
APPENDIX C

IRS 501(c)(3) TAX EXEMPTION

LOBBYING LIMITATIONS

JoAnn Roberts

Aug 12, 1994

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Phyllis Frye
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ICTLEP
5707 Firenza St.
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Dear Phyllis,

Before I forget — Thank You! Thanks for all the work you're doing on behalf of the community.

I just received the ICTLEP Reporter, V 2 #3 and I noted in several places comments regarding lobbying and 501(c)(3) organizations. I would like to share with you the results of my research on this issue. I am using as my reference the 1992 edition of the Penna. Non-profit Handbook.

As listed under disadvantages of being a 501(c)(3) the handbook states: "Such organizations may not substantially engage in lobbying or engage in propanganda, or in political activities which advance the cause of candidates." The keyword here is "substantial."

Elsewhere in the handbook it states: "The U.S. Congress in 1976 enacted a new law which expanded the rights of non-profits to lobby." The IRS and Treasury Departments finalized regulations to implement this law in August of 1990.

The handbook continues: "The principal issue is the definition of the term 'substantial,' since the law prohibits 501(c)(3) non-profits from carrying on 'substantial' lobbying activities.

"The regulations permit electing organizations to spend on lobbying, on a sliding scale, up to 20% of their first \$500,000 in expenditures, and up to 5% of expenditures over \$1.5 million, with a \$1 million ceiling each year. Organizations can spend no more than a quarter of their lobbying expenses on grass roots lobbying (communications to the general public which attempt to influence legislation through changing public opinion.

"The new regulations exclude certain expenditures from lobbying, including —

1. Communications to members of an organization which brief them on provision of legislation, but which do not urge that they take action to change those provisions.

2. Communications to legislators on issues which directly affect the organizations own existence, such as changes to tax-exempt status laws.

"Of major importance to non-profits, the organization would no longer be subject to [revocation of its tax-exempt status] for violations. There is a system of sanctions replacing that."

My interpretation of the above is that it is permissible for a 501(c)(3) to engage in lobbying activities as long as the expenditures for such activities are not "substantial" in relation to its other expenditures, i.e. less than 20%. Perhaps this should be researched further.

I know you'd like me to be present at the Law Conference, but it just isn't feasible for me at this time. However, when next you are in Washington, D.C., if I can be of any help in educating legislators, please do not hesitate to call on me.

Good Luck with the '93 conference!



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August 23, 1994

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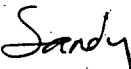
Dear Phyllis,

Since returning from Houston, I have done a little reading about the restrictions on political activities by 501(c)(3) organizations. I am enclosing copies of several articles about the IRC section 501(h) election which is available to 501(c)(3) organizations. Basically, an electing organization can use up to 20% of its expenditures for lobbying. This would enable ICTLEP to provide unsolicited information to legislators without risking the loss of its 501(c)(3) status.

I didn't manage to get a copy of Joanne Roberts' letter from you at the conference; I would like to see what ~~she~~ has to say about the political expenditures issue.

Melinda asked me to provide some information about tax filing requirements. I know a fair amount about the various tax forms and how to fill them out, and I will be glad to help with this if you don't ask me in February, March or April. The main event is IRS form 990. The enclosed memo was written for ETVC, so ignore the California parts. I know that Texas has no income tax, but there may be a state reporting requirement similar to the California Form CT-2 report to the state Attorney General's Office.

Hope to see you in Portland.


Sandy Kasten

cc: Melinda Whiteway
Karen Kerin