. (c)(24), was classified to section 1349 of Title 29, prior to its repeal by Pub. L. 100-203, title IX, § 9312(a), Dec. 22, 1987, 101 Stat. 1330-361.

The date of the enactment of the Single-Employer Pension Plan Amendments Act of 1986, referred to in subsec. (c)(24), is the date of enactment of title XI of Pub. L. 99-272, which was approved Apr. 7, 1986.

The date of enactment of this subparagraph, referred to in subsec. (c)(27)(B)(iii)(I), is the date of enactment of Pub. L. 105-34, which was approved Aug. 5, 1997.

Section 15(j) of the Railroad Retirement Act of 1974, referred to in subsec. (c)(28), is classified to section 231n(j) of Title 45, Railroads.

Section 1322 of the Patient Protection and Affordable Care Act, referred to in subsec. (c)(29)(A), (B)(ii), is classified to section 18042 of Title 42, The Public Health and Welfare.

The provisions of subsec. (a) of section 115, referred to in subsec. (f)(3)(B), now comprise section 115 in its entirety, following the deletion therefrom of the subsec. (a) designation by section 1901(a)(19) of Pub. L. 94-455.

The Federal Credit Union Act, referred to in subsec. (l)(1), is act June 26, 1934, ch. 750, 48 Stat. 1216, as amended. Title III of the Federal Credit Union Act is classified generally to subchapter III (§ 1795 et seq.) of chapter 14 of Title 12, Banks and Banking. For complete classification of this Act to the Code, see section 1751 of Title 12 and Tables.

Sections 21A and 21B of the Federal Home Loan Bank Act, referred to in subsec. (l)(2), (3), are classified to sections 1441a and 1441b, respectively, of Title 12.

Sections 1181(b) and 1855(d) of the Social Security Act, referred to in subsecs. (l)(4) and (o), are classified to sections 1320e(b) and 1395w-25(d), respectively, of Title 42, The Public Health and Welfare.

Sections 212(a)(3)(B) and 219 of the Immigration and Nationality Act, referred to in subsec. (p)(2)(A), (C)(i), are classified to sections 1182(a)(3)(B) and 1189, respectively, of Title 8, Aliens and Nationality.

The International Emergency Economic Powers Act, referred to in subsec. (p)(2)(B), is title II of Pub. L. 95-223, Dec. 28, 1977, 91 Stat. 1626, as amended, which is classified generally to chapter 35 (§ 1701 et seq.) of Title 50, War and National Defense. For complete classification of this Act to the Code, see Short Title note set out under section 1701 of Title 50 and Tables.

Section 5 of the United Nations Participation Act of 1945, referred to in subsec. (p)(2)(B), is classified to section 287c of Title 22, Foreign Relations and Intercourse.

Section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, referred to in subsec. (p)(2)(C)(i), is classified to section 2656f(d)(2) of Title 22, Foreign Relations and Intercourse.

The date of the enactment of this subsection, referred to in subsec. (p)(3)(A)(ii), is the date of enactment of Pub. L. 108-121, which was approved Nov. 11, 2003.

Section 556(b)(2), referred to in subsec. (p)(4), was repealed by Pub. L. 108-357, title IV, § 413(a)(1), Oct. 22, 2004, 118 Stat. 1506.

The date of the enactment of this subsection, referred to in subsec. (q)(2)(B)(ii), is the date of enactment of Pub. L. 109-280, which was approved Aug. 17, 2006.

Section 11(b) of the Internal Security Act of 1950 (64 Stat. 997; 50 U.S.C. 790(b)), referred to in subsec. (s), was repealed by Pub. L. 103-199, title VIII, § 803(l), Dec. 17, 1993, 107 Stat. 2329.

AMENDMENTS

2010—Subsec. (c)(9). Pub. L. 111-152 inserted at end “For purposes of providing for the payment of sick and accident benefits to members of such an association and their dependents, the term ‘dependent’ shall include any individual who is a child (as defined in section 152(f)(1)) of a member who as of the end of the calendar year has not attained age 27.”

Subsec. (c)(29). Pub. L. 111-148, § 1322(h)(1), added par. (29).

Subsec. (l)(4). Pub. L. 111-148, § 6301(f), added par. (4).

Subsec. (r). Pub. L. 111-148, § 9007(a), added subsec. (r). Former subsec. (r) redesignated (s).

Subsec. (r)(5)(A). Pub. L. 111-148, § 10903(a), substituted “the amounts generally billed” for “the lowest amounts charged”.

Subsec. (s). Pub. L. 111-148, § 9007(a), redesignated subsec. (r) as (s).

2006—Subsec. (c)(21)(C). Pub. L. 109-280, § 862(a), amended introductory provisions and cls. (i) and (ii) generally. Prior to amendment, introductory provisions and cls. (i) and (ii) read as follows: “Payments described in subparagraph (A)(i)(IV) may be made from such trust during a taxable year only to the extent that the aggregate amount of such payments during such taxable year does not exceed the lesser of—

“(i) the excess (if any) (as of the close of the preceding taxable year) of—

“(I) the fair market value of the assets of the trust, over

“(II) 110 percent of the present value of the liability described in subparagraph (A)(i)(I) of such person, or

“(ii) the excess (if any) of—

“(I) the sum of a similar excess determined as of the close of the last taxable year ending before the date of the enactment of this subparagraph plus earnings thereon as of the close of the taxable year preceding the taxable year involved, over

“(II) the aggregate payments described in subparagraph (A)(i)(IV) made from the trust during all taxable years beginning after the date of the enactment of this subparagraph.”

Subsecs. (q), (r). Pub. L. 109-280, §1220(a), which directed the amendment of section 501 by adding subsec. (q) and redesignating former subsec. (q) as (r), without specifying the act to be amended, was executed by making the amendments to this section, which is section 501 of the Internal Revenue Code of 1986, to reflect the probable intent of Congress.

2005—Subsec. (c)(12)(C). Pub. L. 109-58, §1304(a), struck out concluding provisions which read as follows: “Clauses (ii) through (v) shall not apply to taxable years beginning after December 31, 2006.”

Subsec. (c)(12)(F). Pub. L. 109-135, §412(bb)(1), substituted “subparagraph (C)(iv)” for “subparagraph (C)(iii)”.

Subsec. (c)(12)(G). Pub. L. 109-135, §412(bb)(2), substituted “subparagraph (C)(v)” for “subparagraph (C)(iv)”.

Subsec. (c)(12)(H)(x). Pub. L. 109-58, §1304(b), struck out cl. (x) which read as follows: “This subparagraph shall not apply to taxable years beginning after December 31, 2006.”

Subsec. (c)(22)(B)(ii). Pub. L. 109-135, §412(cc), substituted “clause (ii) of paragraph (21)(D)” for “clause (ii) of paragraph (21)(B)”.

2004—Subsec. (c)(12)(C). Pub. L. 108-357, §319(a)(1), added cls. (ii) to (v) and concluding provisions and struck out former cl. (ii) which read as follows: “from the prepayment of a loan under section 306A, 306B, or 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).”

Subsec. (c)(12)(E) to (G). Pub. L. 108-357, §319(a)(2), added subpars. (E) to (G).

Subsec. (c)(12)(H). Pub. L. 108-357, §319(b), added subpar. (H).

Subsec. (c)(15)(A). Pub. L. 108-218, §206(a), amended subpar. (A) generally. Prior to amendment, subpar. (A) read as follows: “Insurance companies or associations other than life (including interinsurers and reciprocal underwriters) if the net written premiums (or, if greater, direct written premiums) for the taxable year do not exceed \$350,000.”

Subsec. (c)(15)(C). Pub. L. 108-218, §206(b), inserted before period at end “, except that in applying section 831(b)(2)(B)(ii) for purposes of this subparagraph, subparagraphs (B) and (C) of section 1563(b)(2) shall be disregarded”.

2003—Subsec. (c)(19)(B). Pub. L. 108-121, §105(a), substituted “, widowers, ancestors, or lineal descendants” for “or widowers”.

Subsecs. (p), (q). Pub. L. 108-121, §108(a), added subsec. (p) and redesignated former subsec. (p) as (q).

2001—Subsec. (c)(18)(D)(iii). Pub. L. 107-16, §611(d)(3)(C), struck out “(other than paragraph (4) thereof)” after “section 402(g)”.

Subsec. (c)(28). Pub. L. 107-90 added par. (28).

1998—Subsec. (n)(3). Pub. L. 105-206, §6023(6), substituted “subparagraph (E)(ii)” for “subparagraph (C)(ii)” in concluding provisions.

Subsec. (o). Pub. L. 105-206, §6023(7), substituted “section 1855(d)” for “section 1853(e)”.

1997—Subsec. (c)(26). Pub. L. 105-34, §101(c), inserted concluding provisions “A spouse and any qualifying child (as defined in section 24(c)) of an individual de-

scribed in subparagraph (B) (without regard to this sentence) shall be treated as described in subparagraph (B).”

Subsec. (c)(27). Pub. L. 105-34, §963(a), (b), designated existing provisions as subpar. (A), redesignated former subpar. (A) as cl. (i), redesignated subpar. (B) as cl. (ii) and former cls. (i) and (ii) of subpar. (B) as subcls. (I) and (II), respectively, of cl. (ii), redesignated subpar. (C) as cl. (iii) and former cls. (i) and (ii) of subpar. (C) as subcls. (I) and (II), respectively, of cl. (iii), and added subpar. (B).

Subsec. (e)(1)(A). Pub. L. 105-34, §974(a), inserted “(including the purchase of patron accounts receivable on a recourse basis)” after “billing and collection”.

Subsecs. (o), (p). Pub. L. 105-33 added subsec. (o) and redesignated former subsec. (o) as (p).

1996—Subsec. (c)(4). Pub. L. 104-168 designated existing provisions as subpar. (A) and added subpar. (B).

Subsec. (c)(21)(D)(ii)(III). Pub. L. 104-188, §1704(j)(5), substituted “section 101(7)” for “section 101(6)” and “1752(7)” for “1752(6)”.

Subsec. (c)(26). Pub. L. 104-191, §341(a), added par. (26).

