

OFFICIAL FILE

Response to Ameren's  
Eighth Set of Data Requests to Staff  
Docket No. 12-0293  
Response of Staff Witness Chang

ILL. C. C. DOCKET NO. 12-0293

Ameren Cross Exhibit No. 4

Witness Chang

Date 9-13-12 Reporter CB

ICC Person Responsible: Karen Chang  
Title: Rate Analyst, Financial Analysis Division  
Business Address: Illinois Commerce Commission  
527 East Capitol Avenue  
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AIC-Staff 8.02

Please identify the language in Section 501c3 of the IRS Code upon which Ms. Chang [sic] in support for the positions she takes in rebuttal testimony.

Response

Ms. Chang relies upon the characterization of Section 501(c)(3) organizations that is provided by IRC Code Section 501(a-b) and (c)(3):

**(a) Exemption from taxation**

An organization described in subsection (c) or (d) or section 401 (a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

**(b) Tax on unrelated business income and certain other activities**

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

**(c) List of exempt organizations**

The following organizations are referred to in subsection (a):

...

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

The IRS web site at [http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements---Section-501\(c\)\(3\)-Organizations](http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements---Section-501(c)(3)-Organizations) provides this further discussion of the definition of Section 501(c)(3) organizations:

### **Exemption Requirements - Section 501(c)(3) Organizations**

To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Organizations described in section 501(c)(3) are commonly referred to as charitable organizations. Organizations described in section 501(c)(3), other than testing for public safety organizations, are eligible to receive tax-deductible contributions in accordance with Code section 170.

The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual. If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an excise tax may be imposed on the person and any organization managers agreeing to the transaction.

Section 501(c)(3) organizations are restricted in how much political and legislative (lobbying) activities they may conduct. For a detailed discussion, see Political and Lobbying Activities. For more information about lobbying activities by charities, see the article Lobbying Issues; for more information about political activities of charities, see the FY-2002 CPE topic Election Year Issues.