

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 1.501(c)(3)-1: Organizations organized and operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals.

Rev. Proc. 2024-22

#### SECTION 1. PURPOSE

This revenue procedure obsoletes Rev. Proc. 82-2, 1982-1 C.B. 367, which identified the State laws and circumstances that the Internal Revenue Service (IRS) previously concluded would permit an organization to satisfy the requirements of § 1.501(c)(3)-1(b)(4) of the Income Tax Regulations.<sup>1</sup> Many of the State laws identified in Rev. Proc. 82-2 have materially changed, and a revenue procedure cannot be relied upon to the extent it is predicated on State law and that State law has materially changed. See Rev. Proc. 89-14, 1989-1 C.B. 814.

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<sup>1</sup> Unless otherwise specified, all “section” or “§” references are to sections of the Internal Revenue Code or the Income Tax Regulations (26 CFR part 1).

## SECTION 2. BACKGROUND

.01 To be organized exclusively for one or more exempt purposes described in § 501(c)(3), an organization's assets must be dedicated to an exempt purpose. See § 1.501(c)(3)-1(b)(4).

.02 Section 1.501(c)(3)-1(b)(4) provides, in part that:

An organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal Government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

.03 Section 1.501(c)(3)-1(b)(2) states that, for purposes of that section, the term "articles of organization" or "articles" (collectively, Articles) includes "the trust instrument, the corporate charter, the articles of association, or any other written instrument by which an organization is created."

.04 Accordingly, to be treated as described in § 501(c)(3), an organization must satisfy the requirements of § 1.501(c)(3)-1(b)(4) by including an adequate dissolution provision in its Articles or, in the absence of such a provision, by operation of State law. An organization created in a State the laws of which satisfy the distribution of assets on dissolution requirements of § 1.501(c)(3)-1(b)(4) does not need to include an express dissolution provision in its Articles.

.05 Rev. Proc. 82-2 identified the States and circumstances in which an organization could satisfy the distribution of assets upon dissolution requirements of § 1.501(c)(3)-1(b)(4) by operation of State law. The conclusions in Rev. Proc. 82-2 were based on

State laws in effect at the time of its publication. Rev. Proc. 82-2 also provided a sample of an acceptable dissolution provision for organizations that are required to include in their Articles an express provision for the distribution of assets upon dissolution.

.06 Section 7.01(5) of Rev. Proc. 89-14 cautions taxpayers, IRS personnel, and others concerned to determine whether a revenue procedure on which they seek to rely has been revoked, modified, declared obsolete, distinguished, clarified, or otherwise affected by subsequent legislation, treaties, regulations, revenue rulings, revenue procedures, or court decisions. Section 7.01(6) of Rev. Proc. 89-14 provides that if the conclusion of a revenue procedure is predicated upon a certain provision or interpretation of law other than Federal tax law, taxpayers, IRS personnel, and others generally must determine whether such relevant non-Federal tax law has changed materially from that used in the revenue procedure on which they seek to rely. Therefore, under section 7.01(5) and (6) of Rev. Proc. 89-14, a revenue procedure cannot be relied upon to the extent that it is predicated on State law and that State law has materially changed.

.07 Many of the State laws considered in Rev. Proc. 82-2 have since been amended, repealed, or replaced. Rev. Proc. 82-2 therefore no longer provides an accurate list of the jurisdictions with laws that operate to ensure the distribution of assets for exempt purposes upon dissolution of an organization for purposes of satisfying § 1.501(c)(3)-1(b)(4). Accordingly, this revenue procedure is being published to obsolete Rev. Proc. 82-2.

.08 An organization is responsible for verifying whether the requirements of

§ 1.501(c)(3)-1(b)(4) are satisfied by applicable State law if its Articles do not provide for the distribution of its assets upon dissolution. An organization can ensure that it satisfies the requirements of § 1.501(c)(3)-1(b)(4) by including an acceptable dissolution provision in its Articles. Publication 557, *Tax-Exempt Status for Your Organization* (currently available at: <https://www.irs.gov/pub/irs-pdf/p557.pdf>), provides sample Articles with a dissolution provision that satisfies the requirements of § 1.501(c)(3)-1(b)(4). Sample dissolution provisions are also provided in the Instructions for Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code* and the Instructions for Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*. These sample dissolution provisions are substantively similar to the sample dissolution provision provided in Rev. Proc. 82-2.

### SECTION 3. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 82-2, 1982-1 C.B. 367, is obsoleted as of May 24, 2024.

### SECTION 4. DRAFTING INFORMATION

The principal author of this revenue procedure is Christopher Hyde of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this revenue procedure, contact Mr. Hyde at (202) 317-5800 (not a toll-free call).