Subsec. (c)(27). Pub. L. 104-191, §342(a), added par. (27).

Subsecs. (n), (o). Pub. L. 104-188, §1114(a), added subsec. (n) and redesignated former subsec. (n) as (o).

1993—Subsec. (c)(2). Pub. L. 103-66, §13146(b), inserted at end “Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.”

Subsec. (c)(25)(G). Pub. L. 103-66, §13146(a), added subpar. (G).

1992—Subsec. (c)(21). Pub. L. 102-486 amended par. (21) generally, substituting present provisions consisting of subpars. (A) to (D) for former provisions consisting of subpars. (A) and (B).

1989—Subsec. (l). Pub. L. 101-73 amended subsec. (l) generally. Prior to amendment, subsec. (l) read as follows: “The organization described in this subsection is the Central Liquidity Facility established under title III of the Federal Credit Union Act (12 U.S.C. 1795 et seq.).”

1988—Subsec. (c)(1). Pub. L. 100-647, §1018(u)(15), substituted “Any” for “any”.

Subsec. (c)(12)(B)(iv). Pub. L. 100-647, §2003(a)(1), added cl. (iv).

Subsec. (c)(12)(C). Pub. L. 100-647, §2003(a)(2), amended subpar. (C) generally. Prior to amendment, subpar. (C) read as follows: “In the case of a mutual or cooperative electric company, subparagraph (A) shall be applied without taking into account any income received or accrued from qualified pole rentals.”

Subsec. (c)(17)(A)(ii), (iii), (18)(B), (C). Pub. L. 100-647, §1018(u)(34), made technical amendments to Pub. L. 99-154, §1114(b)(14). See 1986 Amendment note below.

Subsec. (c)(18)(D)(iv). Pub. L. 100-647, §1011(c)(7)(D), added cl. (iv).

Subsec. (c)(23). Pub. L. 100-647, §1018(u)(14), substituted “Any” for “any”.

Subsec. (c)(25)(A). Pub. L. 100-647, §1016(a)(1)(A), inserted at end “For purposes of clause (iii), the term ‘real property’ shall not include any interest as a tenant in common (or similar interest) and shall not include any indirect interest.”

Subsec. (c)(25)(C)(v). Pub. L. 100-647, §1016(a)(3)(B), struck out cl. (v) which read as follows: “any organization described in this paragraph.”

Subsec. (c)(25)(D). Pub. L. 100-647, §1016(a)(2), substituted “A corporation or trust shall in no event be treated as described in subparagraph (A) unless such corporation or trust permits its shareholders or beneficiaries” for “A corporation or trust described in this paragraph must permit its shareholders or beneficiaries” in introductory text.

Subsec. (c)(25)(E), (F). Pub. L. 100-647, §1016(a)(3)(A), (4), added subpars. (E) and (F).

Subsec. (e)(1)(A). Pub. L. 100-647, §6202(a), inserted “(including the purchasing of insurance on a group basis)” after “purchasing”.

Subsec. (m)(3)(E). Pub. L. 100-647, §1010(b)(4)(A), added subpar. (E).

Subsec. (m)(5). Pub. L. 100-647, §1010(b)(4)(B), added par. (5).

1987—Subsec. (c)(3). Pub. L. 100-203 inserted “(or in opposition to)” after “in behalf of”.

1986—Subsec. (c)(1)(A)(i). Pub. L. 99-514, §1899A(15), substituted “July 18, 1984” for “the date of the enactment of the Tax Reform Act of 1984”.

Subsec. (c)(14)(B)(iv). Pub. L. 99-514, §1879(k)(1), added cl. (iv).

Subsec. (c)(15). Pub. L. 99-514, §1024(b), amended par. (15) generally. Prior to amendment, par. (15) read as follows: “Mutual insurance companies or associations other than life or marine (including inter-insurers and reciprocal underwriters) if the gross amount received during the taxable year from the items described in section 822(b) (other than paragraph (1)(D) thereof) and premiums (including deposits and assessments) does not exceed \$150,000.”

Subsec. (c)(17)(A)(ii), (iii), (18)(B), (C). Pub. L. 99-514, §1114(b)(14), as amended by Pub. L. 100-647, §1018(u)(34), substituted “highly compensated employees (within the meaning of section 414(q))” for “officers, shareholders, persons whose principal duties consist of supervising the work of other employees, or highly compensated employees”.

Subsec. (c)(18)(D). Pub. L. 99-514, §1109(a), added subpar. (D).

Subsec. (c)(24). Pub. L. 99-272 added par. (24).

Subsec. (c)(25). Pub. L. 99-514, §1603(a), added par. (25).
Subsecs. (m), (n). Pub. L. 99-514, §1012(a), added subsec. (m) and redesignated former subsec. (m) as (n).

1984—Subsec. (c)(1). Pub. L. 98-369, §2813(b)(2), designated existing provisions as subpar. (A) and added subpar. (B).

Subsec. (c)(1)(A). Pub. L. 98-369, §1079, substituted provisions referring to corporations exempt from Federal income taxes under any Act of Congress as amended and supplemented before July 18, 1984, or under this title without regard to any provision of law not contained in this title and not contained in a revenue Act for provisions referring to corporations exempt from Federal income taxes under any Act of Congress as amended and supplemented.

Subsec. (k). Pub. L. 98-369, §1032(a), added subsec. (k). Former subsec. (k) redesignated (l).

Subsec. (l). Pub. L. 98-369, §2813(b)(1), added subsec. (l). Former subsec. (l) redesignated (m).

Pub. L. 98-369, §1032(a), redesignated former subsec. (k) as (l).

Subsec. (m). Pub. L. 98-369, §2813(b)(1), redesignated former subsec. (l) as (m).

1983—Subsec. (c)(23). Pub. L. 97-448 substituted “75 percent” for “25 percent”.

1982—Subsec. (c)(19). Pub. L. 97-248, §354(a)(1), substituted “past or present members of the Armed Forces of the United States” for “war veterans” after “A post or organization of”.

Subsec. (c)(19)(B). Pub. L. 97-248, §354(a)(2), substituted “past or present members of the Armed Forces of the United States” for “war veterans” wherever appearing, struck out “veterans (but not war veterans), or are” after “individuals who are”, and substituted “or of cadets” for “or such individuals” before “, and”.

Subsec. (c)(23). Pub. L. 97-248, §354(b), added par. (23).

Subsecs. (j), (k). Pub. L. 97-248, §286(a), added subsec. (j) and redesignated former subsec. (j) as (k).

1981—Subsec. (c)(21)(B)(iii). Pub. L. 97-119 substituted “established under section 9501” for “established under section 3 of the Black Lung Benefits Revenue Act of 1977”.

1980—Subsec. (c)(12). Pub. L. 96-605 designated existing provision as subpar. (A), struck out provision that, in the case of any mutual or cooperative telephone company, the 85 per cent or more income requirement be applied without taking into account any income received or accrued from a nonmember telephone company for the performance of communication services which involve members of such mutual or cooperative telephone company, and added subpars. (B) to (D).

Subsec. (c)(21). Pub. L. 96-222 substituted “Federal Mine Safety and Health Act of 1977” for “Federal Coal Mine Health and Safety Act of 1969”.

Subsec. (c)(22). Pub. L. 96-364 added par. (22).

Subsec. (i). Pub. L. 96-601 inserted provision that the restriction on religious discrimination not apply to an auxiliary of a fraternal beneficiary society if the society is described in subsec. (c)(8) of this section, is exempt from income tax under subsec. (a) of this section, and limits its membership to the members of a particular religion or to a club which in good faith limits its membership to the members of a particular religion in order to further the teachings or principles of that religion, and not to exclude individuals of a particular race or color.

1978—Subsec. (c)(12). Pub. L. 95-345 inserted provision relating to applicability of statutory provisions to mutual or cooperative telephone company of income received or accrued from a nonmember telephone company.

Subsec. (c)(20). Pub. L. 95-600, §703(b)(2), substituted “this paragraph” for “section 501(c)(20)”.

Subsec. (c)(21). Pub. L. 95-227 added par. (21).

Subsecs. (g), (i). Pub. L. 95-600, §703(g)(2)(B), redesignated subsec. (g), which was added by section 2(a) of Pub. L. 94-568, as subsec. (i). Former subsec. (i), relating to cross reference, redesignated (j).

Subsecs. (i), (j). Pub. L. 95-600, §703(g)(2)(A), amended Pub. L. 95-600, §2(a). See 1976 Amendment note below.

1976—Subsec. (c)(3). Pub. L. 94-455, §§1313(a), 1307(d)(1)(A), inserted “or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment)” after “educational purposes” and inserted “(except as otherwise provided in subsection (h))” after “influence legislation”.

Subsec. (c)(7). Pub. L. 94-568, §1(a), struck out requirement that clubs be “operated exclusively” for specified purposes but required that substantially all of club activities be for specified purposes.

Subsec. (c)(17), (18). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (c)(20). Pub. L. 94-455, §2134(b), added par. (20).

Subsec. (e)(1)(A). Pub. L. 94-455, §1312(a), inserted “clinical” after “food”.

Subsec. (g). Pub. L. 94-568, §2(a), added subsec. (g) relating to prohibition of discrimination by certain social clubs.

Pub. L. 94-455, §2113(a), added subsec. (g) defining agricultural. Former subsec. (g) redesignated (h).

Subsec. (h). Pub. L. 94-455, §§1307(a)(1), 2113(a), added subsec. (h). Former subsec. (g), relating to cross reference, redesignated (h) and further redesignated (i).

Subsec. (i). Pub. L. 94-568, §2(a), as amended by Pub. L. 95-600, §703(g)(2)(A), added subsec. (i). Former subsec. (i) redesignated (j).

Pub. L. 94-455, §1307(a)(1), redesignated subsec. (h), relating to cross reference, as (i).

Subsec. (j). Pub. L. 94-568, §2(a), as amended by Pub. L. 95-600, §703(g)(2)(A), redesignated subsec. (i), relating to cross reference, as (j).

1975—Subsec. (b). Pub. L. 93-625 inserted references to part VI of this subchapter.

