

[Exemptions]

[Federal income tax exempt status issued by IRS &/or as declared by Taxpayers]

26 U.S. Code § 501 (c)(20)



501(c)(20) — Group Legal Services Plan Organizations



Part 7. Rulings and Agreements

Chapter 25. Exempt Organizations Determinations Manual

Section 20. Qualified Group Legal Services Plans

7.25.20 Qualified Group Legal Services Plans

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7.25.20.1 (09-25-1997)

Overview

1. IRC 501(c)(20), concerning qualified group legal services plans, was terminated for all taxable years beginning after June 30, 1992. However, the information contained in this IRM 7.25.20 applies to all open years before the termination.

7.25.20.1.1 (09-25-1997)

Statutory Provisions

1. IRC 501(c)(20) describes an organization or trust created or organized in the United States, the exclusive function of which is to form part of a qualified group legal services plan or plans, within the meaning of IRC 120. An organization or trust which receives contributions because of IRC 120(c)(5)(C) shall not be prevented from qualifying as an organization described in this paragraph merely because it provides legal services or indemnification against the cost of legal services unassociated with a qualified group legal services plan.
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7.25.20.2 (09-25-1997)

Requirements of Group Legal Services Plan

1. An employers' qualified group legal services plan must:
 - A. be a written plan.
 - B. provide personal legal services, not related to the employer's business, to the employee, or the employee's spouse or dependents.
 - C. provide benefits from and contributions to such plan that are not includable under IRC 120.
 - D. for taxable years beginning after December 31, 1984, under IRC 505(b), be nondiscriminatory within the meaning of IRC 120(c).
 2. For taxable years ending after December 31, 1987, and before June 30, 1992, a plan is described in IRC 501(c)(20) even if the insurance value of the benefits exceed the IRC 120 exclusion threshold of \$70.
 3. Concerning discrimination, the contributions or benefits shall not discriminate in favor of highly compensated employees as defined in IRC 414(q). Bargaining unit employees are excluded in applying this rule.
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7.25.20.3 (09-25-1997)

Liability for Unrelated Business Income Tax

1. Qualified group legal services plans that are exempt from income tax under IRC 501(a) are nonetheless subject to the unrelated business income tax imposed by IRC 511(a).
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7.25.20.4 (09-25-1997)

Modification or Revocation of IRC 501(c)(20) Status

1. Currently, there is no statutory basis for the Service to determine that an organization is exempt from federal income tax under IRC 501(c)(20) for any taxable year after June 30, 1992.
2. If an organization holds a letter recognizing that it is described in IRC 501(c)(20) and exempt from tax under IRC 501(a) then its exemption should be modified or revoked. Such organization would normally qualify for exemption under IRC 501(c)(9). The organization can initiate a modification of its exempt status by contacting EO Determinations.

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