

# IRS Code Section 501(c)(3) and Churches

*by Norman Edwards*

Should a church group incorporate and obtain tax exempt status under Internal Revenue Code section 501(c)(3)? This is a frequent point of debate among churches. There are varying opinions about the theological and economic effects—both present and future. A group that incorporates and obtains 501(c)(3) status usually has an easier time assuring those who support it that their offerings will be “tax deductible”—though offerings to churches without “501(c)(3) status” are also “tax deductible”. Incorporation provides certain protections to the personal assets of church leaders, but also creates numerous obligations and potential liabilities for the church and its leaders. Incorporation is distinct from 510(c)(3) tax exemption—it is possible to have one, the other, both or neither. See the last page for more information on incorporation. This document specifically covers the IRS code section 501(c)(3) and how it affects a church.

Exactly what does section 501(c)(3) say? Section 501(c)(3) is actually quite short. But when it comes to the Internal Revenue Code (IRC), almost nothing is simple! The IRC is full of sections, subsections and references to other sections. If one reads only section 501(c)(3), is clear that certain organizations are being described, but there is no hint of a reason why. Section 501(a) says they are exempt from tax. It is necessary to read yet other related sections to get the whole picture. The difficulty of reading and understanding the Internal Revenue Code is the reason why so many legal and tax “professionals” are employed—they earn money by claiming to know the sections that apply to specific topics and what those sections mean. Even with this army of professionals, thousands of hours and millions of dollars are still spent arguing the code’s meaning in court.

Even if we know which code sections apply to churches, we still must ask the question, “How is the code being enforced now?” In the early 1980’s, this writer remembers asking a professional tax preparer (an “enrolled agent”) about how to fill out a part of a form that IRS instructions said “must be returned”. The preparer essentially said, “don’t bother with it; every tax preparer knows that the IRS has no internal program for checking up on that form, so the only people who send it back are those who don’t know any better.”

The other question that must be asked is, “How might the code be enforced in the future?” In the above example, the IRS could simply implement an internal program to begin checking for the return of that form. There would be no change to the tax code, but a massive change for those affected by the new procedure.

Christians should be careful not to make promises they do not intend to keep. Christ said:

“But let your ‘Yes’ be ‘Yes,’ and your ‘No,’ ‘No.’ For whatever is more than these is from the evil one (Matt 5:37).

The Internal Revenue Code tax code is United States Code “TITLE 26”, abbreviated “26 U.S.C.”. It is further broken down into lettered “subtitles”, which are divided into numbered “chapters”, which are divided into lettered “subchapters”, which are divided into Roman-numeraled “parts”, which are divided into lettered “subparts” which are divided into numbered “sections”. Not every piece of the code has all of the above divisions—some “subchapters” are not divided into “parts”, etc. **But every piece of TITLE 26 does have a section number associated with it!** Fortunately, the sections are all uniquely numbered—no two sections anywhere within TITLE 26 have the same number. So we can refer to section 501 and know exactly what it is, without having to say that it is in “TITLE 26, subtitle A, chapter 1, subchapter F, part I with no subpart.” Its abbreviation in citations would be 26 USC 501.

Sections divide into multiple levels of subsections that follow this convention:

(lower case letters):	501(c)	
(numbers):	501(c)(3)	[but sometimes written 501(c)3]
(capital letters):	501(c)(1)(A)	
(lower case roman numerals):	501(c)(1)(A)(i)	
(upper case roman numerals):	501(c)(1)(A)(i)(I)	[example only, there is no such section]

The amount of “subsectioning” has a lot to do with the section’s complexity and how often it has been modified. Some sections have no subsections at all, others go on for pages with many sub levels. In order to understand section 501(c)(3), several different documents and court case excerpts were included. See the “Contents” on the next page.

