

Editorial Notes

AMENDMENTS

2004—Subsec. (b)(7). Pub. L. 108-357 added par. (7).
 1986—Subsec. (b)(6). Pub. L. 99-272 added par. (6).
 1962—Subsec. (a). Pub. L. 87-834 substituted “part I of subchapter T (sec. 1381 and following)” for “section 522” in two places.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-357, title III, §316(c), Oct. 22, 2004, 118 Stat. 1469, provided that: “The amendments made by this section [amending this section and section 1388 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 22, 2004].”

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-272 applicable to taxable years beginning after Dec. 31, 1962, see section 13210(c) of Pub. L. 99-272, set out as a note under section 1388 of this title.

EFFECTIVE DATE OF 1962 AMENDMENT

Amendment by Pub. L. 87-834 applicable, except as otherwise provided, to taxable years of organizations described in section 1381(a) of this title beginning after Dec. 31, 1962, see section 17(c) of Pub. L. 87-834, set out as an Effective Date note under section 1381 of this title.

[§ 522. Repealed. Pub. L. 87-834, § 17(b)(2), Oct. 16, 1962, 76 Stat. 1051]

Section, act Aug. 16, 1954, ch. 736, 68A Stat. 177, related to tax on farmers' cooperatives.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF REPEAL

Repeal applicable, except as otherwise provided, to taxable years of organizations described in section 1381(a) of this title beginning after Dec. 31, 1962, see section 17(c) of Pub. L. 87-834, set out as an Effective Date note under section 1381 of this title.

PART V—SHIPOWNERS' PROTECTION AND INDEMNITY ASSOCIATIONS

Sec.
526. Shipowners' protection and indemnity associations.

Editorial Notes

AMENDMENTS

1969—Pub. L. 91-172, title I, §101(a), Dec. 30, 1969, 83 Stat. 492, substituted “PART V” for “PART IV” as part designation.

§ 526. Shipowners' protection and indemnity associations

There shall not be included in gross income the receipts of shipowners' mutual protection and indemnity associations not organized for profit, and no part of the net earnings of which inures to the benefit of any private shareholder; but such corporations shall be subject as other persons to the tax on their taxable income from interest, dividends, and rents.

(Aug. 16, 1954, ch. 736, 68A Stat. 178.)

PART VI—POLITICAL ORGANIZATIONS

Sec.
527. Political organizations.

§ 527. Political organizations**(a) General rule**

A political organization shall be subject to taxation under this subtitle only to the extent provided in this section. A political organization shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(b) Tax imposed

A tax is hereby imposed for each taxable year on the political organization taxable income of every political organization. Such tax shall be computed by multiplying the political organization taxable income by the highest rate of tax specified in section 11(b).

(c) Political organization taxable income defined**(1) Taxable income defined**

For purposes of this section, the political organization taxable income of any organization for any taxable year is an amount equal to the excess (if any) of—

(A) the gross income for the taxable year (excluding any exempt function income), over

(B) the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), computed with the modifications provided in paragraph (2).

(2) Modifications

For purposes of this subsection—

(A) there shall be allowed a specific deduction of \$100,

(B) no net operating loss deduction shall be allowed under section 172, and

(C) no deduction shall be allowed under part VIII of subchapter B (relating to special deductions for corporations).

(3) Exempt function income

For purposes of this subsection, the term “exempt function income” means any amount received as—

(A) a contribution of money or other property,

(B) membership dues, a membership fee or assessment from a member of the political organization,

(C) proceeds from a political fundraising or entertainment event, or proceeds from the sale of political campaign materials, which are not received in the ordinary course of any trade or business, or

(D) proceeds from the conducting of any bingo game (as defined in section 513(f)(2)),

to the extent such amount is segregated for use only for the exempt function of the political organization.

(d) Certain uses not treated as income to candidate

For purposes of this title, if any political organization—

(1) contributes any amount to or for the use of any political organization which is treated as exempt from tax under subsection (a) of this section,

(2) contributes any amount to or for the use of any organization described in paragraph (1) or (2) of section 509(a) which is exempt from tax under section 501(a), or

(3) deposits any amount in the general fund of the Treasury or in the general fund of any State or local government,

such amount shall be treated as an amount not diverted for the personal use of the candidate or any other person. No deduction shall be allowed under this title for the contribution or deposit of any amount described in the preceding sentence.