1974—Subsecs. (f), (g). Pub. L. 93-310 added subsec. (f) and redesignated former subsec. (f) as (g).

1972—Subsec. (c)(19). Pub. L. 92-418 added par. (19).

1970—Subsec. (c)(13). Pub. L. 91-618 substituted “corporation chartered solely for the purpose of disposal of bodies by burial or cremation which is not permitted” for “corporation chartered solely for burial purposes as a cemetery corporation and is not permitted”.

1969—Subsec. (a). Pub. L. 91-172, §101(j)(3), struck out reference to section 504.

Subsec. (b). Pub. L. 91-172, §101(j)(4), inserted reference to certain other activities in heading and to part III in text, and struck out reference to tax on unrelated income.

Subsec. (c). Pub. L. 91-172, §§101(j)(5), 121(b)(6)(A), substituted “part IV” for “part III” after “Corporations organized by an association subject to” and added par. 18.

Subsec. (c)(9). Pub. L. 91-172, §121(b)(5)(A), inserted reference to designated beneficiaries and struck out

reference to 85 percent or more income of voluntary employees' beneficiary associations.

Subsec. (c)(10). Pub. L. 91-172, §121(b)(5)(A), substituted provisions concerning domestic fraternal societies, orders, or associations, operating under the lodge system, for provisions covering voluntary employees' beneficiary associations which would pay benefits to designated beneficiaries of members.

Subsec. (e). Pub. L. 91-172, §101(j)(6), substituted "section 170(b)(1)(A)(iii)" for "section 503(b)(5)" in last sentence.

1968—Subsecs. (e), (f). Pub. L. 90-364 added subsec. (e) and redesignated former subsec. (e) as (f).

1966—Subsec. (c)(6). Pub. L. 89-800 inserted reference to professional football leagues (whether or not administering a pension fund for football players).

Subsec. (c)(14). Pub. L. 89-352 designated as subpar. (A) provisions covering credit unions which were formerly set out preceding subpar. (A), designated as subpar. (B) and clauses (i), (ii), and (iii) thereunder provisions covering corporation or associations without capital stock organized before Sept. 1, 1957, which formerly were set out as provisions preceding subpar. (A) and as subpars. (A), (B), and (C) respectively, and added subpar. (C).

1962—Subsec. (c)(15). Pub. L. 87-834 substituted "\$150,000" for "\$75,000".

1960—Subsec. (c)(14). Pub. L. 86-428 substituted "September 1, 1957" for "September 1, 1951".

Subsec. (c)(17). Pub. L. 86-667 added par. (17).

1956—Subsec. (c)(15). Act Mar. 13, 1956, substituted "the items described in section 822(b) (other than paragraph (1)(D) thereof)" for "interest, dividends, rents."

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-148, title IX, §9007(f), Mar. 23, 2010, 124 Stat. 858, provided that:

"(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section [enacting section 4959 of this title and amending this section and section 6033 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [Mar. 23, 2010].

"(2) COMMUNITY HEALTH NEEDS ASSESSMENT.—The requirements of section 501(r)(3) of the Internal Revenue Code of 1986, as added by subsection (a), shall apply to taxable years beginning after the date which is 2 years after the date of the enactment of this Act.

"(3) EXCISE TAX.—The amendments made by subsection (b) [enacting section 4959 of this title] shall apply to failures occurring after the date of the enactment of this Act."

Pub. L. 111-148, title X, §10903(b), Mar. 23, 2010, 124 Stat. 1016, provided that: "The amendment made by this section [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Mar. 23, 2010]."

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-280, title VIII, §862(b), Aug. 17, 2006, 120 Stat. 1021, provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2006."

Pub. L. 109-280, title XII, §1220(c), Aug. 17, 2006, 120 Stat. 1089, provided that:

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section and section 513 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [Aug. 17, 2006].

"(2) TRANSITION RULE FOR EXISTING ORGANIZATIONS.—In the case of any organization described in paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986 and with respect to which the provision of credit counseling services is a substantial purpose on the date of the enactment of this Act, the amendments made by this section shall apply to taxable years beginning after the date which is 1 year after the date of the enactment of this Act."

EFFECTIVE DATE OF 2005 AMENDMENT

Pub. L. 109-58, title XIII, §1304(c), Aug. 8, 2005, 119 Stat. 997, provided that: "The amendments made by this section [amending this section] shall take effect on the date of the enactment of this Act [Aug. 8, 2005]."

EFFECTIVE DATE OF 2004 AMENDMENTS

Pub. L. 108-357, title III, §319(e), Oct. 22, 2004, 118 Stat. 1473, provided that: "The amendments made by this section [amending this section and sections 512 and 1381 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 22, 2004]."

Pub. L. 108-218, title II, §206(e), Apr. 10, 2004, 118 Stat. 611, provided that:

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section and section 831 of this title] shall apply to taxable years beginning after December 31, 2003.

"(2) TRANSITION RULE FOR COMPANIES IN RECEIVERSHIP OR LIQUIDATION.—In the case of a company or association which—

"(A) for the taxable year which includes April 1, 2004, meets the requirements of section 501(c)(15)(A) of the Internal Revenue Code of 1986, as in effect for the last taxable year beginning before January 1, 2004, and

"(B) on April 1, 2004, is in a receivership, liquidation, or similar proceeding under the supervision of a State court,

the amendments made by this section shall apply to taxable years beginning after the earlier of the date such proceeding ends or December 31, 2007."

EFFECTIVE DATE OF 2003 AMENDMENT

Pub. L. 108-121, title I, §105(b), Nov. 11, 2003, 117 Stat. 1338, provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Nov. 11, 2003]."

Pub. L. 108-121, title I, §108(b), Nov. 11, 2003, 117 Stat. 1341, provided that: "The amendments made by this section [amending this section] shall apply to designations made before, on, or after the date of the enactment of this Act [Nov. 11, 2003]."

EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107-16 applicable to years beginning after Dec. 31, 2001, see section 611(i)(1) of Pub. L. 107-16, set out as a note under section 415 of this title.

EFFECTIVE DATE OF 1997 AMENDMENTS

Amendment by section 101(c) of Pub. L. 105-34 applicable to taxable years beginning after Dec. 31, 1997, see section 101(e) of Pub. L. 105-34, set out as an Effective Date note under section 24 of this title.

Section 963(c) of Pub. L. 105-34 provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1997."

Section 974(b) of Pub. L. 105-34 provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1996."

Section 4041(b) of Pub. L. 105-33 provided that: "The amendment made by subsection (a) [amending this section] shall take effect on the date of the enactment of this Act [Aug. 5, 1997]."

EFFECTIVE DATE OF 1996 AMENDMENTS

Section 341(b) of Pub. L. 104-191 provided that: "The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 1996."

Section 342(b) of Pub. L. 104-191 provided that: "The amendment made by this section [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [Aug. 21, 1996]."

Section 1114(b) of Pub. L. 104-188 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Aug. 20, 1996].”

Section 1311(d)(3) of Pub. L. 104-168 provided that:

“(A) IN GENERAL.—The amendment made by subsection (b) [amending this section] shall apply to inurement occurring on or after September 14, 1995.

“(B) BINDING CONTRACTS.—The amendment made by subsection (b) shall not apply to any inurement occurring before January 1, 1997, pursuant to a written contract which was binding on September 13, 1995, and at all times thereafter before such inurement occurred.”

EFFECTIVE DATE OF 1993 AMENDMENT

Section 13146(c) of Pub. L. 103-66 provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning on or after January 1, 1994.”

EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-486 applicable to taxable years beginning after Dec. 31, 1991, see section 1940(d) of Pub. L. 102-486, set out as a note under section 192 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Section 1402(b) of Pub. L. 101-73 provided that: “The amendment made by subsection (a) [amending this section] shall take effect on the date of the enactment of this Act [Aug. 9, 1989].”

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1011(c)(7)(D) of Pub. L. 100-647 applicable to plan years beginning after Dec. 31, 1987, with exception in case of a plan described in section 1105(c)(2) of Pub. L. 99-514, see section 1011(c)(7)(E) of Pub. L. 100-647, set out as a note under section 401 of this title.

Section 1016(a)(1)(B) of Pub. L. 100-647 provided that: “The amendment made by subparagraph (A) [amending this section] shall apply with respect to property acquired by the organization after June 10, 1987, except that such amendment shall not apply to any property acquired after June 10, 1987, pursuant to a binding written contract in effect on June 10, 1987, and at all times thereafter before such acquisition.”

Amendment by sections 1010(b)(4), 1016(a)(2)-(4), and 1018(u)(14), (15), (34) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Section 2003(a)(3) of Pub. L. 100-647 provided that: “The amendments made by this subsection [amending this section] shall apply to taxable years ending after the date of the enactment of the Omnibus Budget Reconciliation Act of 1986 [Oct. 21, 1986].”

Section 6202(b) of Pub. L. 100-647 provided that: “The amendment made by subsection (a) [amending this section] shall apply to purchases before, on, or after the date of the enactment of this Act [Nov. 10, 1988].”

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by Pub. L. 100-203 applicable with respect to activities after Dec. 22, 1987, see section 10711(c) of Pub. L. 100-203, set out as a note under section 170 of this title.

EFFECTIVE DATE OF 1986 AMENDMENTS

Amendment by section 1012(a) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 1012(c) of Pub. L. 99-514, set out as an Effective Date note under section 833 of this title.

Amendment by section 1024(b) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 1024(e) of Pub. L. 99-514, set out as a note under section 831 of this title.

Amendment by section 1109(a) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 1109(c) of Pub. L. 99-514, set out as a note under section 219 of this title.

Amendment by section 1114(b)(14) of Pub. L. 99-514 applicable to years beginning after Dec. 31, 1986, see section 1114(c)(1) of Pub. L. 99-514, set out as a note under section 414 of this title.

Section 1603(c) of Pub. L. 99-514 provided that: “The amendments made by this section [amending this section and section 514 of this title] shall apply to taxable years beginning after December 31, 1986.”

