

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.

(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 [\[26 USCS § 513\]](#)), and

(B) in lieu of the tax imposed by section 511 [\[26 USCS § 511\]](#) with respect to such activity, such organization shall be treated as an insurance company for purposes of applying subchapter L [\[26 USCS §§ 801 et seq.\]](#) 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) [\[26 USCS § 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) [\[26 USCS § 441\(e\)\(3\)\(A\)](#) or [414\(e\)\(3\)\(B\)\(ii\)\]](#)) for the employees (including employees described in section 414(e)(3)(B) [\[26 USCS § 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 [\[26 USCS § 170](#) or [2055\]](#), and

(B) the annuity is described in section 514(c)(5) [\[26 USCS § 514 \(c\)\(5\)\]](#) (determined as if any amount paid in cash in connection with such issuance were property).