Please contact any member of our team for additional information regarding tax-exempt organizations:

Sarah Duniway, chair
Catherine M. Bitzan
John R. Green
Lee W. Hanson
Thomas L. Johnson
Greg A. Larson
Sheryl G. Morrison
Clinton A. Schroeder

Jennifer Reedstrom Bishop
Julie A. Frommelt
Richard A. Hackett
Robert E. Harding
Timothy A. Johnson
Carl Crosby Lehmann
Julia S. Offenhauser

For complimentary copies of this publication, please contact Sarah Duniway at sarah.duniway@gpmlaw.com or 612.632.3055.

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Lobbying

QUICK TIPS FOR TAX-EXEMPT ORGANIZATIONS

GRAY PLANT MOOTY
Tax-exempt charitable organizations, other than private foundations, are generally permitted to engage in some lobbying activities. However, the Internal Revenue Code restricts the amount and type of lobbying activities of certain tax-exempt organizations. This guide is a quick reference to common lobbying activities and their potential impact on an organization’s tax-exempt status. Please note that this guide does not discuss the more stringent restrictions on private foundation lobbying activities.

501(C)(3) ORGANIZATIONS

• A 501(c)(3) organization may lobby but only as an insubstantial part of its activities considering all facts and circumstances. “Insubstantial” is not defined by the IRS but is commonly considered to be significantly less than 20 percent, (i.e., 0 to 10 percent), of an organization’s expenditures and activities (including efforts by volunteers).

• An annual lobbying election may be made which permits a 501(c)(3) to spend up to approximately 20 percent of its total exempt purpose expenditures each year on lobbying activities, up to $1,000,000. The amount that can be expended on grassroots lobbying is limited to 25 percent of the foregoing amount. The expenditure of affiliated electing 501(c)(3) organizations are combined for purposes of these limitations.

• The time and money expended on “lobbying activities” is analyzed by the IRS in determining the amount of lobbying performed by an organization. Activities are classified as “lobbying activities” if they fall into one of two categories:

  Direct lobbying is any attempt to influence legislation through communication with members or employees of a legislative body or any government employee or official if the communication refers to specific legislation and reflects a view on such legislation. A communication directed at an organization’s members urging them to contact legislators, or legislative or governmental employees, is also considered direct lobbying.

  Grassroots lobbying is any attempt to influence legislation by affecting the opinions of the public through a communication that refers to specific legislation and encourages the recipient to take action with respect to the legislation.

501(C)(4), (5) AND (6) TAX-EXEMPT ORGANIZATIONS

• 501(c)(4), 501(c)(5), and 501(c)(6) tax-exempt organizations may engage in unlimited amounts of lobbying if it is in furtherance of the organization’s exempt purposes. Depending on the type of members and the size of their dues, these organizations may be required to notify their members of the portion of members’ dues that are allocated to lobbying expenditures, as such dues are not deductible by members as business expenses.

In addition to tax-exempt issues discussed in this guide, state and federal election and lobbying laws regulate lobbying activities. Please consult your advisor before engaging in any political or lobbying activities.

Please see our publication, Political Activities, regarding political and campaign activities by tax-exempt organizations.

This guide is a periodic publication of Gray Plant Mooty and should not be construed as legal advice or legal opinion on any specific facts or circumstances. The contents are intended for general information purposes only, and you are urged to consult your own lawyer concerning your situation and any specific legal questions you may have.