Section 1879(k)(2) of Pub. L. 99-514 provided that: “The amendments made by this subsection [amending this section] shall apply to taxable years ending after August 13, 1981.”

Amendment by Pub. L. 99-272 effective Jan. 1, 1986, with certain exceptions, see section 11019 of Pub. L. 99-272, set out as a note under section 1341 of Title 29, Labor.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 1032 of Pub. L. 98-369 applicable to taxable years beginning after July 18, 1984, see section 1032(c) of Pub. L. 98-369, set out as a note under section 170 of this title.

Amendment by section 2813(b) of Pub. L. 98-369 effective Oct. 1, 1979, see section 2813(c) of Pub. L. 98-369, set out as an Effective Date note under section 1795k of Title 12, Banks and Banking.

EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-448 effective as if included in the provisions of the Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. 97-248, to which such amendment relates, see section 311(d) of Pub. L. 97-448, set out as a note under section 31 of this title.

EFFECTIVE DATE OF 1982 AMENDMENT

Section 286(c) of Pub. L. 97-248 provided that: “The amendments made by this section [amending this section and sections 170, 2055, and 2522 of this title] shall take effect on October 5, 1976.”

Section 354(c) of Pub. L. 97-248 provided that: “The amendments made by subsections (a) and (b) [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Sept. 3, 1982].”

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-119 effective Jan. 1, 1982, see section 103(d)(1) of Pub. L. 97-119, set out as an Effective Date note under section 9501 of this title.

EFFECTIVE DATE OF 1980 AMENDMENTS

Section 106(c)(1) of Pub. L. 96-605, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that: “The amendments made by subsection (a) [amending this section] shall apply to all taxable years to which the Internal Revenue Code of 1986 [formerly I.R.C. 1954] applies.”

Section 3(b) of Pub. L. 96-601 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after October 20, 1976.”

Amendment by Pub. L. 96-364 applicable to taxable years ending after Sept. 26, 1980, see section 210(c) of Pub. L. 96-364, set out as an Effective Date note under section 418 of this title.

Amendment by Pub. L. 96-222 effective, except as otherwise provided, as if it had been included in the provisions of the Revenue Act of 1978, Pub. L. 95-600, to which such amendment relates, see section 201 of Pub. L. 96-222, set out as an Effective Date of 1980 Amendment note under section 32 of this title.

EFFECTIVE DATE OF 1978 AMENDMENTS

Amendment by section 703(b)(2), (g)(2)(B) of Pub. L. 95-600 effective on Oct. 4, 1976, see section 703(r) of Pub. L. 95-600, set out as a note under section 46 of this title.

Section 703(g)(2)(C) of Pub. L. 95-600 provided that: "The amendments made by this paragraph [amending this section] shall take effect on October 20, 1976, as if included in Public Law 94-568."

Section 1(b) of Pub. L. 95-345 provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1974."

Amendment by Pub. L. 95-227 applicable with respect to contributions, acts, and expenditures made after Dec. 31, 1977, in and for taxable years beginning after such date, see section 4(f) of Pub. L. 95-227, set out as a note under section 192 of this title.

EFFECTIVE DATE OF 1976 AMENDMENTS

Section 1(d) of Pub. L. 94-568 provided that: "The amendments made by this section [amending this section and sections 277 and 512 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 20, 1976]."

Section 2(b) of Pub. L. 94-568 provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 20, 1976]."

Section 1307(e) of Pub. L. 94-455 provided that: "The amendments made by this section [amending this section and sections 170, 275, 2055, 2106, 2522, 6104, 6161, 6201, 6211, 6212, 6213, 6214, 6344, 6501, 6512, 6601, and 7422 of this title and enacting sections 504 and 4911 of this title] shall apply—

"(1) except as otherwise specified in paragraph (2), in the case of amendments to subtitle A, to taxable years beginning after December 31, 1976;

"(2) in the case of the amendments made by subsection (a)(2) [enacting section 504 of this title], to activities occurring after the date of the enactment of this Act [Oct. 4, 1976];

"(3) in the case of amendments to chapter 11, to the estates of decedents dying after December 31, 1976;

"(4) in the case of amendments to chapter 12, to gifts in calendar years beginning after December 31, 1976;

"(5) in the case of amendments to subtitle D, to taxable years beginning after December 31, 1976; and

"(6) in the case of amendments to subtitle F, on and after the date of the enactment of this Act [Oct. 4, 1976]."

Section 1312(b) of Pub. L. 94-455 provided that: "The amendment made by this section [amending this section] shall apply to taxable years ending after December 31, 1976."

Section 1313(d) of Pub. L. 94-455 provided that: "The amendments made by this section [amending this section and sections 170, 2055, and 2522 of this title] shall apply on the day following the date of the enactment of this Act [Oct. 4, 1976]."

Section 2113(b) of Pub. L. 94-455 provided that: "The amendment made by this section [amending this section] applies to taxable years ending after December 31, 1975."

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 93-625 applicable to taxable years beginning after Dec. 31, 1974, see section 10(e) of Pub. L. 93-625, set out as an Effective Date note under section 527 of this title.

EFFECTIVE DATE OF 1974 AMENDMENT

Section 3(b) of Pub. L. 93-310 provided that: "The amendments made by this section [amending this section] shall apply to taxable years ending after December 31, 1973."

EFFECTIVE DATE OF 1972 AMENDMENT

Section 1(c) of Pub. L. 92-418 provided that: "The amendments made by this section [amending this section and section 512 of this title] shall apply to taxable years beginning after December 31, 1969."

EFFECTIVE DATE OF 1970 AMENDMENT

Section 2 of Pub. L. 91-618 provided that: "The amendment made by the first section of this Act [amending

this section] shall apply to taxable years ending after the date of enactment of this Act [Dec. 31, 1970]."

EFFECTIVE DATE OF 1969 AMENDMENT

Amendment by section 101(j)(3) of Pub. L. 91-172 effective Jan. 1, 1970, except that amendment of subsec. (a) of this section applicable to taxable years beginning after Dec. 31, 1969, see section 101(k)(1), (2)(B) of Pub. L. 91-172, set out as an Effective Date note under section 4940 of this title.

Amendment by section 121(b)(5)(A), (6)(A) of Pub. L. 91-172 applicable to taxable years beginning after Dec. 31, 1969, see section 121(g) of Pub. L. 91-172, set out as a note under section 511 of this title.

EFFECTIVE DATE OF 1968 AMENDMENT

Section 109(b) of Pub. L. 90-364 provided that: "The amendments made by subsection (a) [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [June 28, 1968]."

EFFECTIVE DATE OF 1966 AMENDMENTS

Section 6(c) of Pub. L. 89-800 provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [Nov. 8, 1966]."

Section 3 of Pub. 89-352 provided in part that: "The amendment made by the first section of this Act [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [Feb. 2, 1966]."

EFFECTIVE DATE OF 1962 AMENDMENT

Section 8(h) of Pub. L. 87-834 provided that: "The amendments made by this section [enacting sections 823 to 826 of this title, amending this section and sections 821, 822, 832, 841, 1016, and 1201 of this title, and redesignating former section 823 as section 822(f) of this title] (other than by subsection (f) [amending section 831 of this title]) shall apply with respect to taxable years beginning after December 31, 1962."

EFFECTIVE DATE OF 1960 AMENDMENTS

Section 6 of Pub. L. 86-667 provided that:

"(a) Except as provided in subsection (b), the amendments made by this Act [amending this section and sections 503, 511, 513, and 514 of this title] shall apply to taxable years beginning after December 31, 1959.

"(b) In the case of loans, the amendments made by section 2 of this Act [amending section 503 of this title] shall apply only to loans made, renewed, or continued after December 31, 1959."

Section 2 of Pub. L. 86-428 provided that: "The amendment made by this Act [amending this section] shall apply only with respect to taxable years beginning after December 31, 1959."

EFFECTIVE DATE OF 1956 AMENDMENT

Amendment by act Mar. 13, 1956, applicable only to taxable years beginning after Dec. 31, 1954, see section 6 of act Mar. 13, 1956, set out as a note under section 316 of this title.

REGULATIONS

Secretary of the Treasury or his delegate to issue before Feb. 1, 1988, final regulations to carry out amendments made by section 1114 of Pub. L. 99-514, see section 1141 of Pub. L. 99-514, set out as a note under section 401 of this title.

MANDATORY REVIEW OF TAX EXEMPTION FOR HOSPITALS

Pub. L. 111-148, title IX, §9007(c), Mar. 23, 2010, 124 Stat. 857, provided that: "The Secretary of the Treasury or the Secretary's delegate shall review at least once every 3 years the community benefit activities of each hospital organization to which section 501(r) of the Internal Revenue Code of 1986 (as added by this section) applies."

REPORTS

Pub. L. 111-148, title IX, §9007(e), Mar. 23, 2010, 124 Stat. 858, provided that:

“(1) REPORT ON LEVELS OF CHARITY CARE.—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall submit to the Committees on Ways and Means, Education and Labor, and Energy and Commerce of the House of Representatives and to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate an annual report on the following:

“(A) Information with respect to private tax-exempt, taxable, and government-owned hospitals regarding—

“(i) levels of charity care provided,

“(ii) bad debt expenses,

“(iii) unreimbursed costs for services provided with respect to means-tested government programs, and

“(iv) unreimbursed costs for services provided with respect to non-means tested government programs.

“(B) Information with respect to private tax-exempt hospitals regarding costs incurred for community benefit activities.

“(2) REPORT ON TRENDS.—

“(A) STUDY.—The Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall conduct a study on trends in the information required to be reported under paragraph (1).

“(B) REPORT.—Not later than 5 years after the date of the enactment of this Act [Mar. 23, 2010], the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall submit a report on the study conducted under subparagraph (A) to the Committees on Ways and Means, Education and Labor, and Energy and Commerce of the House of Representatives and to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate.”