(e) Other definitions

For purposes of this section—

(1) Political organization

The term “political organization” means a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

(2) Exempt function

The term “exempt function” means the function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individual or electors are selected, nominated, elected, or appointed. Such term includes the making of expenditures relating to an office described in the preceding sentence which, if incurred by the individual, would be allowable as a deduction under section 162(a).

(3) Contributions

The term “contributions” has the meaning given to such term by section 271(b)(2).

(4) Expenditures

The term “expenditures” has the meaning given to such term by section 271(b)(3).

(5) Qualified State or local political organization

(A) In general

The term “qualified State or local political organization” means a political organization—

(i) all the exempt functions of which are solely for the purposes of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any State or local public office or office in a State or local political organization,

(ii) which is subject to State law that requires the organization to report (and it so reports)—

(I) information regarding each separate expenditure from and contribution to such organization, and

(II) information regarding the person who makes such contribution or receives such expenditure,

which would otherwise be required to be reported under this section, and

(iii) with respect to which the reports referred to in clause (ii) are (I) made public by the agency with which such reports are filed, and (II) made publicly available for inspection by the organization in the manner described in section 6104(d).

(B) Certain State law differences disregarded

An organization shall not be treated as failing to meet the requirements of subparagraph (A)(ii) solely by reason of 1 or more of the following:

(i) The minimum amount of any expenditure or contribution required to be reported under State law is not more than \$300 greater than the minimum amount required to be reported under subsection (j).

(ii) The State law does not require the organization to identify 1 or more of the following:

(I) The employer of any person who makes contributions to the organization.

(II) The occupation of any person who makes contributions to the organization.

(III) The employer of any person who receives expenditures from the organization.

(IV) The occupation of any person who receives expenditures from the organization.

(V) The purpose of any expenditure of the organization.

(VI) The date any contribution was made to the organization.

(VII) The date of any expenditure of the organization.

(C) De minimis errors

An organization shall not fail to be treated as a qualified State or local political organization solely because such organization makes de minimis errors in complying with the State reporting requirements and the public inspection requirements described in subparagraph (A) as long as the organization corrects such errors within a reasonable period after the organization becomes aware of such errors.

(D) Participation of Federal candidate or office holder

The term “qualified State or local political organization” shall not include any organization otherwise described in subparagraph (A) if a candidate for nomination or election to Federal elective public office or an individual who holds such office—

(i) controls or materially participates in the direction of the organization,

(ii) solicits contributions to the organization (unless the Secretary determines that such solicitations resulted in de minimis contributions and were made without the prior knowledge and consent, whether explicit or implicit, of the organization or its officers, directors, agents, or employees), or

(iii) directs, in whole or in part, disbursements by the organization.

(f) Exempt organization, which is not political organization, must include certain amounts in gross income

(1) In general

If an organization described in section 501(c) which is exempt from tax under section 501(a) expends any amount during the taxable year directly (or through another organization) for an exempt function (within the meaning of subsection (e)(2)), then, notwithstanding any other provision of law, there shall be included in the gross income of such organization for the taxable year, and shall be subject to tax under subsection (b) as if it constituted political organization taxable income, an amount equal to the lesser of—

(A) the net investment income of such organization for the taxable year, or

(B) the aggregate amount so expended during the taxable year for such an exempt function.

(2) Net investment income

For purposes of this subsection, the term “net investment income” means the excess of—

(A) the gross amount of income from interest, dividends, rents, and royalties, plus the excess (if any) of gains from the sale or exchange of assets over the losses from the sale or exchange of assets, over

(B) the deductions allowed by this chapter which are directly connected with the production of the income referred to in subparagraph (A).

For purposes of the preceding sentence, there shall not be taken into account items taken into account for purposes of the tax imposed by section 511 (relating to tax on unrelated business income).

(3) Certain separate segregated funds

For purposes of this subsection and subsection (e)(1), a separate segregated fund (within the meaning of section 610 of title 18 or of any similar State statute, or within the meaning of any State statute which permits the segregation of dues moneys for exempt functions (within the meaning of subsection (e)(2))) which is maintained by an organization described in section 501(c) which is exempt from tax under section 501(a) shall be treated as a separate organization.

(g) Treatment of newsletter funds

(1) In general

For purposes of this section, a fund established and maintained by an individual who holds, has been elected to, or is a candidate (within the meaning of paragraph (3)) for nomination or election to, any Federal, State, or local elective public office, for use by such individual exclusively for the preparation and circulation of such individual’s newsletter shall, except as provided in paragraph (2), be treated as if such fund constituted a political organization.

