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**501(c)(3) Organizations and Political Activities**

**PowerPoint Script**

**Slide 1: Title Page**

Welcome to brief introduction on 501(c)(3) organizations and political activities

**Slide 2: Learning Objectives**

Today we are going to spend some time talking about charitable organizations and their political activities. When we say political activities, we really mean two activities: lobbying and electioneering. The goal of this training module is to educate you as to why your organization needs to pay attention to its political activities. First, we will briefly discuss why a charitable organization should consider lobbying. Next, we will discuss the restriction on a charity’s lobbying activities and the penalties for failure to comply. Finally, we will discuss the absolute prohibition on a charity engaging in electioneering activities and the failure to comply penalties.

As we go through the material today it is important to remember this just a brief overview. You can find on our website substantially more detail on the material covered today.

**Slide 3: Why consider lobbying?**

So, let’s jump right in. First things first. Let’s clear up some potential confusion that might be out in the audience today. Are charities prohibited from lobbying? No! That is a common misconception. There is not absolute prohibition on lobbying. Charities can lobby. Lobbying is a very effective form of advocacy that can further your charity’s mission. What you and your charitable organization does is important, and lobbying is an indispensable tool that can help your organization reach its goals.

**Slide 4: 501(c)(3) Organization’s Lobbying Restrictions**

So, we know there is no an absolute restriction on a charitable organization conducting lobbying activities. Does that mean a charity is free to engage in as much lobbying as it wants? Well, as you may have guessed (or if you read the slides ahead of time), a charity is not free to engage in unlimited lobbing activity. There are limits. What are those limits? Well, it depends. There are two tests that may apply. Under the default rule, no substantial part of a charity’s activities may be for lobbying. If the charity has made what is a called a 501(h) election, then the amount a charity can spend on lobbying is based on a percentage of its total expenditures.

Again, this is just a broad overview. You can find out more about these two tests on our website.

**Slide 5: Penalties for Excessive Lobbying**

The next question you are probably thinking is what happens if a charity does engage in excessive lobbying activities. What is the penalty for doing so? Failure to comply with the lobbying restriction carries harsh penalties. If the IRS determines the charity’s lobbying activities are a substantial part of its activities, then the charity loses its tax-exempt status. Poof. No more tax-exemption. No more tax-deductible contributions for its donors. Obviously, that is not a great result. Furthermore, the charity and its managers may be subject to a penalty equal to 5% of charity’s lobbying expenditures.

**Slide 6: 501(c)(3) Organizations & Electioneering**

So, we talked briefly about lobbying. Let’s move on to electioneering. This one is a little different. Unlike lobbying, a charitable organization cannot engage in ANY electioneering activity. Zip. Zero. Zilch. What happens if the charity does? Well, similar to lobbying, the penalties are harsh. If a charity engages in improper electioneering, then it can lose its tax-exempt status. Furthermore, the organization may be subject to a tax equal to the 10% of the political expenditure and the organization management that participated in the expenditure may be subject to a tax equal to 2.5% of the expenditure.

**Slide 7: End**

This has been a brief introduction on 501(c)(3) organizations and political activities. As you can see engaging in such activities can have serious ramifications for your organization, so you need to make sure your organization stays within compliance. We encourage you to check out our website and learn more about these issues.