

UT LAW

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Understanding the 501(c) and Governmental Entity Universe

UNIVERSITY OF TEXAS CLE CONFERENCE: *Nonprofit Organizations Fundamentals*

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A T T O R N E Y S

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1

Overview

- ▶ This session will provide a brief overview of the various types of tax-exempt organizations
- ▶ There are 28 types of 501(c) organizations, plus other 501 organizations
 - The most common is a 501(c)(3) organization
 - Each has its own distinct tax-exempt purpose
 - Except for most organizations described in 501(c)(3), 501(c)(9), 501(c)(17) or 501(c)(29), organizations are not required to apply for recognition of tax-exempt status
- ▶ Government entities are also exempt from Federal tax
 - Some government entities may also be 501(c) organizations

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2

2

List of 501(c) Entities

| <u>Code Section</u> | <u>Organization Type</u> | <u>General Purpose/Activities</u> |
|---------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 501(c)(1) | Corporation organized under an Act of Congress | Instrumentality of the United States (example - Federal Credit Unions) |
| 501(c)(2) | Title Holding Corporation for Exempt Organization | Hold title to exempt organization property |
| 501(c)(3) | Religious, Charitable, Educational, etc. | Religious, Charitable, Educational, Scientific, Literary, Testing for Public Safety, Prevention of Cruelty to Children or Animals, or Foster National or International Sports Competition |
| 501(c)(4) | Social Welfare, Civic Leagues, Local Associations of Employees | Promote community and social welfare |
| 501(c)(5) | Labor, Agricultural, and Horticultural Organizations | Labor unions and improving conditions in agricultural or horticulture industries |

3

List of 501(c) Entities (Continued)

| <u>Code Section</u> | <u>Organization Type</u> | <u>General Purpose/Activities</u> |
|---------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| 501(c)(6) | Business Leagues, Chambers of Commerce, Real Estate Boards | Improve business conditions in one or more lines of business |
| 501(c)(7) | Social and Recreational Clubs | Pleasure, recreation, or social activities for members |
| 501(c)(8) | Fraternal Beneficiary Societies and Associations | Lodge providing payment of life, sickness, accident, or other benefits to members |
| 501(c)(9) | Voluntary Employees' Beneficiary Associations | Provide payment of life, sickness, accident or other (non-pension) benefits to members |
| 501(c)(10) | Domestic Fraternal Societies and Associations | Lodge devoting its net earnings to charitable, fraternal, or other specified purposes (no life, sick, or accident benefits) |

4

List of 501(c) Entities (Continued)

| <u>Code Section</u> | <u>Organization Type</u> | <u>General Purpose/Activities</u> |
|---------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| 501(c)(11) | Teachers' Retirement Fund Associations | Paying retirement benefits to teachers |
| 501(c)(12) | Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies | Providing the listed services on a mutual or cooperative basis |
| 501(c)(13) | Cemetery Companies | Burials and incidental services |
| 501(c)(14) | State Chartered Credit Unions, Mutual Reserve Funds | Financial services to members |
| 501(c)(15) | Insurance companies (other than life) with less than \$350,000 net written premiums annually | Providing insurance |
| 501(c)(16) | Cooperative organizations to finance crop operations | Financing crops in connection with an IRC 521 farmers' co-op |
| 501(c)(17) | Supplemental Unemployment Benefits Trusts | Paying supplemental unemployment compensation |
| 501(c)(18) | Employee Funded Pension Trust created before June 25, 1959 | Paying pension benefits under a pension plan funded by employees |

List of 501(c) Entities (Continued)

| <u>Code Section</u> | <u>Organization Type</u> | <u>General Purpose/Activities</u> |
|---------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| 501(c)(19) | Post or Organization of Past or Present Members of the Armed Forces (Veterans Organizations) | Activities for veterans |
| 501(c)(20) | Pre-Paid Group Legal Services Fund (not applicable for years beginning after 6/30/92) | Fund group legal services to employees under an IRC 120 Qualified Group Legal Services Plan |
| 501(c)(21) | Black Lung Benefit Trusts | Funded by Coal Mine Operators to satisfy their liability for disability or death from Black Lung disease |
| 501(c)(22) | Withdrawal Liability Payment Fund | Funds liabilities of employers that withdraw from multi-employer pension funds |
| 501(c)(23) | Association founded before 1880 of past or present members of Armed Forces | Provide insurance and other benefits to veterans or their dependents |

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