(2) Additional modifications

In the case of any fund described in paragraph (1)—

(A) the exempt function shall be only the preparation and circulation of the newsletter, and

(B) the specific deduction provided by subsection (c)(2)(A) shall not be allowed.

(3) Candidate

For purposes of paragraph (1), the term “candidate” means, with respect to any Federal, State, or local elective public office, an individual who—

(A) publicly announces that he is a candidate for nomination or election to such office, and

(B) meets the qualifications prescribed by law to hold such office.

(h) Special rule for principal campaign committees

(1) In general

In the case of a political organization, which is a principal campaign committee, paragraph (1) of subsection (b) shall be applied by substituting “the appropriate rates” for “the highest rate”.

(2) Principal campaign committee defined

(A) In general

For purposes of this subsection, the term “principal campaign committee” means the political committee designated by a candidate for Congress as his principal campaign committee for purposes of—

(i) section 302(e) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30102(e)), and

(ii) this subsection.

(B) Designation

A candidate may have only 1 designation in effect under subparagraph (A)(ii) at any time and such designation—

(i) shall be made at such time and in such manner as the Secretary may prescribe by regulations, and

(ii) once made, may be revoked only with the consent of the Secretary.

Nothing in this subsection shall be construed to require any designation where there is only one political committee with respect to a candidate.

(i) Organizations must notify Secretary that they are section 527 organizations

(1) In general

Except as provided in paragraph (5), an organization shall not be treated as an organization described in this section—

(A) unless it has given notice to the Secretary electronically that it is to be so treated, or

(B) if the notice is given after the time required under paragraph (2), the organization shall not be so treated for any period before such notice is given or, in the case of any material change in the information required under paragraph (3), for the period beginning on the date on which the material change occurs and ending on the date on which such notice is given.

(2) Time to give notice

The notice required under paragraph (1) shall be transmitted not later than 24 hours

after the date on which the organization is established or, in the case of any material change in the information required under paragraph (3), not later than 30 days after such material change.

(3) Contents of notice

The notice required under paragraph (1) shall include information regarding—

(A) the name and address of the organization (including any business address, if different) and its electronic mailing address,

(B) the purpose of the organization,

(C) the names and addresses of its officers, highly compensated employees, contact person, custodian of records, and members of its Board of Directors,

(D) the name and address of, and relationship to, any related entities (within the meaning of section 168(h)(4)),

(E) whether the organization intends to claim an exemption from the requirements of subsection (j) or section 6033, and

(F) such other information as the Secretary may require to carry out the internal revenue laws.

(4) Effect of failure

In the case of an organization failing to meet the requirements of paragraph (1) for any period, the taxable income of such organization shall be computed by taking into account any exempt function income (and any deductions directly connected with the production of such income) or, in the case of a failure relating to a material change, by taking into account such income and deductions only during the period beginning on the date on which the material change occurs and ending on the date on which notice is given under this subsection. For purposes of the preceding sentence, the term “exempt function income” means any amount described in a subparagraph of subsection (c)(3), whether or not segregated for use for an exempt function.

(5) Exceptions

This subsection shall not apply to any organization—

(A) to which this section applies solely by reason of subsection (f)(1),

(B) which reasonably anticipates that it will not have gross receipts of \$25,000 or more for any taxable year, or

(C) which is a political committee of a State or local candidate or which is a State or local committee of a political party.

(6) Coordination with other requirements

This subsection shall not apply to any person required (without regard to this subsection) to report under the Federal Election Campaign Act of 1971 (52 U.S.C. 30101 et seq.) as a political committee.

(j) Required disclosure of expenditures and contributions

(1) Penalty for failure

In the case of—

(A) a failure to make the required disclosures under paragraph (2) at the time and in the manner prescribed therefor, or

(B) a failure to include any of the information required to be shown by such disclosures or to show the correct information,

there shall be paid by the organization an amount equal to the rate of tax specified in subsection (b)(1) multiplied by the amount to which the failure relates. For purposes of subtitle F, the amount imposed by this paragraph shall be assessed and collected in the same manner as penalties imposed by section 6652(c).

