
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 555

Session of
1971

INTRODUCED BY MESSRS. FINEMAN, BUTERA AND STONE, MARCH 29, 1971

REFERRED TO COMMITTEE ON JUDICIARY, MARCH 29, 1971

AN ACT

1 Respecting governing instruments of certain charitable
2 organizations.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. The governing instrument of any charitable
6 organization shall be deemed to include provisions, the effects
7 of which are

8 (1) To require distributions for each taxable year in such
9 amounts and at such times and in such manner as not to subject
10 the organization to tax under section 4942 of the Internal
11 Revenue Code of 1954 and

12 (2) To prohibit the organization from engaging in any act of
13 self-dealing (as defined in section 4941 (d) of the Internal
14 Revenue Code of 1954) and from retaining any excess business
15 holdings (as defined in section 4943 (c) of that code) and from
16 making any investment in such manner as to subject the
17 organization to tax under section 4944 of that code and from
18 making any taxable expenditure as defined in section 4945 (d) of

1 that code,
2 and such provisions shall supersede any contrary provision of
3 the governing instrument. This section shall be applicable only
4 to the extent that the charitable organization is subject to one
5 or more of the cited sections of the Internal Revenue Code of
6 1954.

7 Section 2. For purposes of this act, the term "charitable
8 organization" means any corporation, trust, or other
9 instrumentality governed by Pennsylvania law, including any
10 trust described in section 4947 (a) (1) of the Internal Revenue
11 Code of 1954, which is or is treated as a private foundation
12 under section 509 of that code.

13 Section 3. References herein to the Internal Revenue Code of
14 1954 shall be deemed to extend to corresponding provisions of
15 any subsequent Federal tax laws.

16 Section 4. Nothing in this act shall preclude a court of
17 competent jurisdiction from authorizing a deviation from the
18 express terms of an instrument governing a charitable
19 organization.

20 Section 5. This act shall take effect immediately and shall
21 apply:

22 (1) Forthwith to every charitable organization created after
23 December 31, 1969; and

24 (2) After December 31, 1971, to every charitable
25 organization created before January 1, 1970, unless a court of
26 competent jurisdiction in a proceeding instituted before January
27 1, 1972, should explicitly decide that the operation of section
28 1 of this act would substantially impair the accomplishment of
29 the purposes of the charitable organization involved in that
30 proceeding.

1 Section 6. This act shall be known and may be cited as the
2 "Charitable Instruments Act of 1971."