

House Bill 397

By: Representatives Knight of the 130<sup>th</sup> and Harrell of the 106<sup>th</sup>

A BILL TO BE ENTITLED  
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,  
2 relating to imposition, rate, computation of, and exemptions from income taxes, so as to  
3 exclude from the calculation of unrelated business income of certain exempt organizations  
4 any amount included in federal unrelated business income due to the application of Section  
5 512(a)(6) and Section 512(a)(7) of the United States Internal Revenue Code; to provide for  
6 related matters; to provide for an effective date and applicability; to repeal conflicting laws;  
7 and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 **SECTION 1.**

10 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to  
11 imposition, rate, computation of, and exemptions from income taxes, is amended in Code  
12 Section 48-7-25, relating to exempt corporations and organizations, by revising subsection  
13 (c) as follows:

14 "(c)(1) A tax is imposed on income of an organization exempted pursuant to  
15 paragraph (1) of subsection (a) of this Code section when the income is derived from  
16 trade or business which is not related to exempt purposes of organizations described in  
17 paragraph (1) of subsection (a) of this Code section. This income shall be referred to as  
18 unrelated business income and shall be the income which is defined in Section 512 of the  
19 Internal Revenue Code of 1986; provided, however, that Section 512(a)(6) and Section  
20 512(a)(7) of the Internal Revenue Code of 1986 shall be excluded and shall not be  
21 applied. The tax imposed on unrelated business income shall be at the rate provided in  
22 Code Section 48-7-21.

23 (2) If an organization is exempt under Section 501(c)(4) of the United States Internal  
24 Revenue Code of 1986, if the organization makes payments of death benefits as a result  
25 of the death of a member of the organization, and if payments have been made by the  
26 organization for at least five years prior to January 1, 1977, the payments shall be

27 deductible from the unrelated business income tax which might be owed by the  
28 organization. The payment of such death benefits shall not operate to generate a rebate  
29 or a refund. If the amount of death benefits paid within the taxable year exceeds the  
30 unrelated business income tax owed for the same taxable year, the excess may be carried  
31 forward for a period of five years."

32 **SECTION 2.**

33 This Act shall become effective upon its approval by the Governor or upon its becoming law  
34 without such approval and shall apply to taxable years beginning on or after January 1, 2019.

35 **SECTION 3.**

36 All laws and parts of laws in conflict with this Act are repealed.