

SUBTITLE A. INCOME TAXES
CHAPTER 1. NORMAL TAXES AND SURTAXES
SUBCHAPTER F. EXEMPT ORGANIZATIONS
PART I. GENERAL RULE

IRC Sec. 501

Sec. 501. Exemption from tax on corporations, certain trusts, etc. [Caution: See prospective amendment note below.].

(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) [[26 USCS § 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 [[26 USCS § 4911](#)].

(C) Grass roots expenditures. The term "grass roots expenditures" means expenditures for the purpose of influencing legislation (as defined in section 4911(d) [[26 USCS § 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 [[26 USCS § 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) [[26 USCS § 170\(b\)\(1\)\(A\)\(ii\)](#)] (relating to educational institutions),

(B) section 170(b)(1)(A)(iii) [[26 USCS § 170\(b\)\(1\)\(A\)\(iii\)](#)] (relating to hospitals and medical research organizations),

(C) section 170(b)(1)(A)(iv) [[26 USCS § 170\(b\)\(1\)\(A\)\(iv\)](#)] (relating to organizations supporting government schools),

(D) section 170(b)(1)(A)(vi) [[26 USCS § 170\(b\)\(1\)\(A\)\(vi\)](#)] (relating to organizations publicly supported by charitable contributions),

(E) section 509(a)(2) [[26 USCS § 509\(a\)\(2\)](#)] (relating to organizations publicly supported by admissions, sales, etc.), or

(F) section 509(a)(3) [[26 USCS § 509\(a\)\(3\)](#)] (relating to organizations supporting certain types of public charities) except that for purposes of this subparagraph, section 509(a)(3) [[26 USCS § 509\(a\)\(3\)](#)] shall be applied without regard to the last sentence of section 509(a) [[26 USCS § 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) [[26 USCS § 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) [[26 USCS § 4911\(f\)\(2\)](#)]) if one or more members of such group is described in subparagraph (A) or (B).