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<b>4</b>	<b>Section 504, subsections (a), (b) and (c)</b> describes how organizations can lose their 501(c)(3) status by “carrying on propaganda” or attempting in influence legislation or elections.
<b>5</b>	<b>Section 508, subsections (a), (b) and (c)</b> which show that churches <b>do not need</b> to “notify the Secretary” (contact the IRS) to be treated like a tax exempt organization.
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**TITLE 26 > Subtitle A > CHAPTER 1 > Subchapter F > PART I > Sec. 501.**

**Sec. 501. - Exemption from tax on corporations, certain trusts, etc.**

**(a) Exemption from taxation**

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

**(b) Tax on unrelated business income and certain other activities**

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

**(c) List of exempt organizations**

The following organizations are referred to in subsection (a):

**(1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation -**

(A) is exempt from Federal income taxes -

(i) under such Act as amended and supplemented before July 18, 1984, or

(ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

(B) is described in subsection (1). [*These are government corporations.*]

**(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section. Rules similar to the rules of subparagraph (G) of paragraph (25) shall apply for purposes of this paragraph.**

**(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.**

(4)...(27) [Not related to 501(c)(3).]

**(d)...(g) [Not related to 501(c)(3).]**

**(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

**Section  
501(c)(3)**

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)).
- (B)...(D) *[not related to 501(c)(3)]*

**(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)...(F) *[not related to 501(c)(3)]*

**(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) (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)) if one or more members of such group is described in subparagraph (A) or (B).

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***Sec. 504. - Status after organization ceases to qualify for exemption under section 501c3 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)

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***Sec. 508. - Special rules with respect to section 501c3 organizations***

**(a) New organizations must notify Secretary that they are applying for recognition of section 501(c)(3) status**

Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3) -

- (1) unless it has given notice to the Secretary in such manner as the Secretary may by regulations prescribe, that it is applying for recognition of such status, or**
- (2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary by regulations for giving notice under this subsection.**

**(b) Presumption that organizations are private foundations**

Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary, at such time and in such manner as the Secretary may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation.

**(c) Exceptions**

**(1) Mandatory exceptions**

Subsections (a) and (b) shall not apply to -

- (A) churches, their integrated auxiliaries, and conventions or associations of churches, or
- (B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than \$5,000.

**(2) Exceptions by regulations**

The Secretary may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both -

- (A) educational organizations described in section 170(b)(1)(A)(ii), and

- (B) any other class of organizations with respect to which the Secretary determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

Source: Cornell Law School Web site: <http://www4.law.cornell.edu/uscode/26/stAch1schFpl.html>

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## Definition of “Propaganda”

Section 501(c)(3) describes tax exempt organizations as “no substantial part of the activities of which is carrying on propaganda”. What does “propaganda” mean in this case? Does it mean promoting lies and deceptions? Or, does it mean an organized effort to “propagate” almost anything? This question is vital in determining what a church can do when it has “501(c)(3) status”. Unfortunately, few churches have ever looked for an answer.

The word “propaganda” is used in only five places in all of Title 26: sections 4945(d)(1), 4912(d)(1), 2522(b)(3), 504(a)(2)(A) and 501(c)(3). There is no definition given in any of those sections or in any of the “definitions” sections of Title 26. Neither *Black’s Law Dictionary* nor *Bouvier’s Law Dictionary* have definitions for “propaganda”—indeed the word is seldom used at law. This word has been in section 501(c)(3) since 1954. It is up to the courts to determine the meaning of unclear legislation. They will certainly rely heavily on dictionary meanings and other legal precedents. The dictionary entries included below were those easily available to this author—they were not specifically selected to prove the author’s point. Some older dictionaries were included as they might better represent the meaning in common use at the time the law was passed.

### *The American College Dictionary, 1956 edition.*

propaganda **1.** the particular doctrines or principles propagated by an organization or concerted movement. **2.** such an organization or concerted movement. **3. College of Propaganda,** a committee of cardinals, established in 1622 by Pope Gregory XV having supervision of the foreign missions of the Roman Catholic Church and of the training of priests for these missions.

### *Webster’s New Twentieth century Dictionary Unabridged, 1966 edition.*

propaganda **1.** Propaganda in the Roman Catholic Church, a committee of cardinals, the Congregation for the Propagation of the Faith, in charge of the foreign missions. **2.** any organization or movement working for the propagation of particular ideas, doctrines, practices, etc. **3.** the ideas, doctrines, practices, etc. spread in this way. **4.** any systematic, widespread, deliberate indoctrination or plan for such indoctrination: now often used in a derogatory sense, connoting deception or distortion.

