

Why the League of Women Voters of Cook County (“LWVCC”) Is Seeking Approval at the 2020 Annual Meeting to Convert from A 501(c)(4) to a 501(c)(3) Entity

What are the differences between a 501(c)(4) and a 501(c)(3) organization?

1. Both are non-profit organizations and are exempt from federal income tax.
2. A 501(c)(3) organization is organized and operated for charitable purposes. The League of Women Voters of Illinois Education Fund (“LWVIL Ed Fund”) and a few local Illinois Leagues (including Glencoe/Glenview and Oak Park & River Forest) have 501(c)(3) status.
3. Contributions (including often most or all of the dues) to 501(c)(3) entities are often tax deductible to the donor.
4. A 501(c)(4) organization is organized and operated for social welfare purposes. The LWVCC, along with the League of Women Voters of Illinois (“LWVIL”) and most other Illinois local Leagues, is a 501(c)(4) organization. Such organizations can participate in activities that would not be considered “charitable,” such as lobbying, and still retain their tax-exempt status.
5. However, 501(c)(3) organizations can engage in lobbying activities as well, provided that such lobbying activities are deemed “insubstantial” under the IRS regulations. They must also be non-partisan, which, of course, League principles already mandate.

How does a 501(c)(3) organization determine whether its lobbying activities are “insubstantial”?

1. One way to determine whether the lobbying activities are indeed insubstantial is for the 501(c)(3) entity to make an election under Section 501(h) of the IRS code by making a one-time submission of IRS Form 5768. This allows the entity to measure the amount of its lobbying activities by the dollar amounts spent on those activities, and not based on the amount of time spent pursuing those activities.
2. In the case of the LWVCC, which has a budget far less than the \$500,000 threshold, the LWVCC can spend up to 20% of its budget on “lobbying” activities, and up to 5% of its budget on “grassroots lobbying” activities. See the document entitled “Lobbying.Grassroots.March.2020” for more information, including the definitions of those terms.
3. The LWVCC does little or no grassroots lobbying in most years.
4. The LWVCC spends very little, if anything, on lobbying activities each year. All of these activities are done by unpaid Cook County League members. Most of the lobbying activities are done by these unpaid members through phone calls or emails or visits to members of the county-wide governments in Cook County. These activities do not involve any dollar expenditures. The LWVCC has, from time to time, had some materials printed that could fall under the lobbying definition, but these printing costs have never exceeded 20% of the yearly budget in at least the last 15 years.
5. The LWVCC will need to keep records of the amount spent on lobbying and grassroots lobbying activities each year, but this should not be time-consuming or difficult.

What are the advantages of the LWVCC converting to a 501(c)(3) organization?

1. Donations to the LWVCC would be tax-deductible to the donor, to the extent permitted by law. Should the LWVCC seek grants, our understanding is that it is unlikely to receive a grant unless the LWVCC is a 501(c)(3) organization. While not a major consideration for the LWVCC now, this could become so in the future.
2. The LWVCC, while separately incorporated, has its income tax- exemption as a 501(c)(4) entity through a group designation of other Illinois Leagues under the LWVIL. The LWVIL received direction at the 2019 Annual Meeting to proceed to take the necessary steps to convert to a 501(c)(3).
3. The LWVIL intends, as part of its filing to convert to a 501(c)(3) entity, to seek group designation for all the Illinois Leagues then under the LWVIL's 501(c)(4) group designation to be deemed 501(c)(3) entities. Other state Leagues that have tried to obtain such a group designation for their local Leagues under 501(c)(3) have been unable to do so.
4. Thus, it is likely that the LWVCC will, upon the conversion of the LWVIL, need to make a filing on its own with the IRS, either as a 501(c)(3) or a 501(c)(4).
5. There appears to be no reason for the LWVCC to then file to retain its 501(c)(4) designation. There are advantages to being a 501(c)(3) entity – see #1 above.

Why is the LWVCC seeking authority at this 2020 Annual Meeting to start the process of doing the conversion now?

1. The LWVCC has the support and attention of the LWVIL and the support and attention of the law firm Katten Muchin on a pro bono basis to proceed to take the necessary steps to do the conversion now. Such support and attention may not be as readily available in the future due to other obligations and the fact that the LWVIL will be doing its own conversion and helping other local Leagues in the future.
2. The LWVCC has some key members who are available and have the time to take the lead now on doing the conversion. These members may not be available in the future or may not have the time to do so.

What are the incremental costs for obtaining 501(c)(3) authorization?

1. There are several fees for one-time filings:
 - a. Filing with the Illinois Secretary of State to amend the Articles of Incorporation: \$50
 - b. Application to be a 501(c)(3) organization with the IRS: \$600
 - c. Initial filing with the Illinois Attorney General as a 501(c)(3) entity that varies depending on whether or not it is filed before any fundraising occurs: \$15 to \$300
2. There is one additional filing with the Illinois Attorney General that will need to be done each year thereafter: \$15
3. LWVCC is already required to do an annual filing with the Illinois Secretary of State and this requirement will remain, so this is not an incremental fee: \$10

THE LWVCC HAS SUFFICIENT FUNDS TO PAY THESE INCREMENTAL COSTS.

What do the delegates need to do to allow the LWVCC to proceed with the conversion to a 501(c)(3) entity?

1. Vote to authorize the conversion.
2. Vote to amend the LWVCC's bylaws to insert language which the LWVCC is advised must be in the bylaws to be able to obtain a 501(c)(3) designation from the IRS. *Note; there are also other Board-recommended changes to the bylaws which delegates are being asked to approve. These other recommended changes are contained in a separate document from those that relate to the 501(c)(3) conversion.*

3. Vote to amend the LWVCC's Articles of Incorporation to insert that same 501(c)(3) language. *Note: in reviewing the LWVCC's Articles of Incorporation, the Board discovered there were several other changes necessary. These are included in the same document containing the 501(c)(3) required language, but are marked as being separately necessary.*

THE LWVCC BOARD RECOMMENDS AN "AYE" VOTE BY THE DELEGATES ON THE ABOVE.

What will the LWVCC Board do assuming such an "aye" vote?

THE BOARD WILL THEN PROCEED TO WORK WITH THE LWVIL AND KATTEN MUCHIN TO DO THE NECESSARY FILINGS TO OBTAIN 501(c)(3) DESIGNATION AND WILL KEEP THE COOK COUNTY LOCAL LEAGUES INFORMED AS TO THE LWVCC'S PROGRESS.