(2) Required disclosure

A political organization which accepts a contribution, or makes an expenditure, for an exempt function during any calendar year shall file with the Secretary either—

(A)(i) in the case of a calendar year in which a regularly scheduled election is held—

(I) quarterly reports, beginning with the first quarter of the calendar year in which a contribution is accepted or expenditure is made, which shall be filed not later than the fifteenth day after the last day of each calendar quarter, except that the report for the quarter ending on December 31 of such calendar year shall be filed not later than January 31 of the following calendar year,

(II) a pre-election report, which shall be filed not later than the twelfth day before (or posted by registered or certified mail not later than the fifteenth day before) any election with respect to which the organization makes a contribution or expenditure, and which shall be complete as of the twentieth day before the election, and

(III) a post-general election report, which shall be filed not later than the thirtieth day after the general election and which shall be complete as of the twentieth day after such general election, and

(ii) in the case of any other calendar year, a report covering the period beginning January 1 and ending June 30, which shall be filed no later than July 31 and a report covering the period beginning July 1 and ending December 31, which shall be filed no later than January 31 of the following calendar year, or

(B) monthly reports for the calendar year, beginning with the first month of the calendar year in which a contribution is accepted or expenditure is made, which shall be filed not later than the twentieth day after the last day of the month and shall be complete as if the last day of the month, except that, in lieu of filing the reports otherwise due in November and December of any year in which a regularly scheduled general election is held, a pre-general election report shall be filed in accordance with subparagraph (A)(i)(II), a post-general election report shall be filed in accordance with subparagraph (A)(i)(III), and a year end report shall be filed not later than January 31 of the following calendar year.

(3) Contents of report

A report required under paragraph (2) shall contain the following information:

(A) The amount, date, and purpose of each expenditure made to a person if the aggregate amount of expenditures to such person during the calendar year equals or exceeds \$500 and the name and address of the person (in the case of an individual, including the occupation and name of employer of such individual).

(B) The name and address (in the case of an individual, including the occupation and name of employer of such individual) of all contributors which contributed an aggregate amount of \$200 or more to the organization during the calendar year and the amount and date of the contribution.

Any expenditure or contribution disclosed in a previous reporting period is not required to be included in the current reporting period.

(4) Contracts to spend or contribute

For purposes of this subsection, a person shall be treated as having made an expenditure or contribution if the person has contracted or is otherwise obligated to make the expenditure or contribution.

(5) Coordination with other requirements

This subsection shall not apply—

(A) to any person required (without regard to this subsection) to report under the Federal Election Campaign Act of 1971 (52 U.S.C. 30101 et seq.) as a political committee,

(B) to any State or local committee of a political party or political committee of a State or local candidate,

(C) to any organization which is a qualified State or local political organization,

(D) to any organization which reasonably anticipates that it will not have gross receipts of \$25,000 or more for any taxable year,

(E) to any organization to which this section applies solely by reason of subsection (f)(1), or

(F) with respect to any expenditure which is an independent expenditure (as defined in section 301 of such Act).

(6) Election

For purposes of this subsection, the term “election” means—

(A) a general, special, primary, or runoff election for a Federal office,

(B) a convention or caucus of a political party which has authority to nominate a candidate for Federal office,

(C) a primary election held for the selection of delegates to a national nominating convention of a political party, or

(D) a primary election held for the expression of a preference for the nomination of individuals for election to the office of President.

(7) Electronic filing

Any report required under paragraph (2) with respect to any calendar year shall be filed in electronic form.

(k) Public availability of notices and reports

(1) In general

The Secretary shall make any notice described in subsection (i)(1) or report described

in subsection (j)(7) available for public inspection on the Internet not later than 48 hours after such notice or report has been filed (in addition to such public availability as may be made under section 6104(d)(7)).

(2) Access

The Secretary shall make the entire database of notices and reports which are made available to the public under paragraph (1) searchable by the following items (to the extent the items are required to be included in the notices and reports):

(A) Names, States, zip codes, custodians of records, directors, and general purposes of the organizations.

(B) Entities related to the organizations.

(C) Contributors to the organizations.

(D) Employers of such contributors.

(E) Recipients of expenditures by the organizations.

(F) Ranges of contributions and expenditures.

(G) Time periods of the notices and reports.

Such database shall be downloadable.

(l) Authority to waive

The Secretary may waive all or any portion of the—

(1) tax assessed on an organization by reason of the failure of the organization to comply with the requirements of subsection (i), or

(2) amount imposed under subsection (j) for a failure to comply with the requirements thereof,

on a showing that such failure was due to reasonable cause and not due to willful neglect.