### *Merriam Webster’s Collegiate Dictionary, 1996 edition.*

propaganda **1 cap :** a congregation of the Roman curia having jurisdiction over missionary territories and related institutions **2 :** the spreading of ideas, information, or rumor for the purpose of helping or injuring an institution, a cause, or a person **3 :** ideas, facts, or allegations spread deliberately to further one’s cause or to damage an opposing cause; *also :* a public action having such an effect

### *Webster’s Revised Unabridged Dictionary, 1998 edition.*

propaganda **1.** (Roman Catholic Church) (a) A congregation of cardinals, established in 1622, charged with the management of missions. (b) The college of the Propaganda, instituted by Urban VIII. (1623-1644) to educate priests for missions in all parts of the world. **2.** Hence, any organization or plan for spreading a particular doctrine or a system of principles.

### *The American Heritage Dictionary of the English Language, 2000 edition.*

propaganda **1.** The systematic propagation of a doctrine or cause or of information reflecting the views and interests of those advocating such a doctrine or cause. **2.** Material disseminated by the advocates or opponents of a doctrine or cause: wartime propaganda. **3. Propaganda Roman Catholic Church.** A division of the Roman Curia that has authority in the matter of preaching the gospel, of establishing the Church in non-Christian countries, and of administering Church missions in territories where there is no properly organized hierarchy.

The above definitions show beyond doubt that the word “propaganda” does not necessarily carry a negative connotation—it **does not mean “committing a crime”, “telling lies” or even “saying something bad”**. The most common definition is essentially “the systematic **propagation** of ideas.” The propaganda of any organization is that

teaching or doctrine which it propagates—the Roman Catholic Church has unquestionably used this definition for centuries. But even more important than these dictionaries, it is important to know if there is any president for the meaning of “propaganda” as it appears in section 501(c)(3).

## Supreme Court Defines “Propaganda” in MEESE v. KEENE, 481 U.S. 465 (1987)

Fortunately, we have a clear case explaining how the Attorney General of the United States as well as the United States Supreme Court understand the meaning. The case in point is MEESE v. KEENE, 481 U.S. 465 (1987), from which we will cite relevant parts, below. The case was not specifically about the meaning of “propaganda” in the Internal Revenue Code, but was primarily about the meaning of the words “political propaganda” in the Foreign Agents Registration Act, 22 U.S.C. 611. The essence of that this code section requires “foreign agents” to register and report on any “political propaganda” that they distribute in the United States. The code section directly defines “political propaganda” as information that one hopes others will accept, either accurate or subversive (see citation below).

The case arises from a California State Senator who wanted to distribute three films from Canada about acid rain and nuclear war, but felt his reputation would be harmed if he distributed films officially classified “political propaganda”. He brought forth linguistic expert witnesses that testified that the word “propaganda” is negative in most people’s minds and that some would not want to see a film that was so classified. A district court agreed with the Senator, so the case ended in the Supreme Court where it was reversed. The Supreme Court found that “propaganda” need not refer to only negative messages, but anything that one might propagate.

The complete brief (position paper) from the appellant (Edwin Meese III, Attorney General of the United States, And Joseph E. Clarkson) can be found at: <http://www.justice.gov/osg/briefs/1985/sg850079.txt>. It provides an interesting look at the extent of work that courts will do to establish the meaning of words. Footnotes 6 and 7 are of particular interest [emphasis ours]:

<sup>6</sup> All standard dictionaries include a **definition of “propaganda” as the systematic or widespread dissemination or promotion of ideas or doctrines**. See, e.g., *Webster’s Third New International Dictionary 1817* (1976 ed.) (“dissemination of ideas, information, or rumor for the purpose of helping or injuring an institution, a cause, or a person”; “doctrines, ideas, arguments, facts, or allegations spread by deliberate effort through any medium of communication in order to further one’s cause or to damage an opposing cause”; “a publication or display having the purpose or effect of furthering or hindering a cause”); *Oxford English Dictionary 1466* (1978 ed.) (“(a)ny association, systematic scheme, or concerted movement for the propagation of a particular doctrine or practice”); *Random House Dictionary of the English Language 1152* (1966 ed.) (“information, rumors, etc., deliberately spread widely to help or harm a person, group, movement, institution, nation, etc.”).