PAYMENTS BY CHARITABLE ORGANIZATIONS TREATED AS EXEMPT PAYMENTS

Pub. L. 107-134, title I, §104, Jan. 23, 2002, 115 Stat. 2431, provided that:

“(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986—

“(1) payments made by an organization described in section 501(c)(3) of such Code by reason of the death, injury, wounding, or illness of an individual incurred as the result of the terrorist attacks against the United States on September 11, 2001, or an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002, shall be treated as related to the purpose or function constituting the basis for such organization’s exemption under section 501 of such Code if such payments are made in good faith using a reasonable and objective formula which is consistently applied; and

“(2) in the case of a private foundation (as defined in section 509 of such Code), any payment described in paragraph (1) shall not be treated as made to a disqualified person for purposes of section 4941 of such Code.

“(b) EFFECTIVE DATE.—This section shall apply to payments made on or after September 11, 2001.”

SPECIAL RULE FOR CERTAIN COOPERATIVES

Section 1311(b)(2) of Pub. L. 104-168 provided that: “In the case of an organization operating on a cooperative basis which, before the date of the enactment of this Act [July 30, 1996], was determined by the Secretary of the Treasury or his delegate, to be described in section 501(c)(4) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code, the allocation or return of net margins or capital to the members of such organization in accordance with its incorporating statute and bylaws shall not be treated

for purposes of such Code as the inurement of the net earnings of such organization to the benefit of any private shareholder or individual. The preceding sentence shall apply only if such statute and bylaws are substantially as such statute and bylaws were in existence on the date of the enactment of this Act.”

APPLICATION OF PUB. L. 100-647 TO SECTION 501(c)(3) BONDS

Section 1013(i) of Pub. L. 100-647 provided that: “In accordance with section 1302 of the Reform Act [Pub. L. 99-514, set out as a note below], each amendment and other provision of this Act [see Tables for classification] which applies to private activity bonds shall, unless otherwise expressly provided, apply to qualified 501(c)(3) bonds.”

CANCELLATION OF CERTAIN DEBTS ORIGINATED BY OR GUARANTEED BY UNITED STATES NOT TAKEN INTO ACCOUNT IN DETERMINING TAX EXEMPT STATUS OF CERTAIN ORGANIZATIONS

Section 6203 of Pub. L. 100-647 provided that: “Subparagraph (A) of section 501(c)(12) of the 1986 Code shall be applied without taking into account any income attributable to the cancellation of any loan originally made or guaranteed by the United States (or any agency or instrumentality thereof) if such cancellation occurs after 1986 and before 1990.”

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§1101-1147 and 1171-1177] or title XVIII [§§1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

TREATMENT OF SECTION 501(c)(3) BONDS

Section 1302 of title XIII of Pub. L. 99-514 provided that: “Nothing in the treatment of section 501(c)(3) bonds as private activity bonds under the amendments made by this title [enacting sections 141 to 150 and 7703 of this title, amending sections 2, 22, 25, 32, 86, 103, 105, 152, 153, 163, 172, 194, 269A, 414, 879, 1016, 1398, 3402, 4701, 4940, 4942, 4988, 6362, 6652, and 7871 of this title, repealing sections 103A, 1391 to 1397, and 6039B of this title, enacting provisions set out as notes under sections 141 and 148 of this title, and amending provisions set out as a note under section 103A of this title] shall be construed as indicating how section 501(c)(3) bonds will be treated in future legislation, and any change in future legislation applicable to private activity bonds shall apply to section 501(c)(3) bonds only if expressly provided in such legislation.”

TAX-EXEMPT STATUS FOR ORGANIZATION INTRODUCING INTO PUBLIC USE TECHNOLOGY DEVELOPED BY QUALIFIED ORGANIZATIONS

Section 1605 of Pub. L. 99-514 provided that:

“(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, an organization shall be treated as an organization organized and operated exclusively for charitable purposes if such organization—

“(1) is organized and operated exclusively—

“(A) to provide for (directly or by arranging for and supervising the performance by independent contractors)—

“(i) reviewing technology disclosures from qualified organizations,

“(ii) obtaining protection for such technology through patents, copyrights, or other means, and

“(iii) licensing, sale, or other exploitation of such technology,

“(B) to distribute the income therefrom, to such qualified organizations after paying expenses and other amounts as agreed with the originating qualified organizations, and

“(C) to make research grants to such qualified organizations,

“(2) regularly provides the services and research grants described in paragraph (1) exclusively to 1 or more qualified organizations, except that research grants may be made to such qualified organizations through an organization which is controlled by 1 or more organizations each of which—

“(A) is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 or the income of which is excluded from taxation under section 115 of such Code, and

“(B) may be a recipient of the services or research grants described in paragraph (1),

“(3) derives at least 80 percent of its gross revenues from providing services to qualified organizations located in the same State as the State in which such organization has its principal office, and

“(4) was incorporated on July 20, 1981.

“(b) QUALIFIED ORGANIZATIONS.—For purposes of this section, the term ‘qualified organization’ has the same meaning given to such term by subparagraphs (A) and (B) of section 41(e)(6) (as redesignated by section 231(d)(2)) of the Internal Revenue Code of 1986.

“(c) TREATMENT OF INVESTMENT IN A TECHNOLOGY TRANSFER SERVICE ORGANIZATION.—

“(1) IN GENERAL.—A qualified investment made by a private foundation in an organization described in subparagraph (C) shall be treated as an investment described in section 4944(c) of the Internal Revenue Code of 1986 and shall not result in imposition of taxes under section 4941, 4943, 4944, 4945, or 507(c) of such Code.

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED INVESTMENT.—The term ‘qualified investment’ means a transfer by a private foundation of—

“(i) all of the patents, copyrights, know-how, and other technology or rights thereto of the private foundation, and

“(ii) investment assets, net receivables, and cash not exceeding \$35,000,000, to such organization in exchange for debt.

“(B) PRIVATE FOUNDATION.—The term ‘private foundation’ means—

“(i) a nonprofit corporation which was incorporated before 1913 which is described in sections 501(c)(3) and 509(a) of such Code, and which is exempt from taxation under section 501(a) of such Code, and

“(ii) the principal purposes of which are to support research by and to provide technology transfer services to organizations described in section 170(b)(1)(A) of such Code—

“(I) which are exempt from taxation under section 501(a) of such Code, or

“(II) the income of which is excluded from taxation under section 115 of such Code.

“(C) TECHNOLOGY TRANSFER ORGANIZATION.—The term ‘technology transfer organization’ means a corporation established after the date of the enactment of this Act [Oct. 22, 1986]—

“(i) which is organized and operated to advance the public welfare through the provision of technology transfer services to research organizations,

“(ii) no part of the net earnings of which inures to the benefit of, or is distributable to, any private shareholder, individual, or entity, other than a private foundation or research organization,

“(iii) which does not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office,

“(iv) no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and

“(v) upon liquidation or dissolution of which all of its net assets can be distributed only to research organizations.

“(d) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act [Oct. 22, 1986].”

APPLICABILITY OF 1976 AMENDMENT TO CERTAIN ORGANIZATIONS

Section 1313(c) of Pub. L. 94-455, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that: “An organization which (without regard to the amendments made by this section [amending this section and sections 170, 2055, and 2522 of this title]) is an organization described in section 170(c)(2)(B), 501(c)(3), 2055(a)(2), or 2522(a)(2) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] shall not be treated as an organization not so described as a result of the amendments made by this section.”

TAX EXEMPTION FOR CERTAIN PUERTO RICAN PENSION, ETC., PLANS

Section 1022(i) of Pub. L. 93-406, title II, Sept. 2, 1974, 88 Stat. 942, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) GENERAL RULE.—Effective for taxable years beginning after December 31, 1973, for purposes of section 501(a) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] (relating to exemption from tax), any trust forming part of a pension, profit-sharing, or stock bonus plan all of the participants of which are residents of the Commonwealth of Puerto Rico shall be treated as an organization described in section 401(a) of such Code if such trust—

“(A) forms part of a pension, profit-sharing, or stock bonus plan, and

“(B) is exempt from income tax under the laws of the Commonwealth of Puerto Rico.

“(2) ELECTION TO HAVE PROVISIONS OF, AND AMENDMENTS MADE BY, TITLE II OF THIS ACT APPLY.—

“(A) If the administrator of a pension, profit-sharing, or stock bonus plan which is created or organized in Puerto Rico elects, at such time and in such manner as the Secretary of the Treasury may require, to have the provisions of this paragraph apply, for plan years beginning after the date of election any trust forming a part of such plan shall be treated as a trust created or organized in the United States for purposes of section 401(a) of the Internal Revenue Code of 1986.

“(B) An election under subparagraph (A), once made, is irrevocable.

“(C) This paragraph applies to plan years beginning after the date of enactment of this Act [Sept. 2, 1974]

“(D) The source of any distributions made under a plan which makes an election under this paragraph to participants and beneficiaries residing outside of the United States shall be determined, for purposes of subchapter N of chapter 1 of the Internal Revenue Code of 1986 by the Secretary of the Treasury in accordance with regulations prescribed by him. For purposes of this subparagraph the United States means the United States as defined in section 7701(a)(9) of the Internal Revenue Code of 1986.”

EXCHANGES FOR SALE OF POULTRY

Pub. L. 89-44, title VIII, §811, June 21, 1965, 79 Stat. 169, provided that certain corporations, associations, or organizations organized and operated exclusively for the purpose of providing an exchange for the sale of poultry growers of a particular locality shall be treated for purposes of this title as an exempt organization and that such exemption shall apply to taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954, which begin before Jan. 1, 1966.

§ 502. Feeder organizations

(a) General rule

An organization operated for the primary purpose of carrying on a trade or business for profit shall not be exempt from taxation under section 501 on the ground that all of its profits are pay-

able to one or more organizations exempt from taxation under section 501.

(b) Special rule

For purposes of this section, the term “trade or business” shall not include—

- (1) the deriving of rents which would be excluded under section 512(b)(3), if section 512 applied to the organization,
- (2) any trade or business in which substantially all the work in carrying on such trade or business is performed for the organization without compensation, or
- (3) any trade or business which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

(Aug. 16, 1954, ch. 736, 68A Stat. 166; Pub. L. 91-172, title I, §121(b)(7), Dec. 30, 1969, 83 Stat. 542.)

