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The Tax Exemption Under Section 501(c)(4).

This brief discusses the justification for income tax exemption for organizations qualifying under section 501(c)(4). It explores why these organizations are deemed unworthy of the charitable contribution deduction but nevertheless entitled to be exempt on their entire income. It notes that income tax exemption generally only benefits entities that accumulate funds, suggesting accumulation is desirable. It further points out that the subsidy from income tax exemption for long-term accumulation can exceed the benefit of the charitable deduction. The brief concludes that income tax exemption under section 501(c)(4) cannot be justified either on the grounds that it is relatively unimportant or by analogy to the treatment of mutual organizations, whose exemption has been circumscribed.

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