(Added Pub. L. 93-625, §10(a), Jan. 3, 1975, 88 Stat. 2116; amended Pub. L. 94-455, title XIX, §1901(b)(33)(C), Oct. 4, 1976, 90 Stat. 1801; Pub. L. 95-502, title III, §302(a), Oct. 21, 1978, 92 Stat. 1702; Pub. L. 95-600, title III, §301(b)(6), Nov. 6, 1978, 92 Stat. 2821; Pub. L. 97-34, title I, §128(a), Aug. 13, 1981, 95 Stat. 203; Pub. L. 98-369, div. A, title IV, §474(r)(16), title VII, §722(c), July 18, 1984, 98 Stat. 843, 973; Pub. L. 99-514, title I, §112(b)(1), Oct. 22, 1986, 100 Stat. 2108; Pub. L. 100-647, title I, §1001(b)(3)(B), Nov. 10, 1988, 102 Stat. 3349; Pub. L. 106-230, §§1(a), 2(a), July 1, 2000, 114 Stat. 477, 479; Pub. L. 107-276, §§1(a), 2(a), (b), 5(a), 6(a)-(c), (e)-(g), Nov. 2, 2002, 116 Stat. 1929, 1932-1934; Pub. L. 113-295, div. A, title II, §220(l), Dec. 19, 2014, 128 Stat. 4036; Pub. L. 115-97, title I, §13001(b)(2)(D), Dec. 22, 2017, 131 Stat. 2096; Pub. L. 116-25, title III, §3101(b)(1), July 1, 2019, 133 Stat. 1015.)

Editorial Notes

REFERENCES IN TEXT

Section 610 of title 18, referred to in subsec. (f)(3), was repealed by Pub. L. 94-283, title II, §201(a), May 11, 1976, 90 Stat. 496.

The Federal Election Campaign Act of 1971, referred to in subsecs. (i)(6) and (j)(5)(A), is Pub. L. 92-225, Feb. 7, 1972, 86 Stat. 3, which is classified principally to chapter 301 (§30101 et seq.) of Title 52, Voting and Elections. Section 301 of the Act is classified to section 30101 of Title 52. For complete classification of this Act to the Code, see Tables.

AMENDMENTS

2019—Subsec. (j)(7). Pub. L. 116-25 struck out “if the organization has, or has reason to expect to have, contributions exceeding \$50,000 or expenditures exceeding \$50,000 in such calendar year” after “electronic form”.

2017—Subsec. (b). Pub. L. 115-97 struck out par. (1) designation and heading and struck out par. (2) which related to alternative tax in case of capital gains.

2014—Subsec. (h)(2)(A)(i). Pub. L. 113-295, § 220(l)(1), substituted “(52 U.S.C. 30102(e))” for “(2 U.S.C. 432(e))”.

Subsecs. (i)(6), (j)(5)(A). Pub. L. 113-295, § 220(l)(2), substituted “(52 U.S.C. 30101 et seq.)” for “(2 U.S.C. 431 et seq.)”.

2002—Subsec. (e)(5). Pub. L. 107-276, § 2(b), added par. (5).

Subsec. (i)(1)(A). Pub. L. 107-276, § 6(c), substituted “electronically” for “, electronically and in writing,”.

Subsec. (i)(1)(B). Pub. L. 107-276, § 6(g)(1), which directed the insertion of “or, in the case of any material change in the information required under paragraph (3), for the period beginning on the date on which the material change occurs and ending on the date on which such notice is given” after “given”, was executed by making the insertion after “given” the second time appearing, to reflect the probable intent of Congress.

Subsec. (i)(2). Pub. L. 107-276, § 6(g)(2), inserted “or, in the case of any material change in the information required under paragraph (3), not later than 30 days after such material change” after “established”.

Subsec. (i)(3)(E), (F). Pub. L. 107-276, § 6(f), added subpar. (E) and redesignated former subpar. (E) as (F).

Subsec. (i)(4). Pub. L. 107-276, § 6(g)(3), which directed the insertion of “or, in the case of a failure relating to a material change, by taking into account such income and deductions only during the period beginning on the date on which the material change occurs and ending on the date on which notice is given under this subsection” before period at end, was executed by making the insertion before period at end of first sentence, to reflect the probable intent of Congress.

Pub. L. 107-276, § 6(a), inserted at end “For purposes of the preceding sentence, the term ‘exempt function income’ means any amount described in a subparagraph of subsection (c)(3), whether or not segregated for use for an exempt function.”

Subsec. (i)(5)(C). Pub. L. 107-276, § 1(a), added subpar. (C).

Subsec. (j)(1). Pub. L. 107-276, § 6(b), inserted at end “For purposes of subtitle F, the amount imposed by this paragraph shall be assessed and collected in the same manner as penalties imposed by section 6652(c).”