AMENDMENTS

1969—Pub. L. 91-172 redesignated first sentence of existing provisions as subsec. (a), and substantial portion of second sentence as subsec. (b)(1), and, in subsec. (b)(1) as so redesignated, inserted reference to section 512 of this title, and added pars. (2) and (3).

EFFECTIVE DATE OF 1969 AMENDMENT

Amendment by Pub. L. 91-172 applicable to taxable years beginning after Dec. 31, 1969, see section 121(g) of Pub. L. 91-172, set out as a note under section 511 of this title.

§ 503. Requirements for exemption

(a) Denial of exemption to organizations engaged in prohibited transactions

(1) General rule

(A) An organization described in section 501(c)(17) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1959.

(B) An organization described in section 401(a) which is referred to in section 4975(g) (2) or (3) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after March 1, 1954.

(C) An organization described in section 501(c)(18) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1969.

(2) Taxable years affected

An organization described in section 501(c)(17) or (18) or paragraph (1)(B) shall be denied exemption from taxation under section 501(a) by reason of paragraph (1) only for taxable years after the taxable year during which it is notified by the Secretary that it has engaged in a prohibited transaction, unless such organization entered into such prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purposes, and such transaction involved a substantial part of the corpus or income of such organization.

(b) Prohibited transactions

For purposes of this section, the term “prohibited transaction” means any transaction in which an organization subject to the provisions of this section—

(1) lends any part of its income or corpus, without the receipt of adequate security and a reasonable rate of interest, to;

(2) pays any compensation, in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered, to;

(3) makes any part of its services available on a preferential basis to;

(4) makes any substantial purchase of securities or any other property, for more than adequate consideration in money or money's worth, from;

(5) sells any substantial part of its securities or other property, for less than an adequate consideration in money or money's worth, to; or

(6) engages in any other transaction which results in a substantial diversion of its income or corpus to;

the creator of such organization (if a trust); a person who has made a substantial contribution to such organization; a member of the family (as defined in section 267(c)(4)) of an individual who is the creator of such trust or who has made a substantial contribution to such organization; or a corporation controlled by such creator or person through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote or 50 percent or more of the total value of shares of all classes of stock of the corporation.

(c) Future status of organizations denied exemption

Any organization described in section 501(c)(17) or (18) or subsection (a)(1)(B) which is denied exemption under section 501(a) by reason of subsection (a) of this section, with respect to any taxable year following the taxable year in which notice of denial of exemption was received, may, under regulations prescribed by the Secretary, file claim for exemption, and if the Secretary, pursuant to such regulations, is satisfied that such organization will not knowingly again engage in a prohibited transaction, such organization shall be exempt with respect to taxable years after the year in which such claim is filed.

[(d) Repealed. Pub. L. 101-508, title XI, §11801(a)(22), Nov. 5, 1990, 104 Stat. 1388-521]

(e) Special rules

For purposes of subsection (b)(1), a bond, debenture, note, or certificate or other evidence of indebtedness (hereinafter in this subsection referred to as “obligation”) shall not be treated as a loan made without the receipt of adequate security if—

(1) such obligation is acquired—

(A) on the market, either (i) at the price of the obligation prevailing on a national securities exchange which is registered with the Securities and Exchange Commission, or (ii) if the obligation is not traded on such a national securities exchange, at a price not less favorable to the trust than the offering price for the obligation as established by current bid and asked prices quoted by persons independent of the issuer;

(B) from an underwriter, at a price (i) not in excess of the public offering price for the obligation as set forth in a prospectus or offering circular filed with the Securities and Exchange Commission, and (ii) at which a substantial portion of the same issue is acquired by persons independent of the issuer; or

(C) directly from the issuer, at a price not less favorable to the trust than the price paid currently for a substantial portion of the same issue by persons independent of the issuer;

(2) immediately following acquisition of such obligation—

(A) not more than 25 percent of the aggregate amount of obligations issued in such issue and outstanding at the time of acquisition is held by the trust, and

(B) at least 50 percent of the aggregate amount referred to in subparagraph (A) is held by persons independent of the issuer; and

(3) immediately following acquisition of the obligation, not more than 25 percent of the assets of the trust is invested in obligations of persons described in subsection (b).

(f) Loans with respect to which employers are prohibited from pledging certain assets

Subsection (b)(1) shall not apply to a loan made by a trust described in section 401(a) to the employer (or to a renewal of such a loan or, if the loan is repayable upon demand, to a continuation of such a loan) if the loan bears a reasonable rate of interest, and if (in the case of a making or renewal)—

(1) the employer is prohibited (at the time of such making or renewal) by any law of the United States or regulation thereunder from directly or indirectly pledging, as security for such a loan, a particular class or classes of his assets the value of which (at such time) represents more than one-half of the value of all his assets;

(2) the making or renewal, as the case may be, is approved in writing as an investment which is consistent with the exempt purposes of the trust by a trustee who is independent of the employer, and no other such trustee had previously refused to give such written approval; and

(3) immediately following the making or renewal, as the case may be, the aggregate amount loaned by the trust to the employer, without the receipt of adequate security, does not exceed 25 percent of the value of all the assets of the trust.

For purposes of paragraph (2), the term “trustee” means, with respect to any trust for which there is more than one trustee who is independent of the employer, a majority of such independent trustees. For purposes of paragraph (3), the determination as to whether any amount loaned by the trust to the employer is loaned without the receipt of adequate security shall be made without regard to subsection (e).

(Aug. 16, 1954, ch. 736, 68A Stat. 166; Pub. L. 85-866, title I, §30(a), (b), Sept. 2, 1958, 72 Stat. 1629, 1630; Pub. L. 86-667, §2, July 14, 1960, 74

Stat. 535; Pub. L. 87-792, §6, Oct. 10, 1962, 76 Stat. 827; Pub. L. 91-172, title I, §§101(j)(7)-(14), 121(b)(6)(B), Dec. 30, 1969, 83 Stat. 527, 542; Pub. L. 93-406, title II, §2003(b), Sept. 2, 1974, 88 Stat. 978; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 101-508, title XI, §11801(a)(22), Nov. 5, 1990, 104 Stat. 1388-521.)

AMENDMENTS

1990—Subsec. (d). Pub. L. 101-508 struck out subsec. (d) “Special rule for loans” which read as follows: “For purposes of the application of subsection (b)(1), in the case of a loan by a trust described in section 401(a), the following rules shall apply with respect to a loan made before March 1, 1954, which would constitute a prohibited transaction if made on or after March 1, 1954:

“(1) If any part of the loan is repayable prior to December 31, 1955, the renewal of such part of the loan for a period not extending beyond December 31, 1955, on the same terms, shall not be considered a prohibited transaction.

“(2) If the loan is repayable on demand, the continuation of the loan without the receipt of adequate security and a reasonable rate of interest beyond December 31, 1955, shall be considered a prohibited transaction.”

1976—Subsecs. (a)(2), (c). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

1974—Subsec. (a)(1)(A). Pub. L. 93-406, §2003(b)(1), substituted “section 501(c)(17)” for “section 501(c)(17) or (18)”.

Subsec. (a)(1)(B). Pub. L. 93-406, §2003(b)(2), inserted “which is referred to in section 4975(g)(2) or (3)”.

Subsec. (a)(2). Pub. L. 93-406, §2003(b)(3), substituted “or paragraph (1)(B)” for “or section 401”.

Subsec. (c). Pub. L. 93-406, §2003(b)(4), substituted “or subsection (a)(1)(B)” for “or section 401”.

Subsec. (g). Pub. L. 93-406, §2003(b)(5), struck out subsec. (g) which covered trusts benefiting certain owner-employees.

1969—Subsec. (a)(1)(A). Pub. L. 91-172, §§101(j)(7), 121(b)(6)(B)(ii), redesignated subpar. (B) as (A) and inserted reference to section 501(c)(18). Former subpar. (A), referring to organizations described in section 501(c)(3) and to prohibited transactions engaged in after July 1, 1950, was struck out.

Subsec. (a)(1)(B). Pub. L. 91-172, §101(j)(7), redesignated subpar. (C) as (B). Former subpar. (B), referring to organizations described in section 501(c)(17) was amended by addition of a reference to section 501(c)(18), and redesignated as subpar. (A).

Subsec. (a)(1)(C). Pub. L. 91-172, §§101(j)(7), 121(b)(6)(B)(i), added subpar. (C). Former subpar. (C), dealing with organizations described in section 401(a) and with prohibited transactions engaged in after Mar. 1, 1954, was redesignated as subpar. (B).

Subsec. (a)(2). Pub. L. 91-172, §§101(j)(8), 121(b)(6)(B)(ii), struck out reference to organizations described in section 501(c)(3), and inserted references to organizations described in section 501(c)(18).

Subsec. (b). Pub. L. 91-172, §101(j)(14), redesignated subsec. (c) as (b). Former subsec. (b), setting out the organizations to which section applied, was struck out.

Subsec. (c). Pub. L. 91-172, §§101(j)(9), (14), 121(b)(6)(B)(ii), redesignated subsec. (d) as (c), struck out reference to organizations described in section 501(c)(3), and inserted reference to organizations described in section 501(c)(17). Former subsec. (c) redesignated (b).

Subsec. (d). Pub. L. 91-172, §101(j)(10), (14), redesignated subsec. (g) as (d) and substituted “subsection (b)(1)” for “subsection (c)(1).” Former subsec. (d) redesignated (c).

Subsec. (e). Pub. L. 91-172, §101(j)(11), (14), redesignated subsec. (h) as (e), modified heading to read: “Special rules”, substituted “subsection (b)(1)” for “subsection (c)(1)” in text preceding par. (1) and in par. (3), and in text preceding par. (1) struck out “acquired by a trust described in section 401(a) or section 501(c)(17)”.

Former subsec. (e), covering the disallowance of certain charitable deductions, was struck out.

Subsec. (f). Pub. L. 91-172, §101(j)(12), (14), redesignated subsec. (i) as (f) and substituted “Subsection (b)(1)” for “Subsection (c)(1)” and “subsection (e)” for “subsection (h)”. Former subsec. (f), defining “gift or bequest”, was struck out.

