

## Item #3 – Lobbying

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Charitable, religious or educational organizations which are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. § 501(c)(3)), which have the privilege of receiving contributions from private parties that are tax-deductible for the *contributor*, may not engage in lobbying activities which constitute a "substantial part" of their activities if they wish to preserve this preferred tax-exempt status.

Organizations which are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. § 501(c)(3)) are community chests, funds, corporations or foundations "organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes." These charitable organizations, which have the privilege of receiving contributions from private parties which are tax-deductible for the *contributor* under 26 U.S.C. § 170(a), are limited in the amount of lobbying in which they may engage if they wish to preserve this preferred tax-exempt status from the federal government.

A charitable organization exempt from federal taxation under § 501(c)(3) may not engage in lobbying activities which constitute a "substantial part" of its activities. In 1976, a "safe harbor" was given to 501(c)(3) organizations where they could elect to come within specific percentage limitations on expenditures to assure that no violations of the "substantial part" test would incur, or could remain under the old, unspecified "substantial part" test. The limitations upon organizational expenditures for covered lobbying activities are 20% of the first \$500,000 of total exempt purpose expenditures of the organization, then 15% of the next \$500,000 in exempt purposes expenditures, then 10% of the next \$500,000 in expenditures, and 5% of the organization's expenditures over \$1,500,000. In no event may a covered charitable organization spend more than \$1,000,000 on lobbying activities. There is a separate "grass roots" expenditure limit of 25% of the direct lobbying limits.

The activities covered under the limitations on lobbying by charitable organizations generally encompass direct or indirect "grass roots" lobbying, but exempt nonpartisan analysis, study or research; advice or assistance given at the request of a governmental body; "self-defense" communications before governmental bodies; contacts with the organization's *bona fide* members; and contacts unrelated to affecting legislation.

The term "influencing" legislation means:

- Any attempt to influence any legislation through an attempt to affect the opinions of the general public or any segment thereof
- Any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of the legislation

The term “influencing legislation” does not mean:

- Making available the results of nonpartisan analysis, study or research
- Providing of technical advice or assistance (where such advice would otherwise constitute the influencing of legislation) to a governmental body or to a committee or other subdivision thereof in response to a written request by such body or subdivision, as the case may be
- Appearance before, or communications to, any legislative body with respect to a possible decision of such body which might affect the existence of the organization, its powers and duties, tax-exempt status, or the deduction of contributions to the organization
- Communications between the organization and its bona fide members with respect to legislation or proposed legislation of direct interest to the organization and such members
- Any communication with a government official or employee other than:
  - ✓ Communication with a member or employee of a legislative body (where such communication would otherwise constitute the influencing of legislation)
  - ✓ Communication the principal purpose of which is to influence legislation