<sup>7</sup> We also note that Congress has used the term **“propaganda” in a neutral sense** in a number of other statutes. See, e.g., 5 U.S.C. 4107; **26 U.S.C. 501(c)(3), 2522(b), 4945(d)**; 36 U.S.C. 1304. Likewise, this Court has recognized the neutral meaning of the word in referring to a variety of activities as “propaganda.” See, e.g., *Lehman v. City of Shaker Heights*, 418 U.S. 298, 304 (1974); *National Association of Letter Carriers v. Austin*, 418 U.S. 264, 280 n.14 (1974); *NLRB v. Drivers Local 639*, 362 U.S. 274, 279 (1960).

Notice the reference to 26 U.S.C. 501(c)(3), above, as well as other sections of the Internal Revenue Code. The Attorney General clearly believes that “propaganda” has a “neutral sense” here. In other words, when a church with “501(c)(3)” status agrees that “no substantial part of the activities of which is carrying on propaganda” it means that no substantial part of its activities **will be propagating any message** (not simply that it will refrain from propagating lies and distortions). It is significant that these are statements of the U.S. Attorney General as he is the ultimate prosecutor in the country.

But even more importantly, the United State Supreme Court essentially said the same thing, stating it even more clearly The entire opinion is here: [caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=481&invol=465#t19](http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=us&vol=481&invol=465#t19), but we quote a few passages from it, below. The first quote actually gives the definition of “political propaganda” found in the Foreign Agents Registration Act.

The statutory definition of that term reads as follows:

“(j) The term ‘political propaganda’ includes any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government or a foreign country or a foreign political party

or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.” 611(j).

As can be seen, part (1) of the definition is largely neutral, and part (2) has negative connotations. But “political propaganda” is defined to include both. The Court went on to say that since that definition has been on the books since 1942, people are responsible for knowing it.

The statutory definition of “political propaganda” has been on the books for over four decades. <sup>16</sup> We should presume that the people who have a sufficient understanding of the law to know that the term “political propaganda” is used to describe the regulated category also know that the definition is a broad, neutral one rather than a pejorative one.

The Supreme Court goes on, below, to state that the “neutral meaning” applies to the use of the word “propaganda” alone as it also does in the phrase “political propaganda”. It specifically cites the Internal Revenue Code section 501(c)(3) as having the same meaning. It goes as far as saying that “layman” or people who have not read the Code might misunderstand it. When it comes to churches, they are absolutely right—most churches have no idea what it means when they accept 501(c)(3) status. Notice this from MEESE v. KEENE, 481 U.S. 465 (1987):

Congress’ use of the term “propaganda” in this statute, as indeed in other legislation, has no pejorative connotation. <sup>19</sup> As judges it is our duty to [481 U.S. 465, 485] construe legislation as it is written, not as it might be read by a layman, or as it might be understood by someone who has not even read it. If the term “political propaganda” is construed consistently with the neutral definition contained in the text of the statute itself, the constitutional concerns voiced by the District Court completely disappear.

[ Footnote 19 ] See, e. g., **26 U.S.C. 501(c)(3)** (excluding from the charitable deduction those charitable organizations whose activities include in substantial part “carrying on propaganda, or otherwise attempting, to influence legislation”); [481 U.S. 465, 485] 36 U.S.C. 1304(a) (no substantial part of the activities of United Services Organizations “shall involve carrying on propaganda, or otherwise attempting to influence legislation”); 5 U.S.C. 4107(b) (1) (agency may not train employee by, in, or through a non-Government facility a substantial part of the activities of which is “carrying on propaganda, or otherwise attempting, to influence legislation”).

Like “propaganda,” the word “lobbying” has negative connotations. See The New Columbia Encyclopedia 1598 (1975) (“The potential for corruption . . . has given lobbying an unsavory connotation”). Although the Federal Regulation of Lobbying Act, 2 U.S.C. 261-270, uses this semantically slanted word, we are not aware of any suggestion that these negative connotations violate the First Amendment. See United States v. Harriss, 347 U.S. 612 (1954) (construing and upholding constitutionality of statute’s registration and reporting requirements).