Subsec. (j)(3)(A). Pub. L. 107-276, § 6(e)(1)(A), inserted “, date, and purpose” after “The amount”.

Subsec. (j)(3)(B). Pub. L. 107-276, § 6(e)(1)(B), inserted “and date” after “the amount”.

Subsec. (j)(5)(C) to (F). Pub. L. 107-276, § 2(a), added subpar. (C) and redesignated former subpars. (C) to (E) as (D) to (F), respectively.

Subsec. (j)(7). Pub. L. 107-276, § 6(e)(2), added par. (7).

Subsec. (k). Pub. L. 107-276, § 6(e)(3), added subsec. (k). Former subsec. (k) redesignated (l).

Pub. L. 107-276, § 5(a), added subsec. (k).

Subsec. (l). Pub. L. 107-276, § 6(e)(3), redesignated subsec. (k) as (l).

2000—Subsec. (i). Pub. L. 106-230, § 1(a), added subsec. (i).

Subsec. (j). Pub. L. 106-230, § 2(a), added subsec. (j).

1988—Subsec. (e)(2). Pub. L. 100-647 inserted at end “Such term includes the making of expenditures relating to an office described in the preceding sentence which, if incurred by the individual, would be allowable as a deduction under section 162(a).”

1986—Subsec. (g)(1). Pub. L. 99-514, § 112(b)(1)(A), substituted “paragraph (3)” for “section 24(c)(2)”.

Subsec. (g)(3). Pub. L. 99-514, § 112(b)(1)(B), added par. (3).

1984—Subsec. (g)(1). Pub. L. 98-369, § 474(r)(16), substituted “section 24(c)(2)” for “section 41(c)(2)”.

Subsec. (h)(2)(B). Pub. L. 98-369, § 722(c), inserted “Nothing in this subsection shall be construed to re-

quire any designation where there is only one political committee with respect to a candidate.”

1981—Subsec. (h). Pub. L. 97-34 added subsec. (h).

1978—Subsec. (b)(1). Pub. L. 95-600 substituted “Such tax shall be computed by multiplying the political organization taxable income by the highest rate of tax specified in section 11(b)” for “Such tax shall consist of a normal tax and a surtax computed as provided in section 11 as though the political organization were a corporation and as though the political organization taxable income were the taxable income referred to in section 11” and struck out provision that for purposes of this subsection, the surtax exemption provided by section 11(d) not be allowed.

Subsec. (c)(3)(D). Pub. L. 95-502 added subpar. (D).

1976—Subsec. (b)(2). Pub. L. 94-455 substituted “net capital gain” for “net section 1201 gain” after “organization has a”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2019 AMENDMENT

Pub. L. 116-25, title III, § 3101(d), July 1, 2019, 133 Stat. 1015, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section and sections 6011, 6033, and 6104 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [July 1, 2019].

“(2) TRANSITIONAL RELIEF.—

“(A) SMALL ORGANIZATIONS.—

“(i) IN GENERAL.—In the case of any small organizations, or any other organizations for which the Secretary of the Treasury or the Secretary’s delegate (hereafter referred to in this paragraph as the ‘Secretary’) determines the application of the amendments made by this section would cause undue burden without a delay, the Secretary may delay the application of such amendments, but such delay shall not apply to any taxable year beginning on or after the date that is 2 years after the enactment of this Act.

“(ii) SMALL ORGANIZATION.—For purposes of clause (i), the term ‘small organization’ means any organization—

“(I) the gross receipts of which for the taxable year are less than \$200,000; and

“(II) the aggregate gross assets of which at the end of the taxable year are less than \$500,000.

“(B) ORGANIZATIONS FILING FORM 990-T.—In the case of any organization described in section 511(a)(2) of the Internal Revenue Code of 1986 which is subject to the tax imposed by section 511(a)(1) of such Code on its unrelated business taxable income, or any organization required to file a return under section 6033 of such Code and include information under subsection (e) thereof, the Secretary may delay the application of the amendments made by this section, but such delay shall not apply to any taxable year beginning on or after the date that is 2 years after the enactment of this Act.”

EFFECTIVE DATE OF 2017 AMENDMENT

Amendment by Pub. L. 115-97 applicable to taxable years beginning after Dec. 31, 2017, see section 13001(c)(1) of Pub. L. 115-97, set out as a note under section 11 of this title.

EFFECTIVE DATE OF 2002 AMENDMENT

Pub. L. 107-276, § 1(b), Nov. 2, 2002, 116 Stat. 1929, provided that: “The amendments made by subsection (a) [amending this section] shall take effect as if included in the amendments made by Public Law 106-230.”