Subsec. (g). Pub. L. 91-172, §101(j)(13), (14), redesignated subsec. (j) as (g) and substituted “subsection (b)” for “subsection (c)” in par. (1). Former subsec. (g) redesignated (d).

Subsecs. (h) to (j). Pub. L. 91-172, §101(j)(14), redesignated subsecs. (h), (i), and (j) as (e), (f), and (g), respectively. Former subsecs. (e) and (f) were struck out and former subsec. (g) was redesignated (d).

1962—Subsec. (j). Pub. L. 87-792 added subsec. (j).

1960—Subsec. (a)(1). Pub. L. 86-667, §2(a)(1), denied exemption to an organization described in section 501(c)(17) if it has engaged in a prohibited transaction after Dec. 31, 1959.

Subsecs. (a)(2), (b), (d). Pub. L. 86-667, §2(a)(2), (b), (c), included organizations described in section 501(c)(17).

Subsec. (h). Pub. L. 86-667, §2(d), included trusts described in section 501(c)(17).

1958—Subsec. (h). Pub. L. 85-866, §30(a), added subsec. (h).

Subsec. (i). Pub. L. 85-866, §30(b), added subsec. (i).

EFFECTIVE DATE OF 1974 AMENDMENT

Amendment by Pub. L. 93-406 effective Jan. 1, 1975, but with provision for an election to be exercised by an organization so as to constitute a savings clause with reference to the amendment, see section 2003(c) of Pub. L. 93-406, set out as an Effective Date; Savings Provisions note under section 4975 of this title.

EFFECTIVE DATE OF 1969 AMENDMENT

Amendment by section 101(j)(7)–(14) of Pub. L. 91-172 effective Jan. 1, 1970, see section 101(k)(1) of Pub. L. 91-172, set out as an Effective Date note under section 4940 of this title.

Amendment by section 121(b)(6)(B) of Pub. L. 91-172 applicable to taxable years beginning after Dec. 31, 1969, see section 121(g) of Pub. L. 91-172, set out as a note under section 511 of this title.

EFFECTIVE DATE OF 1962 AMENDMENT

Amendment by Pub. L. 87-792 applicable to taxable years beginning after Dec. 31, 1962, see section 8 of Pub. L. 87-792, set out as a note under section 22 of this title.

EFFECTIVE DATE OF 1960 AMENDMENT

Amendment by Pub. L. 86-667 applicable to taxable years beginning after Dec. 31, 1959, and in the case of loans, the amendments to this section made by Pub. L. 86-667 are applicable only to loans made, renewed, or continued after Dec. 31, 1959, see section 6 of Pub. L. 86-667, set out as a note under section 501 of this title.

EFFECTIVE DATE OF 1958 AMENDMENT

Section 30(c) of Pub. L. 85-866, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by subsection (a) [amending this section] shall apply with respect to taxable years ending after March 15, 1956. The amendment made by subsection (b) [amending this section] shall apply with respect to taxable years ending after the date of the enactment of this Act [Sept. 2, 1958], but only with respect to periods after such date.

“(2) EXCEPTIONS.—Nothing in subsection (a) [amending this section] shall be construed to make any transaction a prohibited transaction which, under announcements of the Internal Revenue Service made with respect to section 503(c)(1) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] before the date of the enactment of this Act [Sept. 2, 1958], would not constitute a prohibited transaction. In the case of any bond, debenture, note, or certificate or other evidence of in-

debtedness acquired before the date of the enactment of this Act [Sept. 2, 1958], by a trust described in section 401(a) of such Code which is held on such date, paragraphs (2) and (3) of section 503(h) of such Code shall be treated as satisfied if such requirements would have been satisfied if such obligation had been acquired on such date of enactment [Sept. 2, 1958].”

SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

§ 504. Status after organization ceases to qualify for exemption under section 501(c)(3) because of substantial lobbying or because of political activities

(a) General rule

An organization which—

(1) was exempt (or was determined by the Secretary to be exempt) from taxation under section 501(a) by reason of being an organization described in section 501(c)(3), and

(2) is not an organization described in section 501(c)(3)—

(A) by reason of carrying on propaganda, or otherwise attempting, to influence legislation, or

(B) by reason of participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for public office,

shall not at any time thereafter be treated as an organization described in section 501(c)(4).

(b) Regulations to prevent avoidance

The Secretary shall prescribe such regulations as may be necessary or appropriate to prevent the avoidance of subsection (a), including regulations relating to a direct or indirect transfer of all or part of the assets of an organization to an organization controlled (directly or indirectly) by the same person or persons who control the transferor organization.

(c) Churches, etc.

Subsection (a) shall not apply to any organization which is a disqualified organization within the meaning of section 501(h)(5) (relating to churches, etc.) for the taxable year immediately preceding the first taxable year for which such organization is described in paragraph (2) of subsection (a).

(Added Pub. L. 94-455, title XIII, §1307(a)(2), Oct. 4, 1976, 90 Stat. 1721; amended Pub. L. 100-203, title X, §10711(b)(1), (2)(A), Dec. 22, 1987, 101 Stat. 1330-464.)

PRIOR PROVISIONS

A prior section 504, acts Aug. 16, 1954, ch. 736, 68A Stat. 168; Oct. 22, 1968, Pub. L. 90-630, §6(a), 82 Stat. 1330, related to denial of exemption, prior to repeal by Pub. L. 91-172, title I, §101(j)(15), Dec. 30, 1969, 83 Stat. 527. For effective date of repeal, see section 101(k)(2)(B) of Pub. L. 91-172, set out as an Effective Date note under section 4940 of this title.

AMENDMENTS

1987—Pub. L. 100-203, §10711(b)(2)(A), substituted “substantial lobbying or because of political activities” for “substantial lobbying” in section catchline.

Subsec. (a)(2). Pub. L. 100-203, §10711(b)(1), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “is not an organization described in section 501(c)(3) by reason of carrying on propaganda, or otherwise attempting, to influence legislation.”

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by Pub. L. 100-203 applicable with respect to activities after Dec. 22, 1987, see section 10711(c) of Pub. L. 100-203, set out as a note under section 170 of this title.

CONSTRUCTION OF AMENDMENT

Section 1307(a)(3) of Pub. L. 94-455 provided that: “It is the intent of Congress that enactment of this section [amending section 501 and enacting section 504 of this title] is not to be regarded in any way as an approval or disapproval of the decision of the Court of Appeals for the Tenth Circuit in *Christian Echoes National Ministry, Inc. versus United States*, 470 F.2d 849 (1972), or of the reasoning in any of the opinions leading to that decision.”

§ 505. Additional requirements for organizations described in paragraph (9), (17), or (20) of section 501(c)

(a) Certain requirements must be met in the case of organizations described in paragraph (9) or (20) of section 501(c)

(1) Voluntary employees’ beneficiary associations, etc.

An organization described in paragraph (9) or (20) of subsection (c) of section 501 which is part of a plan shall not be exempt from tax under section 501(a) unless such plan meets the requirements of subsection (b) of this section.

(2) Exception for collective bargaining agreements

Paragraph (1) shall not apply to any organization which is part of a plan maintained pursuant to an agreement between employee representatives and 1 or more employers if the Secretary finds that such agreement is a collective bargaining agreement and that such plan was the subject of good faith bargaining between such employee representatives and such employer or employers.

(b) Nondiscrimination requirements

(1) In general

Except as otherwise provided in this subsection, a plan meets the requirements of this subsection only if—

(A) each class of benefits under the plan is provided under a classification of employees which is set forth in the plan and which is found by the Secretary not to be discriminatory in favor of employees who are highly compensated individuals, and

(B) in the case of each class of benefits, such benefits do not discriminate in favor of employees who are highly compensated individuals.

A life insurance, disability, severance pay, or supplemental unemployment compensation benefit shall not be considered to fail to meet the requirements of subparagraph (B) merely

because the benefits available bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of employees covered by the plan.

(2) Exclusion of certain employees

For purposes of paragraph (1), there may be excluded from consideration—

(A) employees who have not completed 3 years of service,

(B) employees who have not attained age 21,

(C) seasonal employees or less than half-time employees,

(D) employees not included in the plan who are included in a unit of employees covered by an agreement between employee representatives and 1 or more employers which the Secretary finds to be a collective bargaining agreement if the class of benefits involved was the subject of good faith bargaining between such employee representatives and such employer or employers, and

(E) employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3)).

(3) Application of subsection where other nondiscrimination rules provided

In the case of any benefit for which a provision of this chapter other than this subsection provides nondiscrimination rules, paragraph (1) shall not apply but the requirements of this subsection shall be met only if the nondiscrimination rules so provided are satisfied with respect to such benefit.

(4) Aggregation rules

At the election of the employer, 2 or more plans of such employer may be treated as 1 plan for purposes of this subsection.

(5) Highly compensated individual

For purposes of this subsection, the determination as to whether an individual is a highly compensated individual shall be made under rules similar to the rules for determining whether an individual is a highly compensated employee (within the meaning of section 414(q)).

(6) Compensation

For purposes of this subsection, the term “compensation” has the meaning given such term by section 414(s).

(7) Compensation limit

A plan shall not be treated as meeting the requirements of this subsection unless under the plan the annual compensation of each employee taken into account for any year does not exceed \$200,000. The Secretary shall adjust the \$200,000 amount at the same time, and by the same amount, as any adjustment under section 401(a)(17)(B). This paragraph shall not apply in determining whether the requirements of section 79(d) are met.

(c) Requirement that organization notify Secretary that it is applying for tax-exempt status

(1) In general

An organization shall not be treated as an organization described in paragraph (9), (17), or (20) of section 501(c)—

(A) unless it has given notice to the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition of such status, or

(B) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary by regulations for giving notice under this subsection.

(2) Special rule for existing organizations

In the case of any organization in existence on July 18, 1984, the time for giving notice under paragraph (1) shall not expire before the date 1 year after such date of the enactment.

