

**Office of Chief Counsel
Internal Revenue Service
memorandum**

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to: Stephen A. Martin
Director, EO Rulings & Agreements
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from: Matthew Giuliano
Branch Chief, Exempt Organizations Branch 1
(Employee Benefits, Exempt Organizations, and Employment Taxes)

subject: State Laws Satisfying the Requirements of Treas. Reg. § 1.501(c)(3)-1(b)(4)

This memorandum responds to your request for updated guidance on State laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4),¹ which requires that a section 501(c)(3) organization's assets be dedicated to exempt purposes. Rev. Proc. 82-2, 1982-1 C.B. 367, provided a list of States whose laws at the time of publication satisfied the requirements of Treas. Reg. § 1.501(c)(3)-1(b)(4). However, many of the State laws identified in Rev. Proc. 82-2 have materially changed, and the revenue procedure cannot be relied upon to the extent that it is predicated on State law and that State law has materially changed. See Rev. Proc. 89-14, 1989-1 C.B. 814. We have provided updated tables reflecting current State law at the end of this memorandum. This document should not be used or cited as precedent.

To be recognized as described in section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for one or more of the exempt purposes specified in section 501(c)(3). An organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. See Treas. Reg. § 1.501(c)(3)-1(b)(4).

Treas. Reg. § 1.501(c)(3)-1(b)(4) provides, in part that:

¹ Unless otherwise specified, all "section" or "§" references are to sections of the Internal Revenue Code of 1986, as amended.

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.

In general, applicants for section 501(c)(3) recognition satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) by inclusion of an acceptable dissolution provision in their articles of organization (articles),² or by operation of State law. An organization created in a State the laws of which satisfy the distribution of assets on dissolution requirements of Treas. Reg. § 1.501(c)(3)-1(b)(4) does not need to include an express dissolution provision in its articles.

Rev. Proc. 82-2 identified the States and circumstances in which an organization could satisfy the distribution of assets upon dissolution requirements of Treas. Reg. § 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. However, many of the State laws considered in Rev. Proc. 82-2 have since been amended, repealed, or replaced, and the revenue procedure cannot be relied upon to the extent State law has materially changed. See sec. 7.01(5), (6), Rev. Proc. 89-14. This office is obsoleting Rev. Proc. 82-2 because it no longer provides an accurate list of the States with laws that operate to ensure the distribution of assets for exempt purposes upon dissolution.

The tables at the end of this memorandum identify States with laws that operate to ensure the dedication of assets to exempt purposes. Separate tables are provided for different types of organizations. Please note that the law in many States will not operate to cure a defective dissolution provision and will generally give effect to a dissolution provision in the articles (or, in some States, the bylaws), even if that provision is defective for purposes of section 501(c)(3). For example, a dissolution provision would be defective for purposes of section 501(c)(3) if it would transfer the dissolving organization's assets to a particular section 501(c)(3) organization without a contingency clause in the event that the transferee no longer exists, refuses to accept the transfer, or is no longer described in section 501(c)(3) at the time of the transfer. It is therefore important to be mindful of the specific requirements and exceptions described in the tables and, where necessary, to examine the articles and bylaws for provisions that would operate to effect a disposition that would be inconsistent with section 501(c)(3).

² Treas. Reg. § 1.501(c)(3)-1(b)(2) provides that the term "articles of organization" or "articles" includes the trust instrument, the corporate charter, the articles of association, or any other written instrument by which an organization is created.

The information in the tables is current as of April 23, 2024. However, subsequent changes to State law by statute or court decision may affect the accuracy of this information. These tables may be updated by this office in subsequent memoranda or through other guidance.

Please call Christopher Hyde at (202) 317-5800 if you have any further questions.

