

TITLE 26 - INTERNAL REVENUE CODE**Subtitle A - Income Taxes****CHAPTER 1 - NORMAL TAXES AND SURTAXES****Subchapter F - Exempt Organizations****PART I - GENERAL RULE****§ 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.

NB: This unofficial compilation of the U.S. Code is current as of Jan. 4, 2010 (see <http://www.law.cornell.edu/uscode/uscpri.html>).

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.”