(Added Pub. L. 98-369, div. A, title V, §513(a), July 18, 1984, 98 Stat. 863; amended Pub. L. 99-514, title XI, §§1114(b)(16), 1151(e)(2)(B), (g)(6), (j)(3), title XVIII, §§1851(c), 1899A(16), Oct. 22, 1986, 100 Stat. 2452, 2506-2508, 2863, 2959; Pub. L. 100-647, title I, §1011B(a)(27)(C), (31)(B), (32), Nov. 10, 1988, 102 Stat. 3487, 3488; Pub. L. 101-140, title II, §§203(a)(1), (2), 204(c), Nov. 8, 1989, 103 Stat. 830, 833; Pub. L. 103-66, title XIII, §13212(c), Aug. 10, 1993, 107 Stat. 472; Pub. L. 107-16, title VI, §611(c)(1), June 7, 2001, 115 Stat. 97.)

AMENDMENTS

2001—Subsec. (b)(7). Pub. L. 107-16 substituted “\$200,000” for “\$150,000” in two places.

1993—Subsec. (b)(7). Pub. L. 103-66 substituted “Compensation limit” for “\$200,000 compensation limit” in heading and “exceed \$150,000. The Secretary shall adjust the \$150,000 amount at the same time, and by the same amount, as any adjustment under section 401(a)(17)(B).” for “exceed \$200,000. The Secretary shall adjust the \$200,000 amount at the same time and in the same manner as under section 415(d).” in text.

1989—Subsec. (a)(1). Pub. L. 101-140, §203(a)(2), amended par. (1) to read as if amendments by Pub. L. 100-647, §1011B(a)(27)(C), had not been enacted, see 1988 Amendment note below.

Subsec. (b)(2). Pub. L. 101-140, §203(a)(2), amended par. (2) to read as if amendments by Pub. L. 100-647, §1011B(a)(31)(B), had not been enacted, see 1988 Amendment note below.

Pub. L. 101-140, §203(a)(1), amended par. (2) to read as if amendments by Pub. L. 99-514, §1151(g)(6), had not been enacted, see 1986 Amendment note below.

Subsec. (b)(7). Pub. L. 101-140, §204(c), inserted at end “This paragraph shall not apply in determining whether the requirements of section 79(d) are met.”

1988—Subsec. (a)(1). Pub. L. 100-647, §1011B(a)(27)(C), inserted at end “This paragraph shall not apply to any organization by reason of a failure to meet the requirements of subsection (b) with respect to a benefit to which section 89 applies.”

Subsec. (b)(2). Pub. L. 100-647, §1011B(a)(31)(B), substituted “there shall be” for “there may be” and “who are” for “who may be”.

Subsec. (b)(7). Pub. L. 100-647, §1011B(a)(32), added par. (7).

1986—Subsec. (a)(1). Pub. L. 99-514, §1851(c)(1), struck out “of an employer” before “shall”.

Subsec. (a)(2). Pub. L. 99-514, §1851(c)(4), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “Paragraph (1) shall not apply to any organization which is part of a plan maintained pursuant to 1 or more collective bargaining agreements between 1 or

more employee organizations and 1 or more employers.”

Subsec. (b)(1). Pub. L. 99-514, §1851(c)(2), (3), substituted “as otherwise provided in this subsection” for “as provided in paragraph (2)” in introductory provision, and in subpar. (B) substituted “highly compensated individuals” for “highly compensated employees”.

Subsec. (b)(2). Pub. L. 99-514, §1151(g)(6), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “For purposes of paragraph (1), there may be excluded from consideration—

“(A) employees who have not completed 3 years of service,

“(B) employees who have not attained age 21,

“(C) seasonal employees or less than half-time employees,

“(D) employees not included in the plan who are included in a unit of employees covered by an agreement between employee representatives and 1 or more employers which the Secretary finds to be a collective bargaining agreement if the class of benefits involved was the subject of good faith bargaining between such employee representatives and such employer or employers, and

“(E) employees who are nonresident aliens and who receive no earned income (within the meaning of section 911(d)(2)) from the employer which constitutes income from sources within the United States (within the meaning of section 861(a)(3)).”

Subsec. (b)(4). Pub. L. 99-514, §1151(e)(2)(B), amended par. (4) generally. Prior to amendment, par. (4) read as follows: “For purposes of this subsection—

“(A) AGGREGATION OF PLANS.—At the election of the employer, 2 or more plans of such employer may be treated as 1 plan.

“(B) TREATMENT OF RELATED EMPLOYERS.—Rules similar to the rules of subsections (b), (c), (m), and (n) of section 414 shall apply. For purposes of the preceding sentence, section 414(n) shall be applied without regard to paragraph (5).”

Subsec. (b)(5). Pub. L. 99-514, §1114(b)(16), amended par. (5) generally. Prior to amendment, par. (5) read as follows: “For purposes of this subsection, the term ‘highly compensated individual’ has the meaning given such term by section 105(h)(5). For purposes of the preceding sentence, section 105(h)(5) shall be applied by substituting ‘10 percent’ for ‘25 percent’.”

Subsec. (b)(6). Pub. L. 99-514, §1151(j)(3), added par. (6).

Subsec. (c)(2). Pub. L. 99-514, §1899A(16), substituted “July 18, 1984” for “the date of the enactment of the Tax Reform Act of 1984”.

EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107-16 applicable to years beginning after Dec. 31, 2001, see section 611(i)(1) of Pub. L. 107-16, set out as a note under section 415 of this title.

EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by Pub. L. 103-66 applicable, except as otherwise provided, to benefits accruing in plan years beginning after Dec. 31, 1993, see section 13212(d) of Pub. L. 103-66, set out as a note under section 401 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by section 203(a)(1), (2) of Pub. L. 101-140 effective as if included in section 1151 of Pub. L. 99-514, see section 203(c) of Pub. L. 101-140, set out as a note under section 79 of this title.

Section 204(d)(4) of Pub. L. 101-140 provided that: “The amendment made by subsection (c) [amending this section] shall take effect as if included in the amendment made by section 1011B(a)(32) of the Technical and Miscellaneous Revenue Act of 1988 [Pub. L. 100-647].”

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of

the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 1114(b)(16) of Pub. L. 99-514 applicable to years beginning after Dec. 31, 1987, see section 1114(c)(2) of Pub. L. 99-514, set out as a note under section 414 of this title.

Amendment by section 1151(e)(2)(B), (g)(6), (j)(3) of Pub. L. 99-514 applicable, with certain qualifications and exceptions, to years beginning after Dec. 31, 1988, see section 1151(k) of Pub. L. 99-514, as amended, set out as a note under section 79 of this title.

Amendment by section 1851(c) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

EFFECTIVE DATE

Section 513(c) of Pub. L. 98-369, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—The amendments made by this section [enacting this section] shall apply to years beginning after December 31, 1984.

“(2) TREATMENT OF CERTAIN BENEFITS IN PAY STATUS AS OF JANUARY 1, 1985.—For purposes of determining whether a plan meets the requirements of section 505(b) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] (as added by subsection (a)), there may (at the election of the employer) be excluded from consideration all disability or severance payments payable to individuals who are in pay status as of January 1, 1985. The preceding sentence shall not apply to any payment to the extent such payment is increased by any plan amendment adopted after June 22, 1984.”

REGULATIONS

Secretary of the Treasury or his delegate to issue before Feb. 1, 1988, final regulations to carry out amendments made by section 1114 of Pub. L. 99-514, see section 1141 of Pub. L. 99-514, set out as a note under section 401 of this title.

NONENFORCEMENT OF AMENDMENT MADE BY SECTION 1151 OF PUB. L. 99-514 FOR FISCAL YEAR 1990

No monies appropriated by Pub. L. 101-136 to be used to implement or enforce section 1151 of Pub. L. 99-514 or the amendments made by such section, see section 528 of Pub. L. 101-136, set out as a note under section 89 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

PART II—PRIVATE FOUNDATIONS

Sec.	
507.	Termination of private foundation status.
508.	Special rules with respect to section 501(c)(3) organizations.
509.	Private foundation defined.

AMENDMENTS

1969—Pub. L. 91-172, title I, § 101(a), Dec. 30, 1969, 83 Stat. 492, added part heading and analysis for part II.

§ 507. Termination of private foundation status

(a) General rule

Except as provided in subsection (b), the status of any organization as a private foundation shall be terminated only if—

(1) such organization notifies the Secretary (at such time and in such manner as the Secretary may by regulations prescribe) of its intent to accomplish such termination, or

(2)(A) with respect to such organization, there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under chapter 42, and

(B) the Secretary notifies such organization that, by reason of subparagraph (A), such organization is liable for the tax imposed by subsection (c),

and either such organization pays the tax imposed by subsection (c) (or any portion not abated under subsection (g)) or the entire amount of such tax is abated under subsection (g).

(b) Special rules

(1) Transfer to, or operation as, public charity

The status as a private foundation of any organization, with respect to which there have not been either willful repeated acts (or failures to act) or a willful and flagrant act (or failure to act) giving rise to liability for tax under chapter 42, shall be terminated if—

(A) such organization distributes all of its net assets to one or more organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)) each of which has been in existence and so described for a continuous period of at least 60 calendar months immediately preceding such distribution, or

(B)(i) such organization meets the requirements of paragraph (1), (2), or (3) of section 509(a) by the end of the 12-month period beginning with its first taxable year which begins after December 31, 1969, or for a continuous period of 60 calendar months beginning with the first day of any taxable year which begins after December 31, 1969,

(ii) such organization notifies the Secretary (in such manner as the Secretary may by regulations prescribe) before the commencement of such 12-month or 60-month period (or before the 90th day after the day on which regulations first prescribed under this subsection become final) that it is terminating its private foundation status, and

(iii) such organization establishes to the satisfaction of the Secretary (in such manner as the Secretary may by regulations prescribe) immediately after the expiration of such 12-month or 60-month period that such organization has complied with clause (i).

If an organization gives notice under subparagraph (B)(ii) of the commencement of a 60-month period and such organization fails to meet the requirements of paragraph (1), (2), or (3) of section 509(a) for the entire 60-month period, this part and chapter 42 shall not apply to such organization for any taxable year within such 60-month period for which it does meet such requirements.