

[Exemptions]

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

26 U.S. Code § 501 (c)(26)



501(c)(26) — State-Sponsored Organization Providing Health Coverage for High-Risk Individuals



Part 7. Rulings and Agreements

Chapter 25. Exempt Organizations Determinations Manual

Section 42. Qualified State-Sponsored High Risk Insurance Organizations

7.25.42 Qualified State-Sponsored High Risk Insurance Organizations

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7.25.42.1 (02-23-1999)

Overview

1. For taxable years beginning after December 31, 1996, IRC 501(c)(26) and IRC 501(a) provide for the exemption from federal income tax of qualified state-sponsored high risk insurance organizations.

2. Like other IRC 501(a) organizations, the IRC 501(c)(26) organizations are subject to the IRC 6033 information filing requirement and the IRC 511–514 (concerning unrelated business income tax). The exemption application form is the Form 1024.

7.25.42.2 (02-23-1999)

State-Sponsored High Risk Insurance Organizations

1. "A state-sponsored high risk insurance organization" is any membership organization established by a state exclusively to provide coverage for medical care (as defined in IRC 213(d)) on a not-for-profit basis to qualifying individuals as described in IRM 7.25.42.2(2), but only if:
 - A. such coverage is provided through either: insurance issued by the organization, or a health maintenance organization under an arrangement with the organization,
 - B. the organization's membership composition is specified by the state, and
 - C. no part of the organization's net earnings inures to the private benefit of any private shareholder or individual.
2. A qualifying individual is a resident, of the state, who receives such coverage through the organization and who by reason of the existence or history of a medical condition;
 - A. is unable to acquire medical care coverage for such condition through insurance or from a health maintenance organization, or
 - B. is able to acquire such coverage only at a rate which is substantially in excess of the rate for such coverage through the membership organization.

Note:

After December 31, 1997, the spouse and any qualifying child (as defined in IRC 24(c)) of a qualifying individual is himself a qualifying individual.

7.25.42.3 (02-23-1999)

Information Returns

1. IRC 6033 requires any IRC 501(c)(26) organization to annually file an information return. These returns are subject to IRC 6104 (concerning disclosure of information returns).

7.25.42.4 (02-23-1999)

Unrelated Business Income

1. An IRC 501(c)(26) organization is subject to the unrelated business income tax, and must submit the Form 990–T for each taxable year it has gross unrelated taxable income of \$1,000 or more.

7.25.42.5 (02-23-1999)

Exemption Application

1. An IRC 501(c)(26) organization must file the Form 1024 as a part of its exemption application process. Upon recognition of exemption, the exemption application is subject to IRC 6104.

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https://www.irs.gov/irm/part7/irm_07-025-042.html