State Law Tables

Nonprofit Corporations

States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4)	States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) if there are no inconsistent provisions in the corporation's articles or bylaws	Dissolution clause required
Arkansas California Colorado Kansas Massachusetts Ohio	Hawaii Indiana Iowa Minnesota Missouri Montana Nebraska North Carolina South Carolina Tennessee Texas* Vermont Wyoming ---- * Texas law satisfies Treas. Reg. § 1.501(c)(3)-1(b)(4) absent a conflicting provision in the corporation's certificate of formation.	Alabama Alaska Arizona Connecticut Delaware District of Columbia Florida Georgia Idaho Illinois Kentucky Louisiana Maine Maryland Michigan Mississippi Nevada New Hampshire New Jersey New Mexico New York North Dakota Oklahoma Oregon Pennsylvania Rhode Island South Dakota Utah Virginia Washington West Virginia Wisconsin

Inter Vivos Charitable Trusts

<p>States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) if there are no contrary provisions in the trust instrument, such as a reversion to the settlor or a gift-over to a noncharitable entity</p>	<p>States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) if: (1) there are no contrary provisions in the trust instrument, such as a reversion to the settlor or a gift-over to a noncharitable entity; and (2) the settlor manifests a general intent to benefit charity, and not merely a specific intent to benefit a particular institution</p>	<p>Dissolution clause required</p>
<p>Alabama Arizona Arkansas Colorado Connecticut Delaware District of Columbia Georgia Hawaii Illinois Kentucky Maine Mississippi Missouri Montana Nebraska New Hampshire New Jersey New Mexico North Carolina North Dakota Ohio Oregon Pennsylvania South Carolina Tennessee Utah Vermont Virginia Washington Wisconsin West Virginia† Wyoming</p> <p>----</p> <p>† However, a West Virginia state court decision has held that the cy pres doctrine does not apply to trusts for scientific uses or purposes.</p>	<p>California Florida Indiana Michigan</p>	<p>Alaska Idaho Iowa‡ Kansas Louisiana‡ Maryland Massachusetts‡ Minnesota Nevada New York‡ Oklahoma Rhode Island South Dakota‡ Texas</p> <p>----</p> <p>‡ Courts in these states will apply the cy pres doctrine to a charitable inter vivos trust after the death of the settlor. However, there is no guarantee in these states that the cy pres doctrine will be applied to save a charitable inter vivos trust that fails during the settlor's lifetime.</p>

Testamentary Charitable Trusts

<p>States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) if there are no contrary provisions in the trust instrument, such as a reversion to the settlor or a gift-over to a noncharitable entity</p>	<p>States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4) if: (1) there are no contrary provisions in the trust instrument, such as a reversion to the settlor or a gift-over to a noncharitable entity; and (2) the settlor manifests a general intent to benefit charity, and not merely a specific intent to benefit a particular institution</p>	<p>Dissolution clause required</p>
<p>Alabama Arizona Arkansas Colorado Connecticut Delaware District of Columbia Georgia Hawaii Illinois Kentucky Louisiana Massachusetts Maine Mississippi Missouri Montana Nebraska New Hampshire New Jersey New Mexico North Carolina North Dakota Ohio Oregon Pennsylvania South Carolina Tennessee Utah Vermont Virginia Washington Wisconsin West Virginia† Wyoming</p> <p>----</p> <p>† However, a West Virginia state court decision has held that the cy pres doctrine does not apply to trusts for scientific uses or purposes.</p>	<p>California Florida Indiana Iowa Kansas Maryland Michigan Minnesota New York Oklahoma Rhode Island South Dakota Texas</p>	<p>Alaska Idaho Nevada</p>

Unincorporated Nonprofit Associations

States that have laws that satisfy Treas. Reg. § 1.501(c)(3)-1(b)(4)	Dissolution clause required
Colorado (if there are no contrary provisions in the association's principal governing documents) Ohio	Alabama Alaska Arizona Arkansas California Connecticut Delaware District of Columbia Florida Georgia Hawaii Idaho Illinois Indiana Iowa Kansas Kentucky Louisiana Maine Maryland Massachusetts Michigan Minnesota Mississippi Missouri Montana Nebraska Nevada New Hampshire New Jersey New Mexico New York North Carolina North Dakota Oklahoma Oregon Pennsylvania Rhode Island South Carolina South Dakota Tennessee Texas Utah Vermont Virginia Washington West Virginia Wisconsin Wyoming