**Module 8**

**Expenditure Test: Sample Calculation #2**

**PowerPoint Script**

**Slide #1: Calculation #2**

Let’s try another sample calculation where ABC charity’s expenditures exceed the nontaxable ceiling. Assume ABC Charity makes the following expenditures:

* + Non-lobbying expenditures: $300,000
	+ Direct lobbying expenditures: $70,000
	+ Grassroots lobbying expenditures: $10,000

Does ABC charity have to pay a penalty for excessive lobbying expenditures? (Spoiler alert: There is a penalty, but let’s work through the calculation anyways).

**Slide #2: Calculation #2 Cont’d.**

We calculate the total exempt purpose expenditures which is $380,000. The next step is to calculate the total lobbying expenditures which is $80,000.

**Slide #3: Calculation #2 Cont’d.**

Our applicable percentages will be 20% for the total lobbying expenditures and 5% for grassroots lobbying expenditures because the total exempt purpose expenditures do not exceed $500,000. This yield a nontaxable lobbying ceiling of $76,000 and a nontaxable lobbying ceiling of $19,000.

**Slide #4: Calculation #2 Cont’d.**

Now let’s compare the actual expenditures to the ceiling amounts. ABC’s grassroots lobbying expenditures does not exceed the grassroots ceiling. However, the total lobbying expenses exceeds total lobbying ceiling amount, so ABC Charity will have to pay a penalty tax for the year.

**Slide #5: Calculation #2 Cont’d.**

Let’s calculate the tax. The calculation is pretty straightforward as you take the total amount of lobbying expenditures and subtract out the ceiling to determine the excess lobbying expenditures. The penalty is equal to 25% of the excess amount. In this cases, ABC Charity spent $80,000 on lobbying and the ceiling was $76,000 for the year, meaning it made $4,000 of excess lobbying expenditures. As such, the penalty is $1,000 which is 25% of the excess amount.