

## NONPROFIT CORPORATIONS AND FEDERAL TAX LIABILITY

### **504B.1 Corporations applicable.**

This chapter shall apply to every corporation organized under chapter 504, Code 1989, or current chapter 504, which corporation is deemed to be a private foundation as defined in section 509 of the Internal Revenue Code, which is incorporated in the state of Iowa after December 31, 1969, and as to any such corporation organized in this state before January 1, 1970, it shall apply only for its federal taxable years beginning on or after January 1, 1972.

[C73, 75, 77, 79, 81, § 504B.1]

2003 Acts, ch 108, §94; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, §394

### **504B.2 Articles of incorporation contents.**

The articles of incorporation of every such corporation shall be deemed to contain provisions forbidding the corporation to:

1. Engage in any act of self-dealing, as defined in section 4941(d) of the Internal Revenue Code, which would give rise to any liability for the tax imposed by section 4941(a) of the Internal Revenue Code;
2. Retain any excess business holdings, as defined in section 4943(c) of the Internal Revenue Code, which would give rise to any liability for the tax imposed by section 4943(a) of the Internal Revenue Code;
3. Make any investment which would jeopardize the carrying out of any of its exempt purposes, within the meaning of section 4944 of the Internal Revenue Code, so as to give rise to any liability for the tax imposed by section 4944(a) of the Internal Revenue Code; and
4. Make any taxable expenditures, as defined in section 4945(d) of the Internal Revenue Code, which would give rise to any liability for the tax imposed by section 4945(a) of the Internal Revenue Code.

[C73, 75, 77, 79, 81, § 504B.2]

### **504B.3 Avoiding tax liability.**

The articles of incorporation of every such corporation shall be deemed to contain a provision requiring such corporation to distribute, for the purposes specified in its articles of incorporation, for each taxable year, amounts at least sufficient to avoid liability for the tax imposed by section 4942(a) of the Internal Revenue Code.

[C73, 75, 77, 79, 81, § 504B.3]

### **504B.4 Construction.**

Nothing in this chapter shall impair the rights and powers of the courts or the attorney general of this state with respect to any corporation.

[C73, 75, 77, 79, 81, § 504B.4]

### **504B.5 Internal Revenue Code updated.**

All references to sections of the Internal Revenue Code shall mean the Code as amended to and including

January 1, 1971.

[C73, 75, 77, 79, 81, § 504B.5]

**504B.6 Certain powers not limited.**

Nothing in this chapter shall limit the power of any nonprofit corporation organized under chapter 504, Code 1989, or organized under current chapter 504:

1. To at any time amend its articles of incorporation or other instrument governing such corporation by any amendment process allowable under the laws of this state to provide that some or all provisions of sections 504B.2 and 504B.3 shall have no application to such corporation, or
2. In the case of any such corporation formed after July 1, 1971, to include any specific provisions in its original articles of incorporation, which provide that some or all provisions of sections 504B.2 and 504B.3 shall have no application to such corporation.

[C73, 75, 77, 79, 81, § 504B.6]

2003 Acts, ch 108, §95; 2004 Acts, ch 1049, §191; 2004 Acts, ch 1175, § 394