Pub. L. 107-276, § 2(c), Nov. 2, 2002, 116 Stat. 1931, provided that: “The amendments made by this section [amending this section] shall take effect as if included in the amendments made by Public Law 106-230.”

Pub. L. 107-276, § 5(b), Nov. 2, 2002, 116 Stat. 1932, provided that: “The amendment made by subsection (a)

[amending this section] shall apply to any tax assessed or amount imposed after June 30, 2000.”

Pub. L. 107-276, §6(h)(1), (2), Nov. 2, 2002, 116 Stat. 1934, provided that:

“(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) [amending this section] shall apply to failures occurring on or after the date of the enactment of this Act [Nov. 2, 2002].

“(2) SUBSECTION (c).—The amendments made by subsection (c) [amending this section] shall take effect as if included in the amendments made by Public Law 106-230.”

Pub. L. 107-276, §6(h)(4)–(6), Nov. 2, 2002, 116 Stat. 1934, provided that:

“(4) SUBSECTIONS (e)(1) AND (f).—The amendments made by subsections (e)(1) and (f) [amending this section] shall apply to reports and notices required to be filed more than 30 days after the date of the enactment of this Act [Nov. 2, 2002].

“(5) SUBSECTIONS (e)(2) AND (e)(3).—The amendments made by subsections (e)(2) and (e)(3) [amending this section] shall apply to reports required to be filed on or after June 30, 2003.

“(6) SUBSECTION (g).—

“(A) IN GENERAL.—The amendments made by subsection (g) [amending this section] shall apply to material changes on or after the date of the enactment of this Act.

“(B) TRANSITION RULE.—In the case of a material change occurring during the 30-day period beginning on the date of the enactment of this Act, a notice under section 527(i) of the Internal Revenue Code of 1986 (as amended by this Act) shall not be required to be filed under such section before the later of—

“(i) 30 days after the date of such material change, or

“(ii) 45 days after the date of the enactment of this Act [Nov. 2, 2002].”

EFFECTIVE DATE OF 2000 AMENDMENT

Pub. L. 106-230, §1(d), July 1, 2000, 114 Stat. 479, provided that:

“(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section [amending this section and sections 6104 and 6652 of this title] shall take effect on the date of the enactment of this section [July 1, 2000].

“(2) ORGANIZATIONS ALREADY IN EXISTENCE.—In the case of an organization established before the date of the enactment of this section, the time to file the notice under section 527(i)(2) of the Internal Revenue Code of 1986, as added by this section, shall be 30 days after the date of the enactment of this section.

“(3) INFORMATION AVAILABILITY.—The amendment made by subsection (b)(2) [amending section 6104 of this title] shall take effect on the date that is 45 days after the date of the enactment of this section.”

Pub. L. 106-230, §2(d), July 1, 2000, 114 Stat. 482, provided that: “The amendment made by subsection (a) [amending this section] shall apply to expenditures made and contributions received after the date of the enactment of this Act [July 1, 2000], except that such amendment shall not apply to expenditures made, or contributions received, after such date pursuant to a contract entered into on or before such date.”

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 Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 151(a) of Pub. L. 99-514, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 474(r)(16) of Pub. L. 98-369 applicable to taxable years beginning after Dec. 31, 1983,

and to carrybacks from such years, see section 475(a) of Pub. L. 98-369, set out as a note under section 21 of this title.

Pub. L. 98-369, div. A, title VII, §722(c), July 18, 1984, 98 Stat. 973, provided that the amendment made by that section is effective for taxable years beginning after Dec. 31, 1981.

EFFECTIVE DATE OF 1981 AMENDMENT

Pub. L. 97-34, title I, §128(b), Aug. 13, 1981, 95 Stat. 203, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1981.”

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by section 301(b)(6) of Pub. L. 95-600 applicable to taxable years beginning after Dec. 31, 1978, see section 301(c) of Pub. L. 95-600, set out as a note under section 11 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT; ELECTION CAMPAIGN CONTRIBUTIONS; COLLATERAL

Pub. L. 95-502, title III, §302(b), Oct. 21, 1978, 92 Stat. 1703, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1974, except that notwithstanding any other provision of law to the contrary, no amounts held at the date of enactment of this bill [Oct. 21, 1978] by an organization described in section 527(e)(1) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] in escrow, in separate accounts for the payment of Federal taxes, or in any other fund which are proceeds described in section 527(c)(3)(D) of such Code may be used, directly or indirectly, to make a contribution or expenditure (as defined in section 301(e) and (f) of the Federal Election Campaign Act of 1971; 2 U.S.C. 431[(e) and] (f) [now 52 U.S.C. 30101(8) and (9)]) in connection with any election held before January 1, 1979.

