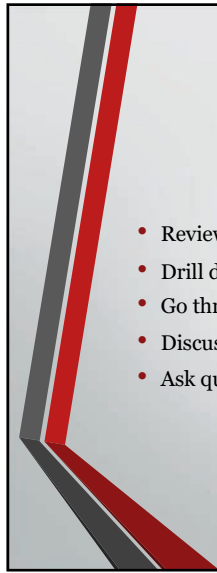


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## **Agenda**

- Review the basics.
- Drill down into the rules of the road.
- Go through some examples and case studies.
- Discuss some tricks of the trade.
- Ask questions as we go along so this can be a dialogue rather than a lecture.

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“I seldom think of politics  
more than 18 hours a day.”

—Lyndon Baines Johnson

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## Types of Tax-Exempt Organizations

- The rules differ based on what type of tax-exempt organizations are involved.
- IRC Section 501(c)(3)
  - Private foundations
  - Public charities
- IRC Section 501(c)(4)
  - Social welfare organizations
- IRC Section 501(c)(6)
  - Trade associations
- IRC Section 527
  - 527s (not PACs)
  - Political action committees (PACs)
  - Independent-expenditure only PACs (SuperPACs)

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## Types of Tax-Exempt Organizations

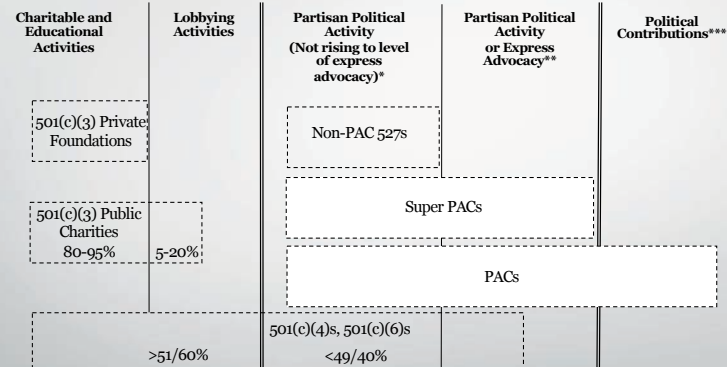
|                                  | 501(c)(3)<br>Private<br>Foundation   | 501(c)(3)<br>Public Charity   | 501(c)(4)<br>Social Welfare<br>Org  | 527<br>Political Org   |
|----------------------------------|--|---|---|--|
| Purpose                          | <ul style="list-style-type: none"> <li>Charity, education, religion or science</li> <li>Contributions from limited sources</li> </ul>  | <ul style="list-style-type: none"> <li>Charity, education, religion or science</li> </ul>   | <ul style="list-style-type: none"> <li>Social welfare or advocacy (lobbying)</li> </ul>   | <ul style="list-style-type: none"> <li>Political</li> </ul>  |
| Examples                         | <ul style="list-style-type: none"> <li>Gates Foundation</li> <li>Ford Foundation</li> </ul>  | <ul style="list-style-type: none"> <li>Sierra Club Foundation</li> <li>American Red Cross</li> <li>Heritage Foundation</li> </ul> | <ul style="list-style-type: none"> <li>Sierra Club</li> <li>National Rifle Association</li> <li>Crossroads GPS</li> </ul>                       | <ul style="list-style-type: none"> <li>Sierra Club Political Committee</li> <li>EMILY's LIST</li> <li>American Crossroads</li> </ul> |
| Tax Benefits                     | <ul style="list-style-type: none"> <li>Tax exemption</li> <li>Contributions deductible</li> <li>Gift tax deduction</li> </ul>  | <ul style="list-style-type: none"> <li>Tax exemption</li> <li>Contributions deductible</li> <li>Gift tax deduction</li> </ul>     | <ul style="list-style-type: none"> <li>Tax exemption</li> <li>Gift tax exemption</li> </ul>   | <ul style="list-style-type: none"> <li>Tax exemption</li> <li>Gift tax exemption</li> </ul>  |
| <b>Election-Related Activity</b> | <ul style="list-style-type: none"> <li>Can't support or oppose candidates</li> <li>Nonpartisan activities OK</li> <li>Can only fund voter registration under very limited circumstances</li> </ul> | <ul style="list-style-type: none"> <li>Can't support or oppose candidates</li> <li>Nonpartisan activities OK</li> </ul>           | <ul style="list-style-type: none"> <li>Partisan activity cannot be primary activity ("primary purpose" test)</li> <li>May be taxable</li> </ul> | <ul style="list-style-type: none"> <li>Primary purpose is partisan activity</li> </ul>   |

\*Note: 501(c)(4)s and 501(c)(6)s have the same rules for these purposes.

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## IRS Educational, Lobbying and Political Activity Spectrum



\*Political speech regulated by IRS (not FEC).

\*\* Political speech regulated by IRS and FEC.

\*\*\* N.B. For state and local elections, the rules may differ.

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40<sup>th</sup> Annual Nonprofit Organizations Institute session  
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