The Supreme Court is agreeing that the definition of “propaganda” in section 501(c)(3) of the Internal Revenue Code is unquestionably like the definition in 22 U.S.C. 611(j) cited above. The Court is saying that the term “propaganda” in 501(c)(3) has “no pejorative connotation”. In other words, organizations with 501(c)(3) status are not restricted from only ‘pejorative’ or “bad” things, but from any communication which “intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States”. This would include significant efforts to convert members to their religion or to preach to Gospel.

So if a church with 501(c)(3) status can have “no substantial part of its activities” devoted to preaching the Gospel or propagating its doctrines, why do so many of them do it? The answer is a matter of enforcement.

## **The IRS Has No Public Standard for How it May Decide to Penalize a Church and Its Leaders for “Carrying On Propaganda”**

The Internal Revenue Service enforces Code sections at its own discretion—sometimes doing nothing for decades, then slowly beginning to enforce them. From 1956 through the 1960’s, very few churches lost their 501(c)(3) status for any reason. A landmark case occurred in Christian Echoes National Ministry, Inc. v. United States, 470 F.2d 849 (10th Cir. 1972); cert. denied, 414 U.S. 864 (1973). This description comes from the IRS web site ([www.irs.gov/pub/irs-tege/topic-p.pdf](http://www.irs.gov/pub/irs-tege/topic-p.pdf)), an article entitled “Lobbying issues”:

Christian Echoes National Ministry published articles and produced radio and television broadcasts that urged recipients to become involved in politics and to write to their representatives in Congress to urge that they support prayer in public schools and oppose foreign aid. The organization argued that attempts to influence legislation would occur only if legislation were actually pending. The Tenth Circuit concluded that the regulation properly interpreted the statute, and that the organization was engaged in attempting to influence legislation, even if legislation was not pending.

There are Christian ministries that do the same things today, and, for whatever reason, have not had the 501(c)(3) status removed. Nevertheless, this case did establish that obtaining section 501(c)(3) status is a privilege for which churches trade their constitutional rights. Quoting from the Court opinion of *Christian Echoes v. United States*:

In light of the fact that tax exemption is a privilege, a matter of grace rather than right, we hold that the limitations contained in section 501(c)(3) withholding exemption from nonprofit corporations do not deprive Christian Echoes of its constitutionally guaranteed right of freedom of speech.

To show the arbitrariness of enforcement of section 501(c)(3), we include the following from the *Charities and Non-Profits* article from the IRS web site: [www.irs.gov/charities/article/0,,id=96099,00.html](http://www.irs.gov/charities/article/0,,id=96099,00.html), [**bolding ours**].

An IRC Section 501(c)(3) organization may not engage in **carrying on propaganda**, or otherwise attempting, to influence legislation as a substantial part of its activities. Whether an organization has attempted to influence legislation as a substantial part of its activities is determined **based upon all relevant facts and circumstances**. However, most IRC Section 501(c)(3) organizations may use Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation*, to make an election under IRC Section 501(h) to be subject to an objectively measured expenditure test with respect to lobbying activities rather than the **less precise “substantial activity” test**.

Churches do not have the option to use form 5768 (which is a paperwork nightmare anyway), so they are evaluated by the “less precise ‘substantial activity test’” that is “based upon all relevant facts and circumstances”—in other words, the IRS has no openly available standard that it must follow and can therefore do whatever it wants. There may be a more codified procedure in the future, or there may not be. It may be more or less restrictive. The IRS has free reign, since all 501(c)(3) status churches have already agreed that no substantial part of their activity will be “carrying on propaganda” (propagating information) about anything.

In a future writing, this author hopes to document examples of organizations which lost their tax exempt status due to ‘carrying on propaganda’.

**HR 2357 Failed the House of Representatives on October 2, 2002 by a vote of 178 to 239**

The existence of the bill shows that a significant number of tax-exempt organizations under section 501(c)(3) are attempting to remove the restrictions placed upon them by the Internal Revenue Code. It is probably good that this bill did not pass in this form as it is extremely confusing to read. It is not clear whether the added “except in the case” applies only to “to influence legislation” or also applies to “carry on propaganda”. Furthermore, it does nothing to address the more important issues of “should churches apply to the IRS for tax exempt status in the first place.”