“(2) Such amounts as described in (1) above shall not be considered as security or collateral for any loan by any State or national bank or any other person or organization.”

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-455 applicable with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

EFFECTIVE DATE

Pub. L. 93-625, §10(e), Jan. 3, 1975, 88 Stat. 2119, provided that: “The amendments made by subsections (a), (b), (c), and (d) [enacting this section and amending sections 501 and 6012 of this title] shall apply to taxable years beginning after December 31, 1974.”

NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS

Pub. L. 107-276, §4, Nov. 2, 2002, 116 Stat. 1932, provided that:

“(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

“(1) the effect of the amendments made by this Act [amending this section and sections 6012, 6033, 6104, and 7207 of this title], and

“(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971 [52 U.S.C. 30101 et seq.].

“(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of

the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971 [52 U.S.C. 30101 et seq.].”

**PART VII—CERTAIN HOMEOWNERS
ASSOCIATIONS**

Sec.
528. Certain homeowners associations.

Editorial Notes

AMENDMENTS

1976—Pub. L. 94-455, title XXI, § 2101(a), Oct. 4, 1976, 90 Stat. 1897, added part heading and analysis for part VII.

§ 528. Certain homeowners associations

(a) General rule

A homeowners association (as defined in subsection (c)) shall be subject to taxation under this subtitle only to the extent provided in this section. A homeowners association shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

(b) Tax imposed

A tax is hereby imposed for each taxable year on the homeowners association taxable income of every homeowners association. Such tax shall be equal to 30 percent of the homeowners association taxable income (32 percent of such income in the case of a timeshare association).

(c) Homeowners association defined

For purposes of this section—

(1) Homeowners association

The term “homeowners association” means an organization which is a condominium management association, a residential real estate management association, or a timeshare association if—

(A) such organization is organized and operated to provide for the acquisition, construction, management, maintenance, and care of association property,

(B) 60 percent or more of the gross income of such organization for the taxable year consists solely of amounts received as membership dues, fees, or assessments from—

(i) owners of residential units in the case of a condominium management association,

(ii) owners of residences or residential lots in the case of a residential real estate management association, or

(iii) owners of timeshare rights to use, or timeshare ownership interests in, association property in the case of a timeshare association,

(C) 90 percent or more of the expenditures of the organization for the taxable year are expenditures for the acquisition, construction, management, maintenance, and care of association property and, in the case of a timeshare association, for activities provided to or on behalf of members of the association,

(D) no part of the net earnings of such organization inures (other than by acquiring, constructing, or providing management,

maintenance, and care of association property, and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any private shareholder or individual, and

(E) such organization elects (at such time and in such manner as the Secretary by regulations prescribes) to have this section apply for the taxable year.

(2) Condominium management association

The term “condominium management association” means any organization meeting the requirement of subparagraph (A) of paragraph (1) with respect to a condominium project substantially all of the units of which are used by individuals for residences.

(3) Residential real estate management association

The term “residential real estate management association” means any organization meeting the requirements of subparagraph (A) of paragraph (1) with respect to a subdivision, development, or similar area substantially all the lots or buildings of which may only be used by individuals for residences.

(4) Timeshare association

The term “timeshare association” means any organization (other than a condominium management association) meeting the requirement of subparagraph (A) of paragraph (1) if any member thereof holds a timeshare right to use, or a timeshare ownership interest in, real property constituting association property.

(5) Association property

The term “association property” means—

(A) property held by the organization,

(B) property commonly held by the members of the organization,

(C) property within the organization privately held by the members of the organization, and

(D) property owned by a governmental unit and used for the benefit of residents of such unit.

In the case of a timeshare association, such term includes property in which the timeshare association, or members of the association, have rights arising out of recorded easements, covenants, or other recorded instruments to use property related to the timeshare project.

(d) Homeowners association taxable income defined

(1) Taxable income defined

For purposes of this section, the homeowners association taxable income of any organization for any taxable year is an amount equal to the excess (if any) of—

(A) the gross income for the taxable year (excluding any exempt function income), over

(B) the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), computed with the modifications provided in paragraph (2).

(2) Modifications

For purposes of this subsection—