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**Houses of Worship Political Speech Protection Act  
(Introduced in the House)**

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**H.R. 2357 IH**

107th CONGRESS

1st Session

H. R. 2357

To amend the Internal Revenue Code of 1986 to permit churches and other houses of worship to engage in political campaigns.

**IN THE HOUSE OF REPRESENTATIVES**

**June 28, 2001**

Mr. JONES of North Carolina (for himself and Mr. HOSTETTLER) introduced the following bill; which was referred to the Committee on Ways and Means

**A BILL**

To amend the Internal Revenue Code of 1986 to permit churches and other houses of worship to engage in political campaigns.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ‘Houses of Worship Political Speech Protection Act’.

**SEC. 2. HOUSES OF WORSHIP PERMITTED TO ENGAGE IN POLITICAL CAMPAIGNS, ETC.**

(a) IN GENERAL- Paragraph (3) of section 501(c) of the Internal Revenue Code of 1986 is amended—

(1) by striking ‘and which does not’ and inserting ‘except in the case of an organization described in section 508(c)(1)(A) (relating to churches), which does not’, and

(2) by inserting before the period ‘and, in the case of an organization described in section 508(c)(1)(A), no substantial part of the activities of which is participating in, or intervening in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office’.

(b) EFFECTIVE DATE- The amendments made by this section shall apply to expenditures made after the date of the enactment of this Act.

*[The following excerpts from the Internal Revenue Code reflect how Section 501(c)(3) would read should H. R. 2357 be passed and signed into law.]*

## **INTERNAL REVENUE CODE**

### **Sec. 501 - Exemption from tax on corporations, certain trusts, etc. TITLE 26, Subtitle A, CHAPTER 1, Subchapter F, PART 1, Sec. 501**

#### **501(c) (3) - List of exempt organizations**

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), ~~\*and which does not~~ **\*\*except in the case of an organization described in section 508(c)(1)(A) (relating to churches), which does not** participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office ~~\*\*and, in the case of an organization described in section 508(c)(1)(A), no substantial part of the activities of which is participating in, or intervening in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office~~.

\* indicates existing language of code that would be stricken if bill is passed into law.

\*\* indicates new language that would be added to existing code if the bill is passed into law.

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## Conclusion

There is much more useful research that could be done in regard to churches that have unexpectedly lost their tax exempt status. From such, a clearer picture of the current IRS practices would immerge. But it should be clear to anyone that obtaining 501(c)(3) status essentially signs away the rights of a church to the IRS bureaucracy. Christians who organize congregations need to weigh the issue of easy tax deductions provided by section 501(c)(3) against the signing away control of their organization to the IRS, instead of leaving it in the capable hands of Jesus Christ.

## For More information:

The following information is available free of charge. Just ask for the order code at the beginning

- DECLAR** **The Declaration of Independence and the Federal Constitution**, 10 pages. The Apostle Paul knew his rights under the law as he traveled and preached Christ (Acts 16:37-40; 22:25-30; 25:11,16). These documents can help us know ours.
- FRECHA** **Free Church Article Reprints, 50 pages.** Articles about avoiding church incorporation from Linden Baptist Church, Indiana; New Testament Baptist Church, Cape Coral, Florida; and The Rutherford Institute, Charlottesville, Virginia.
- GOVHUM** **How Does the Eternal Govern Through Humans?** by Norman Edwards, 64 pages. How the KJV translators altered Scriptures about government to please King James and an analysis of what the Bible says about how we should govern in congregations today.
- K501C3** **501(c)3 Religion: Reemergence of the Divine Right of Kings** by Peter Kershaw, 8 pages. Summary of how freedom from state-controlled religion began in the USA and how it is being lost.
- KERSHA** **Unlicensed Church Materials Order Form** by Peter Kershaw, 2 pages. Info on how to run a congregation or a ministry without incorporation or tax exempt status.
- LOCONG** **Starting a Local Congregation** by Norman Edwards, 62 pages. How and why to organize a congregation: utilizing spiritual gifts, teaching, music, praise, speaking in tongues, prophesying, role of women, dress, formal organization, baptism, weddings, funerals, statements of beliefs, naming a group, finding a place to meet, local evangelism and more.

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